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Guangzhou Rural Commercial Bank Co., Ltd.*
廣州農村商業銀行股份有限公司*

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

(H Share Stock code: 1551)

(Preference Share Stock code: 4618)

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

The board of directors (the “**Board**”) of Guangzhou Rural Commercial Bank Co., Ltd.* (the “**Bank**”) announces the unaudited consolidated interim results of the Bank and its subsidiaries (the “**Group**”) for the six months ended June 30, 2022 (the “**Interim Results**”). This results announcement contains the interim report of the Group for the six months ended June 30, 2022 and the contents were 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 Stock Exchange**”) and the International Financial Reporting Standards. The Interim Results have been reviewed by the Board and the audit committee of the Board.

This results announcement is published on the websites of the Bank (www.grcbank.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Bank for the six months ended June 30, 2022 will be dispatched to shareholders of the Bank and will also be available at the abovementioned websites in due course.

By Order of the Board
Guangzhou Rural Commercial Bank Co., Ltd.*
Cai Jian
Chairman

Guangzhou, the PRC
August 30, 2022

As at the date of this announcement, the Board comprises two executive directors, namely, Mr. Cai Jian and Mr. Yi Xuefei; six non-executive directors, namely, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang and Mr. Lai Zhiguang; and five independent non-executive directors, namely, Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming.

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

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DEFINITIONS

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

“AGM”	2021 annual general meeting of the Bank
“Articles of Association” or “Articles”	the articles of association of the Bank, which was considered and approved by the Bank at the 2021 annual general meeting held on 16 June 2022 and was approved by the Guangdong Bureau of CBIRC (as amended, supplemented or otherwise revised from time to time)
“Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“Central Bank”, “PBOC”	the People’s Bank of China
“China”	the People’s Republic of China
“China Banking Regulatory Authority”	the China Banking and Insurance Regulatory Commission and its agencies
“Corporate Governance Code”	Appendix 14 of the Corporate Governance Code under the Listing Rules
“county bank(s)”	bank institutions that are approved by CBIRC to be incorporated in rural areas to provide services to local farmers or enterprises
“CSRC”	China Securities Regulatory Commission
“Group”	Guangzhou Rural Commercial Bank Co., Ltd. and its subsidiaries
“Guangdong Bureau of CBIRC” Commission	Guangdong Bureau of China Banking and Insurance Regulatory
“Guangzhou Rural Commercial Bank”, “the Bank”, “the Company”,	Guangzhou Rural Commercial Bank Co., Ltd.
“H Shares”	the foreign shares which are registered in Mainland China and listed in Hong Kong

DEFINITIONS

“HK\$”	the lawful currency of Hong Kong Region
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	30 August 2022
“IFRS”	the International Financial Reporting Standards and International Accounting Standards (“IAS”), which include the related standards, amendments and interpretations issued by the International Accounting Standard Board (“IASB”)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-overseas Listed Shares”	the ordinary shares with a nominal value of RMB1.00 each issued by the Bank, which are subscribed for or credited as paid up in RMB
“Reporting Period”	for the six months period from 1 January 2022 to 30 June 2022
“RMB”	the lawful currency of the People’s Republic of China
“Sannong”	agriculture, rural areas and farmers
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“USD”	the lawful currency of the United States of America

PROFILE OF THE BANK

I. BASIC INFORMATION OF THE BANK

(I) Official Name

Official Chinese Name and Abbreviation: 廣州農村商業銀行股份有限公司
(Abbreviated as “廣州農村商業銀行”)

Official English Name and Abbreviation: Guangzhou Rural Commercial Bank Co., Ltd.
(Abbreviated as “GRCB”)

(II) Registered Capital: RMB11,451,268,539.00

(III) Legal Representative: Mr. Cai Jian

(IV) Authorized Representatives: Mr. Yi Xuefei and Mr. Ngai Wai Fung

(V) Joint Company Secretaries: Ms. Zheng Ying and Mr. Ngai Wai Fung

(VI) H-Share Listing Stock Exchange: The Stock Exchange of Hong Kong Limited

(VII) H-Share Name and Code: GRCB (1551.HK)

(VIII) Offshore Preference Share Abbreviation and Code: GRCB 19USDPRF (4618.HK)

(IX) Registered Address: No. 9 Yingri Road, Huangpu District, Guangzhou, PRC

(X) Principal Place of Business in Hong Kong: 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong

(XI) Scope of Business: Monetary and financial services

(XII) Contact Address: No. 1 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou, Guangdong Province, PRC

Postal Code: 510623

Company Website: www.grcbank.com

(XIII) Place of Inspection of the Interim Report: Office of the Board of Directors of the Bank

(XIV) Auditor: PricewaterhouseCoopers

(XV) Legal Advisor as to PRC Law: Beijing Dacheng (Guangzhou) Law Office

(XVI) Legal Advisor as to Hong Kong Law: Fangda Partners

(XVII) H-Share Registrar: Computershare Hong Kong Investor Services Limited

(XVIII) Non-overseas Listed Shares Depository: China Securities Depository and Clearing Corporation Limited

(XIX) Other Relevant Information of the Company

Date of Registration: 9 December 2009

Registration Authority: Administration for Market Regulation of Guangzhou Municipality

Unified Social Credit Code: 914401017083429628

Financial License Registration No.: B1048H244010001

Customer Service and Complaint Telephone No.: +8695313

Investor Relations Telephone No.: (8620)28019324

Email Address: ir@grcbank.com

II. BRANCHES OF THE BANK

As of the Latest Practicable Date, the following table sets forth the basic information of the branches of the Bank:

No.	Name of branch	Business address	Postal code	Contact telephone number	Facsimile number	Remarks
1	Baiyun Sub-branch	1/F to 3/F, No. 466-472 Hunagshi West Road, Baiyun District, Guangzhou	510425	020-86295397	NA	-
2	Conghua Sub-branch	1/F and 2/F, No. 98 Hebin North Road, Chengjiao Subdistrict, Conghua District, Guangzhou	510900	020-87999029	NA	-
3	Panyu Sub-branch	No. 239 Qinghe East Road, Shiqiao Subdistrict, Panyu District, Guangzhou	511400	020-34619802	NA	-
4	Haizhu Sub-branch	1/F and 2/F, No. 173-1 Changgang Middle Road, Haizhu District, Guangzhou	510250	020-84278835	NA	-
5	Huanan Sub-branch	East Side of Tangxi, Village Entrance, Yingbin Road South, Tangbuxi Village, Nancun Town, Panyu District, Guangzhou	511442	020-34693625	NA	-
6	Huangpu Sub-branch	No. 138 Fengle North Road, Huangpu District, Guangzhou	510700	020-32204220	NA	-
7	Liwan Sub-branch	No. 89 Huadi Avenue Central, Liwan District, Guangzhou	510380	020-81615680	NA	-
8	Airport Economic Zone Sub-branch	Renhe Village, Renhe Town, Baiyun District, Guangzhou	510470	020-86451956	NA	-
9	Tianhe Sub-branch	1/F to 2/F, No. 335 Longkou West Road, Tianhe District, Guangzhou	510635	020-38478080	NA	-
10	Yuexiu Sub-branch	1/F, No. 60 Meidong Road, Yuexiu District, Guangzhou	510030	020-87619149	NA	-
11	Zengcheng Sub-branch	No. 88-15, 16, 17, 18, 19, 20, 21 and 22 Fuyou Road, Licheng Subdistrict, Zengcheng District, Guangzhou, and Rooms 201, 202, 210 and 211, No. 55 Zuanshi Street, Hehui Square, Licheng Subdistrict, Zengcheng District, Guangzhou	511300	020-32160027	NA	-
12	Huadu Branch in the Pilot Zone for Green Finance Reform and Innovation	South Tower, No. 21 Gongyi Road, Xinhua Subdistrict, Huadu District, Guangzhou	510800	020-36911139	NA	Branch
13	Guangdong Free Trade Zone Nansha Branch	No. 56 Xinxing Road, Wanqingsha Town, Nansha District, Guangzhou	511462	020-34929298	NA	Branch
14	Foshan Branch	Room 103 and 104 on 1/F and Room 202 on 2/F of Tower 1, Room 1603 to 1605 on 16/F and Room 1701 to 1708 on 17/F of Block 2, Tower 1, No. 26 Jihua First Road, Chancheng District, Foshan	528000	0757-82581028	0757-82581059	Branch outside Guangzhou
15	Qingyuan Branch	Shop on 1/F to 3/F, Block 1, Oriental Paris, No. 5 Fengxiang Avenue, Qingcheng District, Qingyuan, Guangdong	511500	0763-3910555	NA	Branch outside Guangzhou
16	Zhaoqing Branch	Shop 01 on 1/F and Shops 01-07 on 2/F, Cultural Innovation Building, No. 5 Yuelong North Road, Ruizhou District, Zhaoqing, Guangdong	526040	0758-2812835	0758-2812835	Branch outside Guangzhou
17	Heyuan Branch	Rooms 101-102 and Rooms 1601-1602 on 1/F, Changhong Building (Changhong Financial Center), H Road West, Yanjiang Road North, Xueqianbaxiaoqu, Xinshi District, Heyuan, Guangdong	517000	0762-2238111	NA	Branch outside Guangzhou
18	Hegqin Branch in Guangdong-Macao In-depth Cooperation Zone	B6 to B10 Penguin Hotel Commercial Street, Chimelong International Ocean Tourist Resort, Fuxiang Bay, Hengqin New District, Zhuhai, Guangdong	519031	0756-2993600	NA	Branch outside Guangzhou

PROFILE OF THE BANK

III. MAJOR HONORS RECEIVED IN THE FIRST HALF OF 2022

No.	Honors	Awarding/Granting authority	Obtaining time
1	Ranked 188th in 2022 Global Bank Brand Value Top 500	Brand Finance and The Banker (Brand Finance與英國《銀行家》雜誌)	February 2022
2	List of "2021 Excellent Cases of China Banking Industry Digital Transformation", "Annual Excellent Cases of Digital Services"	China Banking and Insurance News (《中國銀行保險報》) and China Rural Finance Magazine (《中國農村金融》雜誌)	May 2022
3	2022 "Jinno China Financial Brand Innovation Model"	China Banking and Insurance News	May 2022
4	"Excellent Cases" and "Most Concerned Cases" in the Practical Activity of "I Do Practical Things for the Masses" in Guangdong Financial Industry	Organizing Committee Office of China (Guangzhou) International Financial Trading Expo (中國(廣州)國際金融交易•博覽會)	June 2022
5	Champion of "2022 Lingnan Financial Culture Ambassador Selection Competition", "Lingnan Financial Culture Enlightenment Award"	Organizing Committee Office of China (Guangzhou) International Financial Trading Expo (中國(廣州)國際金融交易•博覽會)	June 2022
6	Ranked 29th in 2022 "China Banking Top 100 List"	China Banking Association (中國銀行業協會)	July 2022
7	Ranked 142nd in 2022 "Global Banking 1000"	The Banker (英國《銀行家》雜誌)	July 2022
8	Ranked 482nd in 2022 Fortune China 500	Fortune (Chinese version) 《財富》(中文版)	July 2022

FINANCIAL HIGHLIGHTS

The financial information of the Group set forth in this interim report is prepared on a consolidated basis in accordance with IFRS and expressed in Renminbi, unless otherwise stated.

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change in amount	Rate of change (%)
Operating results				
Net interest income	9,101.21	9,659.72	(558.51)	(5.78)
Net fee and commission income	564.13	694.19	(130.06)	(18.74)
Operating income	11,210.56	11,796.21	(585.65)	(4.96)
Profit before income tax	3,172.40	4,457.16	(1,284.76)	(28.82)
Net profit	2,964.72	3,660.08	(695.36)	(19.00)
Net profit attributable to shareholders of the Bank	2,526.58	3,129.78	(603.20)	(19.27)
Net assets per share attributable to shareholders of the Bank ⁽¹⁾	6.17	6.16	0.01	0.16
Basic earnings per share (Expressed in RMB per share) ⁽²⁾	0.17	0.26	(0.09)	(34.62)

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022	As at 31 December 2021	Change in amount	Rate of change (%)
Scale indicators				
Total assets	1,236,655.46	1,161,628.63	75,026.83	6.46
Among which: loans and advances to customers, net	669,738.62	637,553.81	32,184.81	5.05
Total liabilities	1,149,120.61	1,074,743.36	74,377.25	6.92
Among which: customers deposits	885,996.96	849,766.80	36,230.16	4.26
Equity attributable to shareholders of the Bank	80,420.35	80,027.31	393.04	0.49
Non-controlling interests	7,114.50	6,857.96	256.54	3.74
Total equity	87,534.85	86,885.27	649.58	0.75

FINANCIAL HIGHLIGHTS

Item (Expressed in percentage)	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change in amount
Profitability indicators			
Return on average total assets ⁽³⁾	0.49	0.69	(0.20)
Return on average equity ⁽⁴⁾	6.86	10.08	(3.22)
Net interest spread ⁽⁵⁾	1.72	2.04	(0.32)
Net interest margin ⁽⁶⁾	1.69	2.03	(0.34)
Net fee and commission income to operating income ⁽⁷⁾	5.03	5.88	(0.85)
Cost-to-income ratio ⁽⁸⁾	27.59	28.59	(1.00)

Item (Expressed in percentage)	As at 30 June 2022	As at 31 December 2021	Change in Amount
Assets quality indicators			
Non-performing loan ratio ⁽⁹⁾	2.03	1.83	0.20
Provision coverage ratio ⁽¹⁰⁾	151.47	167.04	(15.57)
Allowance to total loans ⁽¹¹⁾	3.07	3.06	0.01

Item (Expressed in percentage)	As at 30 June 2022	As at 31 December 2021	Change in Amount
Capital adequacy indicators ⁽¹²⁾			
Core Tier 1 capital adequacy ratio	9.11	9.68	(0.57)
Tie 1 capital adequacy ratio	10.44	11.06	(0.62)
Capital adequacy ratio	12.35	13.09	(0.74)
Ratio of total equity to total assets	7.08	7.48	(0.40)

Item (Expressed in percentage)	As at 30 June 2022	As at 31 December 2021	Change in Amount
Other indicators			
Loan-to-deposit ratio ⁽¹³⁾	77.98	77.39	0.59

FINANCIAL HIGHLIGHTS

Notes:

- (1) Calculated by dividing equity attributable to shareholders of the Bank for the period (excluding other equity instruments) by paid-in capital.
- (2) Dividends of preference shares declared and distributed in the year were excluded from this indicator.
- (3) The annualized return is calculated by dividing the net profit for the period (including profit attributable to non-controlling interests) by the average balance of total assets as at the beginning and end of the period.
- (4) The annualized return is calculated by dividing the annualized net profit for the period (excluding the dividends of preference shares declared and distributed in the year) by the average balance of total equity (excluding other equity instruments) as at the beginning and end of the period.
- (5) The annualized return is calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the average daily balance of total interest-earning assets.
- (7) Calculated by dividing net fee and commission income by operating income.
- (8) Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
- (9) Calculated by dividing the balance of non-performing loans by the total loans and advances to customers.
- (10) Calculated by dividing the balance of allowance for loans (including discounted bills) losses by the balance of non-performing loans.
- (11) Calculated by dividing the balance of allowance for loans (including discounted bills) losses by the total loans and advances to customers.
- (12) Calculated in accordance with the "Administrative Measures for the Capital of Commercial Banks (Provisional)" promulgated by CBRC.

Core Tier 1 capital adequacy ratio = (core Tier 1 capital – reductions from respective capital)/risk-weighted assets * 100%

Tier 1 capital adequacy ratio = (Tier 1 capital – reductions from respective capital)/risk-weighted assets* 100%

Capital adequacy ratio = (total capital – reductions from respective capital)/risk-weighted assets *100%

- (13) Calculated by dividing total loans and advances to customers by total deposits of customers.

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL REVIEW FOR THE FIRST HALF OF 2022

I. INCOME STATEMENT ANALYSIS

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change in amount	Rate of change (%)
Interest income	21,757.67	20,463.43	1,294.24	6.32
Interest expense	(12,656.46)	(10,803.71)	(1,852.75)	17.15
Net interest income	9,101.21	9,659.72	(558.51)	(5.78)
Fee and commission income	684.57	836.04	(151.47)	(18.12)
Fee and commission expense	(120.44)	(141.85)	21.41	(15.09)
Net fee and commission income	564.13	694.19	(130.06)	(18.74)
Net trading gains	972.08	1,180.64	(208.56)	(17.66)
Net gains on financial investments	97.54	159.31	(61.77)	(38.77)
Other income, gains or losses	475.60	102.35	373.25	364.68
Operating income	11,210.56	11,796.21	(585.65)	(4.96)
Operating expenses	(3,225.50)	(3,503.41)	277.91	(7.93)
Credit impairment losses	(4,779.23)	(3,826.94)	(952.29)	24.88
Impairment losses on foreclosed assets	(33.43)	(8.70)	(24.73)	284.25
Profit before income tax	3,172.40	4,457.16	(1,284.76)	(28.82)
Income tax expense	(207.68)	(797.08)	589.40	(73.94)
Net profit	2,964.72	3,660.08	(695.36)	(19.00)

In the first half of 2022, the Group recorded a net profit of RMB2,965 million, representing a year-on-year decrease of RMB695 million or 19.00%.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Net Interest Income

In the first half of 2022, the net interest income of the Group amounted to RMB9,101 million, representing a year-on-year decrease of RMB559 million and accounting for 81.18% of our total operating income. It was primarily due to the complex external environment, COVID-19 and other factors, resulting in the decrease in the yields on interest-earning assets.

The following table sets forth interest income, interest expense and net interest income of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change in amount	Rate of change (%)
Interest income	21,757.67	20,463.43	1,294.24	6.32
Interest expense	(12,656.46)	(10,803.71)	(1,852.75)	17.15
Net interest income	9,101.21	9,659.72	(558.51)	(5.78)

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Average balance	Interest income/expense	Annualized average yield/cost rate (%)	Average balance	Interest income/expense	Annualized average yield/cost rate (%)
Loans and advances to customers	654,321.53	16,391.41	5.01	601,061.18	15,455.14	5.14
Financial investments	245,649.05	3,816.15	3.11	177,971.91	3,374.04	3.79
Placements and deposits with banks and other financial institutions	58,096.87	653.66	2.25	47,834.04	611.16	2.56
Financial assets held under resale agreements	44,554.78	433.87	1.95	41,961.70	480.20	2.29
Deposits with central bank	75,520.05	462.58	1.23	80,692.59	542.89	1.35
Total interest-earning assets	1,078,142.28	21,757.67	4.04	949,521.42	20,463.43	4.31
Due to customers	847,147.18	9,403.95	2.22	773,268.63	8,250.12	2.13
Debt securities issued	134,771.52	1,886.73	2.80	81,568.04	1,289.22	3.16
Borrowing from central bank	30,851.95	375.73	2.44	20,142.10	212.49	2.11
Placements and deposits from banks and other financial institutions and others	59,260.25	826.15	2.79	61,807.00	889.47	2.88
Financial assets sold under repurchase agreements	19,983.33	163.90	1.64	15,310.06	162.41	2.12
Total interest-bearing liabilities	1,092,014.23	12,656.46	2.32	952,095.83	10,803.71	2.27
Net interest income		9,101.21			9,659.72	
Net interest spread			1.72			2.04
Net interest margin			1.69			2.03

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, the overall average yield of interest-earning assets decreased by 27 basis points to 4.04% over the same period last year, the overall average cost rate of interest-bearing liabilities increased by 5 basis points to 2.32% over the same period last year, net interest spread decreased by 32 basis points to 1.72% over the same period last year, and net interest margin decreased by 34 basis points to 1.69% over the same period last year.

The following table sets forth changes in the Group's interest income and interest expense over the same period last year due to changes in volume and interest rate. Changes in volume are measured by movement of the average balance, while changes in interest rate are measured by the movement of the average interest rate:

Item (Expressed in RMB million, unless otherwise stated)	Increase/(decrease) due to changes in the following item		
	Volume factor	Rate factor	Net increase/decrease
Assets			
Loans and advances to customers	1,369.49	(433.22)	936.27
Financial investments	1,283.04	(840.93)	442.11
Placements and deposits with banks and other financial institutions	131.12	(88.62)	42.50
Financial assets held under resale agreements	29.67	(76.00)	(46.33)
Deposits with central bank	(34.80)	(45.51)	(80.31)
Changes in interest income	2,778.52	(1,484.28)	1,294.24
Liabilities			
Due to customers	788.22	365.61	1,153.83
Placements and deposits from banks and other financial institutions and others	(36.65)	(26.67)	(63.32)
Financial assets sold under repurchase agreements	49.57	(48.08)	1.49
Debt securities issued	840.91	(243.40)	597.51
Borrowing from central bank	112.98	50.26	163.24
Changes in interest expense	1,755.03	97.72	1,852.75

MANAGEMENT DISCUSSION AND ANALYSIS

1. Interest income

In the first half of 2022, interest income of the Group amounted to RMB21,758 million, representing an increase of RMB1,294 million year on year.

(1) INTEREST INCOME FROM LOANS AND ADVANCES TO CUSTOMERS

The average balance, interest income and average yield for each component of loans and advances to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Average balance	Interest income	Annualized average yield (%)	Average balance	Interest income	Annualized average yield (%)
Corporate loans	402,393.00	10,247.13	5.09	392,313.74	10,494.36	5.35
Personal loans	159,554.84	5,081.13	6.37	143,983.22	4,058.82	5.64
Discounted bills	92,373.69	1,063.15	2.30	64,764.22	901.96	2.79
Total loans and advances to customers	654,321.53	16,391.41	5.01	601,061.18	15,455.14	5.14

In the first half of 2022, interest income from loans and advances to customers amounted to RMB16,391 million, representing a year-on-year increase of RMB936 million, and the average yield decreased by 13 basis points to 5.01% as compared to the corresponding period of last year, which was mainly due to the overall decrease of loan interest rate of the Group affected by the decrease of the loan prime rate (LPR).

(2) INTEREST INCOME FROM AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest income and average yield for each component of amounts due from banks and other financial institutions of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Average balance	Interest income	Annualized average yield (%)	Average balance	Interest income	Annualized average yield (%)
Placements and deposits with banks and other financial institutions	58,096.87	653.66	2.25	47,834.04	611.16	2.56
Financial assets held under resale agreements	44,554.78	433.87	1.95	41,961.70	480.20	2.29
Total amounts due from banks and other financial institutions	102,651.65	1,087.53	2.12	89,795.74	1,091.36	2.43

In the first half of 2022, the interest income from amounts due from banks and other financial institutions of the Group amounted to RMB1,088 million, and the average yield decreased by 31 basis points to 2.12% as compared to the corresponding period of last year, which was mainly due to the decrease of the rate of return on Group's amounts due from banks and other financial institutions arising from the downward impact of money market interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Interest expense

In the first half of 2022, the Group's interest expense was RMB12,656 million, representing a year-on-year increase of RMB1,853 million or 17.15%.

(1) INTEREST EXPENSE ON AMOUNTS DUE TO CUSTOMERS

The average balance, interest expense and average cost rate for each component of amounts due to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Average balance	Interest expense	Annualized average cost rate (%)	Average balance	Interest expense	Annualized average cost rate (%)
Corporate deposits						
Demand	160,925.04	463.87	0.58	158,042.95	402.06	0.51
Time	204,346.23	3,387.87	3.32	183,284.53	2,988.16	3.26
Subtotal	365,271.27	3,851.74	2.11	341,327.48	3,390.22	1.99
Personal deposits						
Demand	128,392.23	194.51	0.30	124,204.63	194.65	0.31
Time	335,103.07	5,181.47	3.09	285,910.98	4,436.45	3.10
Subtotal	463,495.30	5,375.98	2.32	410,115.61	4,631.10	2.26
Other deposits	18,380.61	176.23	1.92	21,825.54	228.80	2.10
Due to customers	847,147.18	9,403.95	2.22	773,268.63	8,250.12	2.13

In the first half of 2022, the Group's expense on amounts due to customers amounted to RMB9,404 million, representing an increase of RMB1,154 million year on year. In the first half of 2022, the cost rate of deposits was 2.22%, representing an increase of 9 basis points over the same period last year, which was mainly due to the further increase of the proportion of time deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) INTEREST EXPENSE ON AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest expense and average cost rate for each component of the Group's amounts due to banks and other financial institutions are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Average balance	Interest expense	Annualized average cost rate (%)	Average balance	Interest expense	Annualized average cost rate (%)
Placements and deposits from banks and other financial institutions and others	59,260.25	826.15	2.79	61,807.00	889.47	2.88
Financial assets sold under repurchase agreements	19,983.33	163.90	1.64	15,310.06	162.41	2.12
Total amounts due to banks and other financial institutions	79,243.58	990.05	2.50	77,117.06	1,051.88	2.73

In the first half of 2022, the Group's interest expense on amounts due to banks and other financial institutions amounted to RMB990 million, representing a decrease of RMB62 million year on year, which was mainly due to the decrease in the interbank debt interest rate of the Group arising from the downward impact of money market interest rates.

3. Net interest spread and net interest margin

In the first half of 2022, net interest spread a decrease of 32 basis points to 1.72% over the same period last year, and net interest margin a decrease of 34 basis points to 1.69% over the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) *Non-interest Income*

1. Net fee and commission income

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change in amount	Rate of change (%)
Fee and commission income				
Agency and custodian service fees	145.39	174.68	(29.29)	(16.77)
Syndicated loan fees	117.67	151.29	(33.62)	(22.22)
Wealth management products related fee income	107.80	73.14	34.66	47.39
Bank card fees	98.09	114.71	(16.62)	(14.49)
Settlement and electronic channel business fees	86.71	82.69	4.02	4.86
Finance lease business fees	47.93	39.31	8.62	21.93
Guarantee and commitment service fees	22.22	73.80	(51.58)	(69.89)
Advisory and consultancy fees	5.38	31.02	(25.64)	(82.66)
Foreign exchange business fees	1.17	12.12	(10.95)	(90.35)
Others	52.21	83.28	(31.07)	(37.31)
Subtotal	684.57	836.04	(151.47)	(18.12)
Fee and commission expense				
Bank card fees	(26.10)	(31.40)	5.30	(16.88)
Settlement and electronic channel business fees	(10.94)	(8.01)	(2.93)	36.58
Others	(83.39)	(102.44)	19.05	(18.60)
Subtotal	(120.44)	(141.85)	21.41	(15.09)
Net fee and commission income	564.13	694.19	(130.06)	(18.74)

In the first half of 2022, net fee and commission income of the Group amounted to RMB564 million, representing a year-on-year decrease of RMB130 million or 18.74%, which was mainly due to the decrease in fee income from guarantee and commitment, syndicated loan business and agency and custodian business. Net fee and commission income accounted for 5.03% of the total operating income, which was mainly the fee income from agency and custodian business, syndicated loan business and wealth management products.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Net trading gains

In the first half of 2022, the net trading gains of the Group amounted to RMB972 million, which were mainly the interest income on financial investments at fair value through profit or loss and profit or loss on changes in fair value.

3. Net gains on financial investments

In the first half of 2022, the net gains on financial investments of the Group amounted to RMB98 million, which were mainly the financial investments at fair value through other comprehensive income and bid-ask spread of financial investments at amortized cost.

4. Other income, gains or losses

In the first half of 2022, "other income, gains or losses" of the Group amounted to RMB476 million, which was mainly interest rate swap incentives and exchange gains and losses of the PBOC.

(III) Operating Expenses

In the first half of 2022, the operating expenses of the Group amounted to RMB3,226 million, representing a decrease of RMB278 million or 7.93% year on year.

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

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change in amount	Rate of change (%)
Staff costs	2,098.61	2,379.53	(280.92)	(11.81)
Depreciation and amortization	352.28	457.27	(104.99)	(22.96)
Tax and surcharges	132.49	130.51	1.98	1.52
Others	642.12	536.10	106.02	19.78
Total operating expenses	3,225.50	3,503.41	(277.91)	(7.93)

MANAGEMENT DISCUSSION AND ANALYSIS

1. Staff costs

Staff costs represents the largest component of operating expenses of the Group, accounting for 65.06% and 67.92% of our operating expenses for the first half of 2022 and 2021, respectively.

The following table sets forth the principal components of staff costs of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	1,439.04	1,678.67	(239.63)	(14.27)
Social insurance and employee benefits	589.50	611.83	(22.33)	(3.65)
Benefit for early retirement and supplemental retirement	16.72	31.27	(14.55)	(46.53)
Labour union expenditure and education costs	53.35	57.76	(4.41)	(7.64)
Total staff costs	2,098.61	2,379.53	(280.92)	(11.81)

In the first half of 2022, staff costs of the Group amounted to RMB2,099 million, representing a year-on-year decrease of RMB281 million or 11.81%, which was mainly due to the decrease in salaries, bonuses and allowances.

2. Tax and surcharges

In the first half of 2022, the tax and surcharges incurred of the Group amounted to RMB132 million, representing a year-on-year increase of RMB2 million or 1.52%.

3. Depreciation and amortization

In the first half of 2022, depreciation and amortization of the Group amounted to RMB352 million, representing a year-on-year decrease of RMB105 million or 22.96%.

4. Others

In the first half of 2022, other expenses amounted to RMB642 million, representing a year-on-year increase of RMB106 million or 19.78%.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) *Assets Impairment Losses*

The following table sets forth the principal components of impairment losses on assets of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022	For the six months ended 30 June 2021	change in amount	Change in amount Rate of change (%)
Credit impairment losses	4,779.23	3,826.94	952.29	24.88
Impairment losses on other assets	33.43	8.70	24.73	284.25
Total	4,812.66	3,835.64	977.02	25.47

In the first half of 2022, in order to improve the risk resistance, the Group made provision for asset impairment losses of RMB4,813 million.

(V) *Income Tax Expense*

In the first half of 2022, income tax expense of the Group amounted to RMB208 million, representing a year-on-year decrease of RMB589 million, which was mainly due to the increase in tax-exempt income. The effective income tax rate was 6.55%.

MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS OF STATEMENT OF FINANCIAL POSITION

(I) Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	690,940.61	55.87	657,662.93	56.61
Allowances for impairment losses	(21,201.99)	(1.71)	(20,109.12)	(1.73)
Loans and advances to customers, net	669,738.62	54.16	637,553.81	54.88
Financial investments ⁽¹⁾	395,898.77	32.01	314,238.52	27.05
Cash and deposits with the central bank	84,135.42	6.80	86,264.99	7.43
Deposits with banks and other financial institutions	14,027.22	1.13	20,275.41	1.75
Placements with banks and other financial institutions	39,909.49	3.23	33,951.90	2.92
Financial assets held under resale agreements	14,098.70	1.14	53,049.06	4.57
Others ⁽²⁾	18,847.24	1.53	16,294.94	1.40
Total assets	1,236,655.46	100.00	1,161,628.63	100.00

Notes:

- (1) Financial investments included financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost.
- (2) Other assets consisted of property and equipment, goodwill, deferred income tax assets, right-of-use assets and others.

As at 30 June 2022, the Group's total assets amounted to RMB1,236,655 million, representing an increase of RMB75,027 million, or 6.46%, as compared to the end of last year. Among them, the total loans and advances to customers increased by RMB33,278 million, or 5.06%, as compared to the end of last year, primarily due to the increased support for the real economy, resulting in the steady growth of the loan scale.

Financial investments increased by RMB81,660 million, or 25.99%, as compared to the end of last year, primarily due to the increase in bond investment.

Financial assets held under resale agreements decreased by RMB38,950 million, or 73.42%, as compared to the end of last year, primarily due to the decrease in financial assets purchased under resale agreements based on market conditions and intra-group balance sheet arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Loans and advances to customers

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate loans	424,908.37	61.50	407,026.69	61.89
Personal loans	164,452.47	23.80	158,429.47	24.09
Discounted bills	101,579.77	14.70	92,206.77	14.02
Total loans and advances to customers	690,940.61	100.00	657,662.93	100.00

As at 30 June 2022, total loans and advances to customers of the Group increased by RMB33,278 million, or 5.06%, to RMB690,941 million as compared to the end of last year. As compared to the end of last year, the Group's total corporate loans increased by RMB17,882 million, or 4.39%, to RMB424,908 million; total personal loans increased by RMB6,023 million, or 3.80%, to RMB164,452 million; and total discounted bills increased by RMB9,373 million, or 10.17%, to RMB101,580 million.

DISTRIBUTION OF LOANS BY PRODUCT TYPE

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total corporate loans	424,908.37	61.50	407,026.69	61.89
Working capital loans	171,677.91	24.85	159,082.04	24.19
Fixed asset loans	233,602.17	33.81	223,868.81	34.04
Finance lease receivables	19,587.34	2.83	18,748.05	2.85
Others	40.95	0.01	5,327.79	0.81
Total personal loans	164,452.47	23.80	158,429.47	24.09
Personal mortgage loans	74,988.61	10.85	73,343.81	11.15
Personal business loans	68,766.79	9.95	65,285.62	9.93
Personal consumption loans	10,292.22	1.49	10,051.30	1.53
Balance of credit cards	10,404.85	1.51	9,748.74	1.48
Total discounted bills	101,579.77	14.70	92,206.77	14.02
Bank acceptance bills	86,684.42	12.54	92,040.23	13.99
Commercial acceptance bills	14,895.35	2.16	166.54	0.03
Total loans and advances to customers	690,940.61	100.00	657,662.93	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group's balances of working capital loans, fixed asset loans and finance lease receivables were RMB171,678 million, RMB233,602 million and RMB19,587 million, respectively, representing 40.40%, 54.98% and 4.61% of total corporate loans, respectively. Among them, working capital loans and fixed asset loans increased by RMB12,596 million and RMB9,733 million, or 7.92% and 4.35%, as compared to the end of last year, respectively.

As at 30 June 2022, the Group's personal mortgage loans, personal business loans, personal consumption loans and balance of credit cards were RMB74,989 million, RMB68,767 million, RMB10,292 million and RMB10,405 million, respectively, representing 45.60%, 41.82%, 6.26% and 6.32% of total personal loans, respectively. Among them, the balances of personal mortgage loans and personal business loans increased by RMB1,645 million and RMB3,481 million, or 2.24% and 5.33%, as compared to the end of last year, respectively.

As at 30 June 2022, the Group's discounted bank acceptance bills and discounted commercial acceptance bills were RMB86,684 million and RMB14,895 million, respectively. Among them, discounted bank acceptance bills decreased by RMB5,356 million and discounted commercial acceptance bills increased by RMB14,729 million, as compared to the end of last year.

DISTRIBUTION OF LOANS BY TYPE OF COLLATERAL

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralized loans	332,703.43	48.15	324,521.95	49.34
Pledged loans	36,098.98	5.22	36,011.48	5.48
Guaranteed loans	163,937.07	23.73	164,409.82	25.00
Credit loans	158,201.13	22.90	132,719.68	20.18
Total loans and advances to customers	690,940.61	100.00	657,662.93	100.00

As at 30 June 2022, the Group's collateralized loans, pledged loans and credit loans increased by RMB8,181 million, RMB88 million, RMB25,481 million, or 2.52%, 0.24% and 19.20% respectively, as compared to the end of last year; Guaranteed loans decreased by RMB473 million, or 0.29%, as compared to the end of the last year; Overall, the proportion of collateralized loans and pledged loans to total loans are 48.15% and 5.22%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Financial investments

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

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	121,542.83	30.70	91,628.57	29.16
Financial assets at fair value through other comprehensive income	69,064.28	17.45	65,205.25	20.75
Financial assets at amortized cost	205,291.66	51.85	157,404.70	50.09
Total financial investments	395,898.77	100.00	314,238.52	100.00

As at 30 June 2022, the financial investments of the Group totaled RMB395,899 million, which increased by RMB81,660 million, or 25.99%, as compared to the end of last year, mainly due to the increase in bond investment.

(II) Liabilities

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

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Amounts due to customers	885,996.96	77.10	849,766.80	79.07
Deposits from banks and other financial institutions	44,288.90	3.85	36,226.68	3.37
Placements from banks and other financial institutions	3,183.34	0.28	1,331.55	0.12
Financial assets sold under repurchase agreements	10,103.11	0.88	32,359.98	3.01
Debt securities issued	147,669.43	12.85	108,033.56	10.05
Others ⁽¹⁾	57,878.87	5.04	47,024.79	4.38
Total liabilities	1,149,120.61	100.00	1,074,743.36	100.00

Note:

- (1) Mainly including tax payable, borrowings from other banks, salaries, bonuses, allowances and subsidies payable, lease liabilities, etc.

As at 30 June 2022, the Group's total liabilities amounted to RMB1,149,121 million, representing an increase of RMB74,377 million or 6.92% as compared to the end of last year, mainly driven by the increase in amounts due to customers and debt securities issued.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Amounts due to customers

The following table sets forth the amounts due to customers of the Group by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits ⁽¹⁾				
Time	202,666.46	22.87	200,646.03	23.61
Demand	171,651.51	19.37	179,302.17	21.10
Subtotal	374,317.97	42.24	379,948.20	44.71
Personal deposits				
Time	359,364.22	40.56	327,913.87	38.59
Demand	128,518.44	14.51	125,691.46	14.79
Subtotal	487,882.66	55.07	453,605.33	53.38
Pledged deposits	20,867.58	2.36	13,370.52	1.57
Other deposits ⁽²⁾	2,928.75	0.33	2,842.75	0.34
Amounts due to customers	885,996.96	100.00	849,766.80	100.00

Notes:

(1) Mainly including deposits from corporate customers and government bodies.

(2) Mainly including treasury time deposits and fiscal deposits, etc..

As at 30 June 2022, amounts due to customers of the Group amounted to RMB885,997 million, representing an increase of RMB36,230 million or 4.26% as compared to the end of last year. With respect to the customer structure of the Group, personal deposits accounted for 55.07% of the total amount due to customers, and the balance of personal deposits increased by RMB34,277 million or 7.56% as compared to the end of last year, which is the most important source of amounts due to customers; corporate deposits accounted for 42.24% of the total amount due to customers, and the balance of corporate deposits decreased by RMB5,630 million or 1.48% as compared to the end of last year. With respect to the maturity structure, demand deposits accounted for 33.88% of the total amount due to customers, representing a decrease of 2.01 percentage points over the end of last year, while time deposits accounted for 63.43%, representing an increase of 1.23 percentage points over the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) *Composition of Shareholders' Equity*

The following table sets forth the composition of shareholders' equity of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	11,451.27	13.08	11,451.27	13.18
Preference shares	9,820.73	11.22	9,820.73	11.30
Capital reserve	18,952.76	21.65	18,957.88	21.82
Surplus reserve	5,350.06	6.11	5,350.06	6.16
General risk reserve	14,618.36	16.70	14,618.36	16.82
Investment revaluation reserve	(218.14)	(0.25)	87.38	0.10
Remeasurement on defined benefit plans	(35.86)	(0.04)	(35.72)	(0.04)
Retained earnings	20,481.17	23.40	19,777.35	22.76
Non-controlling interests	7,114.50	8.13	6,857.96	7.90
Total shareholders' equity	87,534.85	100.00	86,885.27	100.00

As at 30 June 2022, the Group recorded a paid-in capital of RMB11,451 million, and capital reserve reached RMB18,953 million, both basically remained stable as compared to the end of last year. Please refer to the notes to financial statements for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

III. LOAN QUALITY ANALYSIS

(i) *Five-Category Classification of Loans*

The following table sets forth the distribution of the Group's loans by the five-category classification as at the dates indicated, under which non-performing loans include loans classified into substandard, doubtful and loss categories:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	642,595.23	93.00	618,543.63	94.05
Special mention	34,335.74	4.97	27,069.39	4.12
Substandard	6,597.94	0.96	5,569.33	0.85
Doubtful	6,693.31	0.97	5,930.98	0.90
Loss	718.39	0.10	549.60	0.08
Total loans and advances to customers	690,940.61	100.00	657,662.93	100.00
Non-performing loan ratio ⁽¹⁾	-	2.03	-	1.83

Note:

(i) Calculated by dividing the total amount of non-performing loans by total loans.

Under the complex external environment, combined with the impact of factors such as the COVID-19 pandemic, the non-performing loan ratio of the Group as of 30 June 2022 was 2.03%, which increased by 0.2 percentage point from the end of last year; the special mention loans accounted for 4.97%, representing an increase of 0.85 percentage point from the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) *Distribution of Non-performing Corporate Loans by Industry*

The following table sets forth the distribution of the Group's non-performing corporate loans by industry as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022			As at 31 December 2021		
	Amount	Percentage of total (%)	Non-Performing loans ratio (%)	Amount	Percentage of total (%)	Non-Performing loans ratio (%)
Wholesale and retail	7,045.46	58.57	11.49	4,794.14	45.77	7.35
Leasing and commercial services	2,657.80	22.09	2.45	2,632.05	25.13	2.64
Real estate	852.46	7.09	1.41	593.16	5.66	1.00
Manufacturing	643.47	5.35	1.41	649.33	6.20	1.54
Construction	165.59	1.38	0.43	918.12	8.77	2.36
Livelihood and social work	138.07	1.15	6.48	140.13	1.34	7.02
Agriculture, forestry, animal husbandry and fishery	136.82	1.14	1.25	127.16	1.21	1.29
Information transmission, software and information technology	98.10	0.81	1.42	81.89	0.78	1.27
Household, repair and other services	80.59	0.67	0.42	81.42	0.78	0.46
Production and supply of electricity, heat, gas and water	70.85	0.59	2.44	0.91	0.01	0.03
Accommodation and catering	48.67	0.40	0.26	48.75	0.47	0.27
Transportation, storage and postal services	44.78	0.37	0.41	307.35	2.93	3.13
Education business	31.61	0.26	0.25	30.37	0.29	0.25
Water conservation, environment and public utilities management	0.02	-	-	0.02	-	-
Others	15.78	0.13	0.11	68.91	0.66	0.55
Total non-performing corporate loans	12,030.07	100.00	2.83	10,473.71	100.00	2.57

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) of each industry by gross loans granted to such industry.

Under the complex external environment, combined with the impact of factors such as the COVID-19 pandemic, as of 30 June 2022, the Group's non-performing loans of wholesale and retail and other industries increased as compared to the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Distribution of Non-performing Loans by Product Type

The following table sets forth the distribution of the Group's non-performing loans by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022			As at 31 December 2021		
	Amount	Percentage of total (%)	Non-Performing loans ratio (%)	Amount	Percentage of total (%)	Non-Performing loans ratio (%)
Corporate loans	12,030.07	100.00	2.83	10,473.71	100.00	2.57
Personal loans	1,979.57	100.00	1.20	1,576.20	100.00	0.99
Personal residential mortgage	358.34	18.10	0.48	330.59	20.97	0.45
Personal business loans	952.38	48.11	1.38	761.27	48.30	1.17
Personal consumption loans	169.69	8.57	1.65	192.45	12.21	1.91
Balance of credit cards	499.16	25.22	4.80	291.89	18.52	2.99
Total non-performing loans	14,009.64	100.00	2.03	12,049.91	100.00	1.83

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) in each product type by gross loans in that product type.

Under the complex external environment, combined with the impact of factors such as the COVID-19 pandemic, as of 30 June 2022, the Group's non-performing ratio of corporate loans increased by 0.26 percentage point to 2.83% as compared to the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) *Overdue Loans to Customers*

The following table sets forth the aging timetable of the Group's loans by loan certificate as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans that were not past due	664,335.01	96.15	625,913.95	95.17
Loans that were past due	26,605.60	3.85	31,748.98	4.83
Within 3 months	10,252.68	1.48	14,125.91	2.15
3 months to 1 year	8,088.85	1.17	12,202.05	1.86
1 year to 3 years	5,454.23	0.79	5,136.30	0.78
Over 3 years	2,809.84	0.41	284.72	0.04
Total loans and advances	690,940.61	100	657,662.93	100

As at 30 June 2022, overdue loans of the Group amounted to RMB26,606 million, representing a decrease of RMB5,143 million from the end of last year and accounting for 3.85% of the total loans, representing a decrease of 0.98 percentage point from the end of last year.

(V) *Rescheduled Loans and Advances*

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Rescheduled loans and advances	19,297.02	2.79	19,530.39	2.97

As at 30 June 2022, rescheduled loans and advances amounted to RMB19,297 million, representing a decrease of RMB233 million from the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF CAPITAL ADEQUACY RATIO

The Group adopted the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法試行》) to calculate its capital adequacy ratio, under which credit risks are measured by weighted method, market risks are measured by standard method and operational risks are measured by basic indicator approach, and the scope of this calculation covers all branches of the Bank as well as subsidiaries which are financial institutions which comply with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法試行》). The following table sets forth the relevant information of the Group's capital adequacy ratio as at the dates indicated.

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022	As at 31 December 2021
Core Tier 1 capital adequacy ratio	9.11%	9.68%
Tier 1 capital adequacy ratio	10.44%	11.06%
Capital adequacy ratio	12.35%	13.09%
Portion of paid-in capital that may be included	11,451.27	11,451.27
Portion of capital reserve that may be included	18,952.76	18,957.88
Surplus reserve	5,350.06	5,350.06
General risk reserve	14,618.36	14,618.36
Retained earnings	20,481.17	19,777.35
Portion of minority interests that may be included	2,955.12	2,804.66
Others	(254.00)	51.65
Total core Tier 1 capital	73,554.74	73,011.23
Regulatory deductions for core Tier 1 capital	(3,528.34)	(1,393.51)
Among which: Goodwill and other intangible assets (excluding land use rights)	(952.15)	(936.03)
Core Tier 1 capital, net	70,026.40	71,617.72
Other Tier 1 capital		
Other Tier 1 capital instruments and their premium	9,820.73	9,820.73
Portion of minority interests that may be included	424.28	407.33
Net Tier 1 capital	80,271.41	81,845.78
Tier 2 capital		
Tier 2 capital instruments and related premium that may be included	9,999.07	9,999.00
Excessive loan loss allowances	3,838.15	4,259.50
Portion of minority interests that may be included	822.60	778.78
Net capital	94,931.23	96,883.06
Total risk-weighted assets	768,938.65	739,973.78

As at 30 June 2022, the capital adequacy ratio of the Group was 12.35%, representing a decrease of 0.74 percentage point over the end of last year, mainly due to the growth rate of risk-weighted assets over the end of last year exceeded that of the net capital. The net capital amounted to RMB94,931 million, representing a decrease of RMB1,952 million or 2.01% over the end of last year, mainly due to the provision of dividends in the first half of the year. Risk-weighted assets amounted to RMB768,939 million, representing an increase of RMB28,965 million or 3.91% over the end of last year, mainly due to the increase in credit risk-weighted assets for on- and off-balance sheet businesses over the end of last year, and the increase in market risk-weighted assets over the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF LEVERAGE RATIO

As at 30 June 2022, the Group measured and disclosed the leverage ratio in accordance with the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法修訂》).

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2022
Net Tier 1 capital	80,271.41
The balance of assets on and off balance sheet after adjustments	1,309,426.22
Leverage ratio (%)	6.13%

VI. SEGMENT INFORMATION

The Group conducts its business principally in Guangdong Province, the PRC. Its major customers and non-current assets are located in Guangdong Province, the PRC.

Summary of Business Segment

Operating income

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking business	5,752.46	51.31	6,239.51	52.89
Personal banking business	3,758.99	33.53	3,641.66	30.87
Capital business	1,492.25	13.31	1,738.43	14.74
Other businesses	206.86	1.85	176.61	1.50
Total operating income	11,210.56	100.00	11,796.21	100.00

VII. OFF-BALANCE-SHEET ITEMS

The Group's off-balance-sheet items include loan commitments (including undrawn credit card limits), acceptance bills, issuance of letters of guarantee and issuance of letters of credit. As at 30 June 2022, the balances of loan commitments (including undrawn credit card limits), acceptance bills, issuance of letters of guarantee and issuance of letters of credit were RMB138,001 million, RMB40,838 million, RMB34,811 million and RMB3,455 million, respectively.

VIII. CONTINGENT LIABILITIES AND ASSETS PLEDGED AS SECURITY

For details of the Group's contingent liabilities and assets pledged as security as at 30 June 2022, please refer to notes 39 and 41 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

II. BUSINESS OPERATION

1. Corporate Banking Business

(I) *Corporate Deposit Business*

In the first half of 2022, the Bank continuously focused on the vision of “becoming a first-class commercial bank in China”, prudently followed and grasped the main line of “stable growth of deposits”, committed to promoting the high-quality development of the corporate deposit business, unswervingly returned to supporting farmers and small business and returning to the local origin, firmly fought for the rural financial defense, consolidated the traditional advantages of the village and community deposit business, accelerated the construction and application of rural financial service scenarios, and promoted the “100 Village Demonstration Project” for the application of village cards, “Cun Zi Bao” and rural mobile payment to effectively improve the fund management of villages and community. The Bank implemented the “customer doubling” plan, accelerated the expansion of corporate deposit customers, focused on the marketing and expansion of the SME base, optimized the customer structure, and enhanced the stability of the deposit business. The Bank gave full play to its network distribution and advantages as a local financial institution to vigorously expand the deposits of institutions at all levels, such as provinces, cities, towns and streets, continuously expanded the depth and breadth of bank-government cooperation, and pushed forward the implementation of institutional business scenarios, creating a marketing ecological environment in which government institutions are the center and various businesses are mutually reinforced. As at the end of the Reporting Period, the Bank’s corporate deposits amounted to RMB364.5 billion, representing an increase of RMB13.1 billion over the beginning of the year, and ranked third in the same industry in Guangzhou area.

(II) *Corporate Loan Business*

In the first half of 2022, guided by the “14th Five-Year Plan” of the Central Government, provinces and municipalities as well as the Bank’s strategic development plan, the Bank focused on its main business and responsibilities in the local industry, continuously strengthened its financial support to the real economy, focused on key industrial enterprises in Guangdong province and Guangzhou city, and provided in-depth and solid financial services. The Bank has adhered to the original intention of being a domestic rural financial institution, actively implemented the People’s Bank of China’s preferential policies on agricultural and small-scale refinancing loans to promote the development of agriculture-related businesses and put its policies into practice to benefit farmers. The Bank actively promoted the optimization and adjustment of its business structure, enhanced the fit and integration of its business development with local industries, and accelerated the lending to customers in policy-supported areas such as green finance, advanced manufacturing industries and “specialised and new” industries. During the Reporting Period, the Bank’s Huadu Sub-branch was approved and upgraded to the Huadu Branch of the Green Finance Reform and Innovation Pilot Zone, which raised the development of green finance to a strategic level. During the Reporting Period, the Bank further broadened the source of special funds and successfully issued the first tranche of green financial bonds of RMB3 billion in the national inter-bank bond market; launched “Green Enterprise Loan”, a comprehensive green financial product, to promote the development of green finance through innovative products; and launched the exclusive financial product “special new loan” to fully meet the comprehensive financing needs of specialized special new enterprises in terms of scientific and technological research and development, production and operation, acquisition and disposal of assets and digital upgrade. As of the end of the Reporting Period, the Bank’s corporate loan balance amounted to RMB379.8 billion, representing an increase of RMB20.8 billion over the beginning of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Trading Bank Business

In the first half of 2022, the Bank's transaction banking business focused on two major battles of rural finance and industrial finance, made great efforts to build the foundation of digital transformation of corporate finance, and continuously improved its product service ability to corporate customers. Firstly, we promoted the construction of digital service channels such as corporate internet banking, mobile banking and bank-enterprise cloud connection, and launched special cash management service products such as "Cloud Treasury" and "Yun Xin Tong" to enhance customers' experience in treasury management; Secondly, we deepened rural financial services, promoted customized services, such as "Cun Zi Bao" and rural collective fund management service platform, accurately served the needs of government agencies and village customers for the digital transformation of rural fund management model, and improved the quality and efficiency of rural financial services; Thirdly, we improved our online supply chain financial service system by making comprehensive use of digital supply chain products, such as online order financing with "Pharmaceutical Procurement Loan", "Easy second discount" and "E-guarantee", and accomplished business target of accounts receivable financing issued by the PBOC in the middle levy platform in advance, further improved the financing efficiency of enterprises, reduced the financing cost of enterprises, and helped the development of industrial finance and real economy; Fourthly, we continued to enhance our cross-border financial services capabilities and became the first legal financial institution in Guangdong province which had launched the second-generation cross-border RMB payment information system. We have fully utilised our domestic, foreign and offshore market resources and joint advantages to provide enterprises with various cross-border trade settlement and cross-border investment and financing financial services solutions, including remittance, foreign currency loans, preferential settlement exchange rate, NRA accounts and cross-border RMB two-way capital pools, which provided financial service support for "stabilising foreign investment", "stabilising foreign trade" and construction of Guangdong-Hong Kong-Macao Greater Bay Area.

(IV) Investment Banking Business

In the first half of 2022, the Bank gave full play to the license advantages of local lead underwriters, adhered to the concept of light capitalisation development, and focused on building an investment banking product system focusing on direct financing, asset securitisation and structured financing, to support the development of Guangdong-Hong Kong-Macao Greater Bay Area with diversified investment banking products, and help Guangzhou realise the new vitality of the old city. Driven by innovation, the Bank has dug deep into the local market and the customer base, and continued to expand the breadth and depth of financial services for high-quality enterprises in the Bay Area with investment banking products as a breakthrough. In the first half of 2022, the Bank was awarded the "First Batch of Innovation Cases of Green Finance Reform in Guangzhou" by the Guangzhou Green Finance Association, and the brand influence of green finance was further enhanced.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Retail Financial Business

(I) *Personal Deposit Business*

In the first half of 2022, the Bank consistently adhered to serving the local origin as its own responsibility, unswervingly implemented the new development concept, and focused on the three major objectives of “promoting growth, improving quality and optimising structure” to strengthen the steady increase of retail deposits and continuously optimise the deposit structure. Firstly, we focused on customer needs, continuously innovated and optimised deposit products, and launched “Ju Li Cun” group deposit business; secondly, we established online processing channels for seven deposit products, such as Zhifu Weekend, Zhifu Seven Days and Zhifu Time Deposit, which further improved business processing efficiency and customer service experience; thirdly, we introduced an age-friendly version of mobile banking to enhance care services for the elderly; fourthly, we launched the scene financial service platform of “Rong e-rent” finance + house rental management, which improved the digital financial service level of urban and village rental scenes, and helped realise “old city and new vitality” with financial power. As at the end of the Reporting Period, the Bank’s personal savings and deposits reached RMB387.8 billion and ranked second in the same industry in Guangzhou area.

(II) *Personal Loan Business*

In the first half of 2022, the Bank vigorously developed consumer finance and continuously improved its product system with steady growth in retail credit business and good control of asset quality. The Bank adhered to the principle of “no speculation of housing”, focused on meeting the rigid housing demand of the majority of residents, tapped the in-depth potential of mortgage loan supporting business, and developed new products such as “E Loan for Parking Spaces” and “Housing Loan”; We also adhered to the principle of due delay, and made every effort to implement various anti-pandemic support and protection policies to handle the deferred repayment of principal and interest for mortgage customers affected by the pandemic. The Bank focused on high-frequency and convenient financial services for the public, and innovated a “home ecology” consumer finance product system through the integration of online and offline services: the Bank launched the “Jinmi Consumer e-Loan” to meet the needs of residents for home improvement and other large and medium-sized consumption, and added a new service model of “offline approval and online lending”, which resulted in a significant year-on-year increase in offline consumer loan lending in the first half of the year; “Jinmi Housing Loan”, the “tailor-made” special consumption loan, created the Bank’s characteristics, helped the rural revitalisation combined with the characteristics of the customer base of villagers, enriched the customer base of “Jinmi Zhijian Loan”, provided customers with faster and more convenient service experience, and injected new impetus into the Bank’s credit structure transformation and digital transformation to effectively improve the Bank’s digital retail credit service.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Wealth Management Business

In the first half of 2022, the Bank's wealth management business focused on enriching product system, strengthening investment advisory services, and upgrading the wealth system platform to improve product quality and service level. During the Reporting Period, the Bank selected 7 head cooperative institutions, introduced 35 new products, and developed 2 self-operated products. According to the product characteristics and customer needs, we created a scene sales model and built seven Jinmi wealth product systems, including wealth management products of "five fortunes" (五富臨門), insurance products of "guardian alliances" (守護聯盟), fund products of "indispensable foundation" (基不可失), savings bonds of "strong countries and prosperous families" (強國興家), gold products of "bit by bit accumulation for gold" (點滴成金), asset management products of "icing on the cake" (錦上添花) and family trusts of "a long foundation" (基業長青). The Bank continued to strengthen its investment advisory services, and provided professional and caring services to customers in "before, during and after" the investment period through product information, product pre-investment inspection, asset allocation strategy, comments on market changes and other tools. During the Reporting Period, the Bank launched the Integrated Wealth System 2.0 to optimise the functions of wealth business of mobile banking, and meet the timeliness and convenience of handling customers' business to improve their service experience.

(IV) Bank Card Business

The Bank continued to enrich its debit card product series by launching the "Huacheng Debit Card" to promote the image of Guangzhou. In order to continue enhancing the comprehensive financial services for high-end talents in Guangzhou, the Bank exclusively issued the "Ling Yue" series of Nansha Talent Card, Zengcheng Doctoral Card, Huangpu Na Xian Card and Huangpu Lishi Card. The Bank actively responded to the needs of pension customers for social security card business, and cooperated with government agencies to jointly promote the social security and medical insurance business system with social security cards as the carrier. As of the end of the Reporting Period, the Bank issued more than 220,000 debit cards, the total number of debit cards in use reached 7.86 million.

The Bank strived to build a credit card product system and service system with distinctive features and friendly experience. The Bank launched the American Express RMB Card, becoming the first agricultural bank in China to issue the Express Card; adjusted the scope of customer base of the Rural Prosperity Card to focus on the inclusion of village community customers and ordinary villagers; actively launched the "Home Ecology" instalment business and continuously improved product innovation and services. The Bank focused on "customer experience", gradually increased the proportion of electronic processing, upgraded the mobile processing system, added large amount installment processing and face-to-face activation functions, and reduced customer waiting time; and built a quality and efficient credit card customer service system by efficiently protecting consumer rights through the debt negotiation hotline and establishing a rapid mediation mechanism. As of the end of the Reporting Period, the Bank has issued 1.956 million credit cards.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Sannong Financial Business

The Bank firmly adhered to the development positioning of supporting agriculture and SME, prudently provided high-level and multi-level financial services for agriculture, benefiting countryside and benefiting farmers. As of the end of the Reporting Period, the Bank's agricultural loan balance amounted to RMB40,587 million; the balance of inclusive agriculture-related loans amounted to RMB7,452 million. During the Reporting Period, the Bank formulated and issued the Work Plan for Promoting High-quality Development of Financial Services for "Sannong" around Rural Revitalization, and gradually improved the measures for rural revitalization. Firstly, the Bank strengthened the agriculture-related credit orientation, emphasized the positioning of supporting agriculture and SME, established the growth orientation of agriculture-related loans, established the green approval channels, optimized the due diligence exemption system, and provided policy support for rural revitalization; Secondly, the Bank deepened its financial empowerment to support "industrial prosperity", built a multi-level key project library around important areas such as food security, spring farming preparation and seed industry vitalization, and increased credit support; Thirdly, the Bank strengthened its product innovation and broadened the scope of collateral in rural areas. In view of the "two rights" mortgage pilot project in Guangzhou-Qingyuan comprehensive area, we researched, developed, and launched the "Jinmi rural revitalization contractual right of land mortgage loan"; Innovative researched and developed "Jinmi rural revitalization collective construction land credit loan" to revitalize rural collective "sleeping" assets; Fourthly, the Bank strengthened the use of re-lending loans to support agriculture and SME, reduced the cost of credit to agriculture-related customers, and implemented the policy of benefiting farmers, as of the end of the Reporting Period, the Bank's re-lending business in support of farmers reached RMB1,090 million, benefiting 471 customers; the re-lending business in support of SME reached RMB7,360 million, benefiting 3,335 customers. The re-lending business in support of farmers and SME ranked first in the province; Fifthly, the Bank promoted the "Village Affairs Card" business and improved the management of village community funds, as of the end of the Reporting Period, the Bank issued 9,154 village affairs card, with transaction settlement volume exceeding RMB28 million, accounting for over 95% of the city's total.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Financial Market Business

In the first half of 2022, the macro-economy continued to face the test of “triple pressure” due to unexpected factors such as the scattered and frequent domestic pandemics and the rise in bulk commodity prices. The People’s Bank of China further strengthened the implementation of prudent monetary policy to create a favorable liquidity environment for stable macroeconomic operation. The Bank’s financial market business closely tracked market changes, consolidated risk management, seized market investment opportunities and continued to transform to high-quality development.

- (I) Steady expansion of business scale. The asset side adopted the strategy of “supplementing price by volume”, achieving a steady growth in the scale of proprietary investment, which accounted for a continuous increase in the proportion of the Bank’s total assets. At the same time, the Bank seized the opportunity of relatively loose market liquidity in the first half of the year, actively expanded the sources of debt, and moderately increased the size of inter-bank debt.
- (II) Continuous optimisation of business structure. The newly increased investment at the asset side was mainly in interest-rate bonds, monetary funds and other transformation businesses, continuously increasing the proportion of transformation businesses, maintaining a relatively rapid growth in coupon income, and gradually reflecting the profit-creating effect. The liability side significantly reduced the cost of proprietary liabilities by seizing market opportunities, increasing the scale of inter-bank certificates of deposit and medium-term borrowing facilities, and optimising the maturity structure of the liabilities.
- (III) Continuous diversified trading strategies. During the Reporting Period, the Bank increased its forward-looking research on macroeconomics and markets, continuously enriched its trading strategies, and strengthened its ability to resist the risk of interest rate fluctuations. Through the coupon strategy, the Bank moderately increased the held-to-maturity period and increased the coupon income. At the same time, the correction duration of trading accounts was optimised to effectively control the impact of market fluctuations on earnings.
- (IV) Sound development of custody business. During the Reporting Period, the Bank strengthened the marketing of public offering of funds, private equity funds and bank wealth management custody, and provided liquidation, accounting, investment supervision and other efficient and high-quality services. As of the end of the Reporting Period, the accumulated liquidation amount of custody of the Bank amounted to RMB1,548 billion. Among the clearing participant ratings conducted by the CSDCC, during the Reporting Period, the monthly ratings of the Bank were all Grade A.
- (V) Aiding the promotion of development of the real economy. During the Reporting Period, the Bank continued to increase its investment in local government bonds, supported the accurate development of financial policies, and strongly supported the construction of major projects and the development of social and people’s livelihood.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Inclusive Financial Business

In the first half of 2022, the Bank actively implemented the requirements of the national policies and stepped up financial relief efforts. Firstly, the Bank stepped up the SME-supporting re-lending loans. As of the end of the Reporting Period, the Bank accumulated RMB12.907 billion of loans in line with the SME-supporting refinancing policies of the central bank, and obtained RMB7.36 billion of refinancing funds from the People's Bank of China, ranking first among local legal persons in Guangdong province in the size of the SME-supporting re-lending loans; Secondly, the interest rate level of small and micro loans was actively lowered in accordance with the market conditions, the financing cost of SME was effectively reduced; Thirdly, adhered to the principle of localisation, consolidated the foundation for inclusive customers, and actively explored the construction of a business model for community banks in inclusive finance.

As of the end of the Reporting Period, the balances of the inclusive and SME loans of the Bank amounted to RMB39,557 million, with the number of SME loan customers increasing by 3,013 as compared with the beginning of the year. The "two increases" index fully met the standard; the balance of inclusive agriculture-related loans amounted to RMB7,452 million, which met the standard.

6. Asset Management Business

In the first half of 2022, the Bank fully implemented the new requirements for capital management, and the wealth management business fully realised net worth operation. The Bank continued to optimise the wealth management structure and boost the retail wealth management business and actively promoted the development of wealth finance business. Focusing on customers' needs, the Bank continued to promote product innovation, newly issued the FOF wealth management products, and further enriched the shelves of wealth management products. At the same time, the Bank reshaped its wealth management product system to create sub-brands of "Cash Pot (現金寶)", "Stable Wealth (穩富)", "Adding Wealth (添富)", "Jiafu (嘉富)", "Ruifu (睿富)" and "Hongfu (鴻富)". As of the end of the Reporting Period, the balance of wealth management products of the Bank was RMB81,359 million, of which the balance of retail wealth management products (excluding consignment retail wealth management) was RMB71,611 million. In the first half of 2022, the Bank won two industry awards, namely "Excellent Large-scale Asset Management Rural Commercial Bank" and "Excellent Cash Management Banking Financial Products". In 2021, the Bank ranked third in the "general benefit standard" for rural financial institutions in terms of their comprehensive banking and wealth management capabilities and first in the investor service system.

7. Distribution Channels

(I) Physical Outlets

As of the end of Reporting Period, the Bank had 612 operating outlets (including 1 franchise institution), of which 593 were located in the Guangzhou region (including 1 franchise institution) and 19 were non-local outlets in the province. In terms of the number of outlets in the Guangzhou region, the Bank ranked first among the banks in the Guangzhou region. The Bank operated 5 non-local branches in Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai, 13 sub-branches and 1 sub-office.

(II) Self-service Bank

As of the end of Reporting Period, the number of ATMs, self-service inquiry terminals and smart service terminals of the Bank amounted to 2,259, among which 1,422 were ATMs, 521 were self-service inquiry terminals and 316 were smart service terminals.

(III) Smart Banking

As of the end of Reporting Period, the Bank had a total of 255 smart banking outlets, and 316 smart facilities including 7 VTM and 309 STM were installed.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Internet Finance

1. Mobile banking

Adhering to the development concept of “customer-centric”, the Bank strives to enhance the digital and intelligent service level of mobile banking and provide customers with a safe, fast and convenient online business experience. Firstly, the Bank fully took into account the customers’ growing demand for non-contact financial services, optimized the functions of online business hall, and added functions such as mutual transfer of fixed activities and social security card application. Secondly, the Bank enriched the value-added services of mobile banking, launched the “pandemic information” service on mobile banking, which covers various hot demand functions, such as daily pandemic situation, travel pandemic prevention consultation, nucleic acid testing and vaccination, and pandemic prevention convenience services, and upgraded the non-tax payment function of electronic channels to connect the provincial non-tax integration system. The Bank also supported non-tax payment in Foshan City, Zhuhai City, Heyuan City and other regions besides Guangzhou City after its upgrade. As of the end of the Reporting Period, the Bank had approximately 4.0645 million mobile banking customers with 8.6725 million financial transactions, and a transaction amount of RMB226.105 billion.

2. Internet banking

The Bank continued to optimise its internet banking customer experience. As of the end of the Reporting Period, the Bank had approximately 1.9029 million personal internet banking customers with 1.4316 million financial transactions, and a transaction amount of RMB73,046 million. The corporate internet banking contracted customers reached 26,500, the number of financial transactions made was 1.8474 million, and the transaction amount was RMB506,852 million. The corporate mobile banking contracted customers reached 20,600, the number of financial transactions made was 261,700, and the transaction amount was RMB12,009 million.

3. Direct banking

The Bank continued to provide direct banking customers with various online services, such as investment and financing, convenient payment, etc. As of the end of the Reporting Period, the Bank had approximately 254,000 direct banking customers with 547,800 financial transactions with a transaction amount of RMB5,185 million.

4. WeChat banking

The Bank’s WeChat banking integrates publicity, customer service and financial tools, and provides the customers with fast and easy financial services such as wealth management and purchase, financial information, latest offer, account enquiry, and appointment for corporate account opening, through which the products of the Bank are promoted in a casual manner. As a result, it has gradually become an important channel for the Bank’s brand publicity and business promotion. As of the end of Reporting Period, the Bank’s customers of WeChat banking reached 1.1047 million.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Online mall (Jinmi Market (金米集市))

In the first half of 2022, adhering to the purpose of serving the “Sannong”, the Bank fully developed the innovative and leading role of Jinmi Market Online mall in rural revitalisation. Through publishing more than 100 tweets in WeChat official account of Jinmi Market, the Bank strengthened the publicity and promotion of agricultural products, continued to carry out the theme activities of “helping farmers with love” and “helping farmers with consumption”, effectively promoted the “out of the village” and “out of the mountains” of agricultural products, and helped agricultural enterprises and farmers to expand their sales channels. During the 2022 China (Guangzhou) International Finance Expo, the Bank innovated and launched live stream, which achieved a good brand effect for the promotion of Lingnan specialty and auxiliary agricultural products. As of the end of the Reporting Period, the Bank cooperated with a total of 38 merchants on the theme of rural revitalisation at the Jinmi Market, helping 380 agricultural products put on sale, with accumulated sales exceeding RMB1 million.

III. FINANCIAL TECHNOLOGY

The Bank proactively propelled the establishment of information system, constantly intensified the supporting role of information technology in the development of banking business, continued to increase investment in technology resources, and strengthened the technological innovation and application capabilities, so as to achieve steady improvement in the overall capability of financial technology. In the first half of 2022, all important information systems of the Bank maintained a stable operation, no unplanned system outages occurred and the network operation was stable.

I. Technology Governance

The Bank focused on enhancing the ability of technology governance and technology management, established a top-down information technology management framework consisting of the Board of Directors and the senior management, science and technology finance committee, information technology risk management department and financial technology department, and persistently implemented the “three lines of defense” for information technology risk management; improved the decision-making functions of the science and technology finance committee on major issues such as financial technology management, innovation management and data governance; enhanced the system of information technology management framework, established a standardized technology assessment mechanism, deepened the integration of technology and business, and continued to improve the independence of science and technology research and development capability and business support capability, to strengthen the science and technology support for the implementation of the Bank’s strategy, business development and operation management.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Information Security Guarantee

The Bank continued to strengthen its capability of information security guarantee by strictly protecting the data center and key information infrastructure. It also actively introduced new technologies and mature systems, timely upgraded security equipment and enhanced external protection capability, continuously improved cyber securities related management system, implemented cyber security responsibilities, carried out penetration tests on the Internet application system, host vulnerability scanning and security baseline inspection, software and hardware inspection, and supervision on handling of incident, conducted application access review and information security assessment, strengthened system risk prevention and control, improved the data security management system, strictly implemented data security management and control strategies, and strengthened data security and privacy protection. By carrying out the systematic information security management, the Bank effectively enhanced the level of information security guarantee, and there was no occurrence of major information security incidents in the first half of 2022.

III. Business Continuity Management

The Bank actively implemented various tasks of business continuity management, comprehensively improved the level of business continuity management by strengthening the daily monitoring of business continuity, improving the management of business operation supply chain resources, enhancing business continuity training and carrying out emergency drills, and the production system operated safely, stably and continuously in the first half of 2022.

IV. Development of Financial Technology

Guided by the People's Bank of China's Financial Technology Development Plan for 2022–2025 (《金融科技發展規劃(2022–2025年)》) and the Bank's "14th Five-Year Plan" strategic development plan, the Bank has formulated the Implementation Outline of Financial Technology for 2022, which focuses on the implementation of the Bank's "14th Five-Year" strategic development plan and comprehensive digital transformation. The Plan aims to improve the financial technology service capability in terms of enhancing the governance system, supporting high-quality development of business operation and management, building a solid data base, strengthening data application support, and building core capabilities of financial technology, so as to provide comprehensive science and technology support for the Bank's operation, management quality and development efficiency.

In the first half of 2022, the Bank successfully launched 19 projects, including account risk monitoring and management platform, anti-money laundering system, double-checking audit system, which effectively supported the business development and operation management of all business lines of the Bank.

V. Innovation of Information Technology

The Bank actively carried out information technology innovation. The on-line business hall system was recognised as the Excellent Cases of China Banking Industry Digital Transformation; the real-time intelligent dual-recording audit project successfully passed the financial technology research project of Guangdong Finance Association and was awarded a good rating.

IV. RISK MANAGEMENT

I. Credit Risk Management

Credit risk refers to the risk of economic losses arising from failure of the borrower or the counterparty of the Bank to fulfil relevant obligations as per the contract for various reasons.

The Board of Directors of the Bank assumes the ultimate responsibility for credit risk management. The Risk Management Committee under the senior management is responsible for formulating policies and strategies relating to the overall credit risk management of the Bank, and the Risk Management Department, Credit Management Department, the Credit Approval Department and the Asset Preservation Department are responsible for the specific implementation, monitoring and evaluation of credit risk management policies and strategies. Various business lines provide active cooperation in risk management and control.

In the first half of 2022, the Bank pushed forward the improvement of the risk management structure and mechanism and process, strengthened the management of business personnel and developed system management tools, so as to enhance its ability to prevent and control the credit risk. Firstly, it optimized the risk structure and management model, established the Credit Management Department, straightened out the risk management structure, strengthened the risk management and control of the entire process of credit business before, during and after lending, optimized the risk management model of operating institutions, and consolidated the responsibility for asset quality management and control of operating institutions. Secondly, it introduced credit policies, investment policies and special support policies for the pandemic to strengthen credit management, guide and optimize asset structure, improve asset quality, and strengthen financial support for the real economy. Thirdly, it strictly regulated the large-amount credit business, improved the management of unified credit limit for corporate clients, amplified the access mechanism for large-amount corporate credit business, strictly controlled business access, and filtered risks at all levels. Fourthly, it strengthened the management and control of risk assets and made every effort to dispose of and resolve business risks through the classification management, integration of resources, innovative ideas and enhancement of the assessment and incentive. Fifthly, it strengthened the collection and disposal of non-performing assets, established rules and regulations to enhance asset preservation and management capabilities, set up special team for the disposal of key non-performing assets, engaged special permanent legal advisor to improve the effectiveness of collection and disposal through legal instruments. Sixthly, it continued to promote the construction of the risk management system project group to improve the level of intelligence and digitalization of risk management. Seventhly, it comprehensively enhanced the coordination and deployment of post-lending management of credit business, implemented multiple strategies to improve the construction of post-lending management system and strengthen risk monitoring and early warning. Eighthly, it enhanced staff training, cultivated a good risk culture, and continued to improve the professional skills of risk management for all employees in the Bank by conducting special trainings on credit business, risk management, internal rules and regulations. In the first half of 2022, the overall credit risks of the Bank were under control.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Liquidity Risk Management

Liquidity risk refers to the risk that sufficient funds cannot be obtained at a reasonable cost in time to meet debts falling due, perform other payment obligations and meet other capital needs of normal business. The objective of liquidity risk management of the Bank is to meet the liquidity needs arising from assets, liabilities and off-balance sheet businesses and fulfil payment obligations to external parties in a timely manner under the normal operating environment of the Bank or at a highly stressed condition through the establishment of a scientific and comprehensive liquidity risk management mechanism and effective identification, measurement, monitoring and reporting of liquidity risks, so as to maintain the balance between effectiveness and security of funds.

The Board of the Bank assumes the ultimate responsibility for liquidity risk management. The Asset and Liability Management Committee under the senior management is responsible for formulating policies and strategies relating to overall liquidity risk management of the Bank; under the guidance of the Asset and Liability Management Committee, the Asset and Liability Management Department is responsible for daily liquidity risk management; various business lines provide active cooperation in liquidity management.

In the first half of 2022, the Bank continued to implement liquidity risk policies and various measures for liquidity risk management, and enhanced the uniform and centralized management of liquidity risk. The specific management measures included: Firstly, the Group made use of the capital position system for daily position management, centralized scheduling, and conducted timely monitoring and proper supplementation to guarantee the safety of provisions. Secondly, the Group included the requirements for liquidity risk management into its business plan to ensure limiting the existing quality liquidity assets within a safe range. Thirdly, based on the risk preference in liquidity risk approved by the Board of Directors, the Group formulated limits on liquidity risk every quarter, and monitored the execution of the risk limit every month and assessed the execution every quarter to ensure liquidity risk is under control. Fourthly, the Group monitored liquidity indicators monthly and made forward-looking predictions of liquidity indicators and gaps, and timely identified risks, and made reasonable capital arrangement. Fifthly, the Group carried out stress testing for liquidity risk quarterly to timely assess the Bank's liquidity risk tolerance and risk mitigating capability, and added stress testing during the important sensitive period to enhance the monitoring and prevention of liquidity risk on a timely basis. Sixthly, the Bank regularly carried out liquidity risk emergency drills in order to improve the efficiency of its response under emergency situation.

In the first half of 2022, the overall liquidity risks of the Bank were under control, without any significant liquidity risk incidents, all key liquidity risk indicators were able to meet the standards, and results of the stress test also showed that the Bank had adequate risk mitigating capability to deal with crises under pressure.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Market Risk Management

Market risk refers to the risk of losses in on- and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). The market risk faced by the Bank exists in the Bank's transaction books and bank books, mainly including interest rate risk and exchange rate risk.

In the first half of 2022, the Bank remained concerned about changes in currency policies and market prices, and took a number of measures to enhance the capability to manage market risk. Firstly, it introduced the proprietary investment policy and wealth management investment policy for 2022 to differentiate proprietary investment and wealth management investment, and made different arrangements in terms of business type, investment target scope, duration, warning and stop-loss, etc., to implement differentiated management. The proprietary investment policy insists on low risk business as the main direction of development and the principles of compliance and prudence, and effectively earns income by improving core capabilities such as investment and risk control. The wealth management investment policy guided the net-worth transformation of wealth management products, and focused on improving the active management, asset allocation and risk control capabilities of wealth management investment. Secondly, it performed the regular monitoring on implementation of major regulatory indicators, investment policy limits and concentration indicators of the financial market business, analysed the investment gains and losses and risk profiles of trading accounts, available-for-sale account bond investments and net-worth products, and provided recommendations on strengthening risk management and control. Thirdly, it conducted stress tests on market risk on a regular basis, analysed the changes in valuation under light, medium and heavy stress scenarios and the impact of changes in valuation on the Bank, and provided relevant recommendations to prevent market risk fluctuations.

In the first half of 2022, the market risk of the Bank was overall controllable, without any significant market risk event, and various key market risk indicators of each month met the standards. The stress test results also showed that the Bank was able to cope with the impact of valuation changes on operating income, net profit and capital adequacy ratio under stress scenarios.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Operational Risk Management

Operational risk refers to the risk of losses caused by imperfections or problems of internal procedures, staff and IT system, and external events.

Operational risks of the Bank are classified mainly into internal risks and external risks. Internal risks mainly include risks arising from human factors, inappropriate procedures and operational processes, and failure of information system. External risks mainly include risks caused by external emergencies.

In the first half of 2022, the Bank continuously improved the level of operational risk prevention from employee management and risk identification. Firstly, it carried out the continuous investigation on abnormal behaviours of employees outside of eight hours, effectively prevented the transformation of abnormal behaviour risks of employees outside eight hours into those within eight hours, and standardised employee behaviour management. Secondly, in accordance with the requirements of the Implementation Plan for Improving and Strengthening the Supervision System of the Bank, it adequately identified all internal factors (such as organisational structure, products and services, personnel flow, application of new equipment and new systems) or external environment factors (such as technological progress, changes in laws and regulations, industry changes, adjustment of market structure, etc.) that caused financial or non-financial losses to business activities and business processes, strengthened the control of procedures, personnel and authority in important links, regularly carried out system implementation inspection and operational risk assessment, timely identified and rectified operational risk hazards, and effectively prevented operational risks.

V. Information Technology Risk Management

Information Technology Risk Conditions refer to operation, law and reputation risks generated during the process of applying information technology by the Bank due to natural factors, human factors, technical loopholes and management flaws.

In the first half of 2022, the Bank continuously strengthened information technology risk management. Firstly, we completed the external audit project of information technology, objectively evaluated the information technology risk management status of the whole bank through a third-party audit, and solidly promoted the rectification of problems; secondly, we steadily promoted emergency rehearsal for important information systems and businesses, and continued to strengthen the level of business continuity management.

MANAGEMENT DISCUSSION AND ANALYSIS

VI. Compliance Risk Management

Compliance risk refers to the risk of legal sanction or regulatory penalty, major property loss or reputation loss as a result of its non-compliance with the laws, regulations and codes. The objective of the Bank's compliance risk management is to achieve effective identification, assessment, prevention and disposal of compliance risks through the establishment of a sound compliance risk management mechanism, so as to ensure the Bank's compliance operation in accordance with the laws.

In the first half of 2022, the Bank carried out works by closely adhering to its "14th Five-Year Plan" strategic development plan and the "Year of Asset Quality" activities, combined the construction of compliance culture with the "Year of Asset Quality" activities, paid close attention to the weak links and key areas affecting the quality of compliance management, strengthened the concept of compliance management, and consolidated the foundation of internal management. Firstly, centering on the overall requirements of the "1+2+3" supervision system, we organised all departments and operating agencies of the head office to formulate supporting implementation plans and internal control management inspection work plans, strengthened system implementation inspection and internal control management self-inspection, and promoted the work of the Bank's supervisory system in depth and details; secondly, we carried out regular system re-examination and random checks on system gaps. Through the method of "identifying and rectifying problems", we promptly urged the responsible departments to implement the rectification, and effectively promoted further improvement of the system; thirdly, we gradually expanded the coverage of random checks by internal supervision, and enhanced the intensity and depth of random checks on the implementation of the system; fourthly, we carried out the activity of Month for Awareness of Preventing Illegal Fund-Raising, which was publicised through the Bank's WeChat official account, organised online quizzes for all employees, and carried out activities in the form of exams instead of training, so as to enhance the risk prevention capabilities of the public and employees.

VII. Legal Risk Management

Legal risk refers to the risk of incurring legal sanctions or other negative consequences that arises out of or in connection with the failure of the Bank to comply with requirements of relevant laws and regulations during the Bank's operation; the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by the Bank; legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations and other relevant rules; and other relevant legal events that occur internally and externally.

In the first half of 2022, the Bank continuously strengthened legal risk management, improved legal risk management level and prevention capability, implemented Civil Code and other new laws and regulations, continuously optimized agreement contents, and practically enhanced risk prevention and control in litigation cases.

MANAGEMENT DISCUSSION AND ANALYSIS

VIII. Implementation of the Basel Capital Accord

The Bank promoted the implementation of the New Basel Capital Accord in accordance with regulatory requirements. In the first half of 2022, we formulated an annual risk preference statement and indicator system which was considered and approved by the Board of Directors; promoted the trial operation of the optimisation and upgrade project for non-retail internal rating system, including optimising the rating model, adding functions such as import of the CBIRC shared data and personal credit score, etc., optimising system functions such as customer rating, rating adjustment and rating restoration, so as to further improve the basic rules and functions of rating calculation; continued to promote the construction of a risk-weighted asset measurement system, with a focus on optimising the system's batch processing performance and upstream data interfaces and completing system user verification in the first half of 2022; and conducted the annual banking stress test in accordance with the requirements of the People's Bank of China.

IX. Money Laundering Risk Management

In the first half of 2022, the Bank strictly implemented regulatory requirements, seriously performed anti-money laundering obligations, continuously strengthened money laundering risk management, and strictly prevented and controlled money laundering risks. Firstly, we continuously promoted the two key projects of institutional money laundering risk self-assessment and the reconstruction of anti-money laundering systems; secondly, we continuously optimised the management structure and the construction of internal control systems; thirdly, we vigorously improved the quality and efficiency of internal inspection and supervision of anti-money laundering.

X. Reputation Risk Management

Reputation risk refers to the behavior of the Bank, lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, detrimental to the normal operations of the Bank, and even affecting market stability and social stability.

In the first half of 2022, the Bank established a sound reputation risk management mechanism, actively prevented reputation risks, responded to negative public opinion events, and effectively maintained a good market image of the Bank, so as to achieve the overall goal of reputation risk management.

XI. Country Risk Management

Country risk refers to the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay banking financial institution debt, losses suffered by banking financial institution or its commercial presence in such country or region and other losses due to economic, political, social changes and events in a country or a region.

The Bank's international business was conducted in strict accordance with the anti-money laundering requirements to earnestly fulfill the anti-money laundering responsibilities of financial institutions and strengthen the identification and monitoring measures for risks in high-risk countries (regions) through the Bank's internal anti-money laundering list system and other means, to achieve controllable country risk. In the first half of 2022, the Bank's country risk management and control was generally sound.

MANAGEMENT DISCUSSION AND ANALYSIS

V. INTERNAL AUDIT

The Bank has established independent and vertical audit management system. The independent audit department was established under the Board of Directors. Under the leadership of the Party Committee and the Board of Directors of the Bank, as well as the guidance and supervision of the Board of Supervisors, the audit department is responsible for the overall management the whole bank's audit work. It improves our business operations, risk management, internal control and compliance, and corporate governance on an ongoing basis through audits, evaluations, and the supervision of rectification. The audit department of the Bank regularly reports its work to the Party Committee, the Board of Directors and the Board of Supervisors of the Bank, and submits major audit matters to the Bank's Party committee for pre-study and consideration before submitting to the Board of Directors for consideration.

During the Reporting Period, the audit department fully implemented the work requirements of the upper superior regulators, implemented the work arrangements of the Party committee, the Board of Directors and the Board of Supervisors of the Bank, strengthened the guidance of party building, committed to management innovation and audit team, system and technology construction, further consolidated audit basic management work, and improved audit efficiency and effectiveness. Focusing on the audit objective of value-adding, the audit department adhered to the general idea of highlighting key points, combining points and surfaces, investigating clues deeply, revealing risks and strengthening rectification, developed various audit projects, identified certain potential risks and internal control deficiencies in a timely manner, facilitated the improvement of various business systems, procedures and systematical function, and exerted the performance of the audit regulatory function of the third line of risk prevention in a fairly good way.

VI. PRINCIPAL SUBSIDIARIES

Zhujiang County Bank is the general term for the various rural banks established by the Bank as a main promoter. It is of great significance for the Bank to perform social responsibility, improving the level of financial services for Sannong, and small and micro businesses, assisting rural revitalization and inclusive financial development, and further building a multi-level rural financial service network. During the Reporting Period, the Bank strengthened its consolidated management capabilities for county banks and promoted their steady and high-quality development. As of the end of the Reporting Period, the Bank established 25 Zhujiang County Banks in 9 provinces and cities nationwide.

As a wholly-owned subsidiary promoted and established by the Bank, Zhujiang Financial Leasing Co., Ltd. was incorporated and commenced operation in December 2014, mainly engaged in financial leasing related business. In December 2021, Zhujiang Financial Leasing Co., Ltd. increased its registered capital by RMB500 million with undistributed profits, increasing the registered capital from RMB1 billion to RMB1.5 billion.

The Bank strategically controls four rural commercial banks, namely Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd., Chaozhou Rural Commercial Bank Co., Ltd., Guangdong Nanxiong Rural Commercial Bank Co., Ltd. and Shaoguan Rural Commercial Bank Co., Ltd. They are mainly engaged in monetary financial business. Among them, Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd. completed its restructuring and commenced operation in December 2017, with a registered capital of RMB600 million. Chaozhou Rural Commercial Bank Co., Ltd. completed its restructuring and commenced operation in June 2019, with a registered capital of RMB2,630 million. Guangdong Nanxiong Rural Commercial Bank Co., Ltd. completed its restructuring and commenced operation in July 2019, with a registered capital of RMB430 million. Shaoguan Rural Commercial Bank Co., Ltd. completed its restructuring and commenced operation in June 2020, with a registered capital of RMB1,374 million.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. OUTLOOK OF THE SECOND HALF OF 2022

In the first half of 2022, China's macroeconomy experienced a transition from declining growth to a gradual recovery. In the first quarter, macroeconomic growth was 4.8%, 0.8 percentage points more than in the fourth quarter of 2021, remaining a generally stable start. From the perspective of three major needs, the scale of investment has expanded, consumption has appeared to recovery, and net exports showed a relatively rapid growth, reflecting a good development resilience. In the second quarter, economic indicators fell significantly due to the complex and severe international environment and the impact of the domestic epidemic and other factors that exceeded expectations. Since May, the prevention and control of the epidemic has been improving, production demand has gradually recovered and economic indicators have shown marginal improvement, but the slow recovery of consumption and the weak real estate market continue to limit economic recovery.

Looking forward to the second half of the year, with the implementation of normalized epidemic prevention and control measures and the effectiveness of growth stabilization policies and measures, China's economy will show a stabilizing and rebounding trend, exhibiting asymmetric "W-shaped" characteristics. In terms of exports, overseas manufacturing inventory will cycle into a slow decline in the level, China's overall export growth rate may gradually return to normal, but year-on-year decline will still be resilient. In terms of investment, as real estate sales enter a recovery period in the environment of loose monetary policy and policy adjustments to stabilize the property market, the year-on-year growth rate of real estate investment is expected to turn from negative to positive, and the growth rate of manufacturing investment is expected to slow down slightly due to the decline in profit growth. The investment on infrastructure may maintain a relatively high growth rate due to policy's driving force. In terms of consumption, with the formation of a new round of normalized prevention and control mode, the restrictions on consumption scenarios are gradually loosened, and policies such as superimposing automobile and home appliance consumption subsidies have boosted residents' consumption ability and willingness. The growth rate of consumption is expected to be repaired month-on-month, but the year-on-year growth rate is expected to have an upper limit. In terms of inflation, China's current inflation structure is characterized by a unilateral downward trend in PPI and a gradual upward trend in CPI. It is expected that PPI will continue its downward trend year-on-year under the influence of a High-Cardinality, while the CPI will further rise due to the hog cycle, and it may be moderated under the normalized prevention and control mode.

MANAGEMENT DISCUSSION AND ANALYSIS

In the slowdown and the gradual recovery in macroeconomic growth, the Bank insisted on focusing on the local origin, main responsibilities and main businesses. On one hand, the Bank grasped the opportunity to repair the demand of Guangzhou's industries and small, medium and micro-sized enterprises, fully explored the credit demand in key areas, and helped enterprises reduce their comprehensive financing costs. On the other hand, the Bank took the "Year of Asset Quality" activities as the starting point, promoted the optimization of credit structure and the construction of asset quality management system, and continuously enhanced the quality of the Group's business development and comprehensive operating strength. In the first half of 2022, the Bank maintained its strategic focus and continued to push forward various key work, focusing on key customer base, core product services and important channels and platforms. The Bank focused on increasing the number of customers, expanding the size of customers, steadily transforming its business model and optimizing its product service system. The Bank also focused on upgrading digital tools and platforms for customer management and customer marketing, further strengthening risk management, standardizing compliance and internal control, and steadily promoting resource allocation and assessment application, selection of personnel and team building. The overall scale of assets and liabilities continued to grow, and the business structure continued to be optimized. In the second half of the year, the Bank will look closely into the domestic and international macro-economic conditions, continue to intensify structural optimization, strengthen the concept of comprehensive operation, focus on customers, implement the lowering business, conduct deep differentiated operation, and continuously increase customer loyalty. Focusing on the four core business direction of rural finance, industrial finance, consumer finance and wealth finance, the Bank will push forward the whole village credit and scenario cultivation, lay a solid foundation for the village community, vigorously develop small and medium-sized enterprises relying on industrial chains and industrial parks, adjust and optimize the business structure, speed up the construction of the "wealth + consumption" system, drive the double growth of scale and revenue, simultaneously and systematically further promote the upgrade and optimization of the operation and management system and mechanism, and continuously enhance the core capabilities of personnel management and scientific and technological development, so as to achieve continuous improvement in the ability and the level of profitability.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

I. CHANGES IN SHARES

Unit: share, %

	31 December 2021		Change during the Reporting Period Amount of change	30 June 2022	
	Quantity	Proportion		Quantity	Proportion
Total share capital	11,451,268,539	100	-	11,451,268,539	100
Non-overseas listed shares	9,325,933,539	81.44	-	9,325,933,539	81.44
Non-overseas listed shares held by non-state-owned legal person shareholders	3,715,358,176	32.45	-	3,715,358,176	32.45
Non-overseas listed shares held by state-owned legal person shareholders	3,134,589,712	27.37	-	3,134,589,712	27.37
Non-overseas listed shares held by natural persons	2,475,985,651	21.62	-	2,475,985,651	21.62
Overseas listed foreign shares	2,125,335,000	18.56	-	2,125,335,000	18.56

Notes:

- (1) As of the end of the Reporting Period, the total number of shareholders of the Bank's Non-overseas Listed Shares was 29,141, and all non-overseas listed shares of the Bank were deposited in China Securities Depository and Clearing Corporation Limited. The total number of registered shareholders of H Shares was 90 (of which HKSCC Nominees Limited, as a nominee, acted on behalf of some shareholders).
- (2) The shares held by state-owned legal persons represent the Non-overseas Listed Shares of the Bank held by 16 state-owned legal person shareholders, including Guangzhou Metro Group Co., Ltd., Guangzhou CityRenewal Group Co., Ltd., etc.
- (3) As of the end of the Reporting Period, 62,465,376 Non-overseas Listed Shares of the Bank were involved in judicial freezing, representing 0.55% of the total share capital of the Bank, and 981,981,752 Non-overseas Listed Shares of the Bank were involved in pledge, representing 8.58% of the total share capital of the Bank.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

II. SHAREHOLDINGS OF SHAREHOLDERS

(I) Total Number of Shareholders

As of the end of the Reporting Period, the Bank had a total share capital of 11,451 million shares, comprising 9,326 million Non-overseas Listed Shares and 2,125 million overseas listed shares. There were 715 legal person shareholders in possession of 6,850 million Non-overseas Listed Shares, accounting for 59.82% of the total share capital. Among which, 16 were state-owned shareholders in possession of 3,135 million shares, accounting for 27.37% of the total share capital, while 28,426 were natural person shareholders in possession of 2,476 million Non-overseas Listed Shares, accounting for 21.62% of the total share capital.

(II) Top Ten Shareholders

As of the end of the Reporting Period, the top ten shareholders of the Bank together held 47.33% of the Bank's total share capital, with no single holder of Non-overseas Listed Shares having control of more than 5% of the total share capital except Guangzhou Metro Group Co., Ltd., Guangzhou CityRenewal Group Co., Ltd., marking a dispersed shareholding structure of the Bank. Among the top ten shareholders, the largest shareholder of Non-overseas Listed Shares was Guangzhou Metro Group Co., Ltd., which held 6.31% of the total share capital. The second largest shareholder was Guangzhou CityRenewal Group Co., Ltd., with 5.82% of the total share capital, and the third largest was Guangzhou Finance Holdings Group Co., Ltd., with 3.20% of the total share capital. All of these top three shareholders of Non-overseas Listed Shares are enterprises solely-owned by the State.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

The top ten shareholders are as follows:

No.	Name	Class of shareholder	Nature of shareholder	Number of shares (Share)	Shareholding proportion (%) ⁽²⁾
1	HKSCC Nominees Limited ⁽¹⁾	H Shares	Other	2,124,963,900	18.56
2	Guangzhou Metro Group Co., Ltd	Non-overseas Listed Shares	State-owned legal person	722,950,000	6.31
3	Guangzhou CityRenewal Group Co. Ltd.	Non-overseas Listed Shares	State-owned legal person	666,735,193	5.82
4	Guangzhou Finance Holdings Group Co., Ltd.	Non-overseas Listed Shares	State-owned legal person	366,099,589	3.20
5	Guangzhou Vanlead Group Co., Ltd.	Non-overseas Listed Shares	State-owned legal person	319,880,672	2.79
6	Guangzhou Radio Group Co., Ltd.	Non-overseas Listed Shares	State-owned legal person	310,728,411	2.71
7	Guangzhou Business Investment Holding Group Co., Ltd.	Non-overseas Listed Shares	State-owned legal person	273,889,019	2.39
8	Shanghai Dazhan Investment Management Co., Ltd.	Non-overseas Listed Shares	Non-state-owned legal person	250,000,000	2.18
9	Guangzhou Industrial Investment Holding Group Co., Ltd.	Non-overseas Listed Shares	State-owned legal person	204,360,000	1.78
10	Nanjing Gaoke Co., Ltd.	Non-overseas Listed Shares	Non-state-owned legal person	180,000,000	1.57
Total				5,419,606,784	47.33

Notes:

- (1) HKSCC Nominees Limited, as a nominee, held 2,124,963,900 H Shares in aggregate in the Bank on behalf of several clients, representing approximately 18.56% of the issued share capital of the Bank. As a member of CCASS, HKSCC Nominees Limited conducts registration and custodian business for clients.
- (2) The above proportions are calculated on the basis of the total share capital of the Bank of 11,451,268,539 shares.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(III) Internal Staff Members' Shareholdings

As of the end of the Reporting Period, the Bank had a total of 5,689 internal staff member shareholders, holding 371 million shares, which accounted for 3.24% of the total share capital of the Bank.

(IV) Explanation on the absence of controlling shareholders and de facto controllers of the Company

As of the end of the Reporting Period, the Bank did not have any controlling Shareholders or de facto controllers.

(V) Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares under the Hong Kong Laws and Regulations

Based on the knowledge of the directors or chief executives of the Bank, as at 30 June 2022, the following persons (other than the directors, chief executives and supervisors of the Bank) had, or were deemed to have interests or short positions in the shares and underlying shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO with details as follows:

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Guangzhou Municipal People's Government ⁽¹⁾	Interest of a controlled corporation	Non-overseas Listed Shares	Long	3,124,589,712	27.29%	33.50%
Aeon Life Insurance Company Limited	Beneficial owner	H Shares	Long	295,229,000	2.58%	13.89%
Guangzhou HongHui Investment Co., Ltd ⁽²⁾	Beneficial owner	H Shares	Long	200,991,000	1.76%	9.46%
Zeng Weipeng ⁽²⁾	Interest of a controlled corporation	H Shares	Long	114,558,840	1.00%	5.39%

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Liu Feng ⁽³⁾	Interest of a controlled corporation	H Shares	Long	294,530,203	2.57%	13.86%
Good Prospect Corporation Limited ⁽³⁾	Beneficial owner	H Shares	Long	294,530,203	2.57%	13.86%
Deng Geng ⁽⁴⁾	Interest of a controlled corporation	H Shares	Long	294,554,000	2.57%	13.86%
East Lake Technology Limited ⁽⁴⁾	Beneficial owner	H Shares	Long	294,554,000	2.57%	13.86%
Su Jiaohua ⁽⁵⁾	Interest of the spouse	H Shares	Long	221,424,797	1.93%	10.42%
Lin Xiaohui ⁽⁵⁾	Interest of a controlled corporation	H Shares	Long	221,424,797	1.93%	10.42%
Manureen Investment Limited ⁽⁵⁾	Beneficial owner	H Shares	Long	221,424,797	1.93%	10.42%
Lead Straight Limited ⁽⁶⁾	Beneficial owner	H Shares	Long	195,229,000	1.70%	9.19%
Grandbuy International Trade(HK) Limited ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.70%	9.19%
Guangzhou Business Investment Holding Group Co., Ltd. ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.70%	9.19%
Harvest Fund Management Co., Ltd. ⁽⁷⁾	Beneficial owner	H Shares	Long	187,000,000	1.63%	8.80%
China Credit Trust Co., Ltd. ⁽⁷⁾	Interest of a controlled corporation	H Shares	Long	187,000,000	1.63%	8.80%
Guangzhou City Construction Investment Development Company Limited	Beneficial owner	H Share	Long	551,900,000	4.82%	25.97%
Guangzhou City Construction Investment Group Co., Ltd. ⁽⁸⁾	Interest of a controlled corporation	H Share	Long	561,249,000	4.90%	26.41%

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Notes:

- (1) These 3,124,589,712 shares include 722,950,000 shares directly held by Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司), 666,735,193 shares directly held by Guangzhou CityRenewal Group Co., Ltd. (廣州城市更新集團有限公司), 366,099,589 shares directly held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), 319,880,672 shares directly held by Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), 310,728,411 shares directly held by Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), 273,889,019 shares directly held by Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司), 204,360,000 shares directly held by Guangzhou Industrial Investment Holding Group Co., Ltd. (廣州工業投資控股集團有限公司), 137,283,914 shares directly held by Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), 204,360,000 shares directly held by Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), 33,405,752 shares directly held by Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), 18,304,522 shares directly held by Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), 9,152,261 shares directly held by Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司), 7,052,469 shares directly held by Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), 9,152,261 shares directly held by Guangzhou Development Zone Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and 282,805 shares directly held by Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司).

Pursuant to the SFO, Guangzhou Municipal People's Government is deemed to be interested in the shares held by Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司), Guangzhou CityRenewal Group Co., Ltd. (廣州城市更新集團有限公司), Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司), Guangzhou Industrial Investment Holding Group Co., Ltd. (廣州工業投資控股集團有限公司), Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司) and Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), which are directly or indirectly held by Guangzhou Municipal People's Government, and in the shares held by Guangzhou Development Zone Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司), which are controlled by Guangzhou Municipal People's Government.

- (2) Guangzhou HongHe Investment Co., Ltd. is owned as to 90% by Zeng Weipeng, and Guangzhou HongHui Investment Co., Ltd. is owned as to 63.33% by Guangzhou HongHe Investment Co., Ltd. Therefore, Zeng Weipeng is deemed to be interested in the 200,991,000 shares by virtue of the SFO.
- (3) Liu Feng wholly owns Good Prospect Corporation Limited. Therefore, Liu Feng is deemed to be interested in the 294,530,203 shares by virtue of the SFO.
- (4) Deng Geng wholly owns East Lake Technology Limited. Therefore, Deng Geng is deemed to be interested in the 294,554,000 shares by virtue of the SFO.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- (5) Manureen Investment Limited is owned as to 70% by Lin Xiaohui. Therefore, Lin Xiaohui is deemed to be interested in the 221,424,797 shares by virtue of the SFO. Su Jiaohua is the spouse of Lin Xiaohui. Therefore, Su Jiaohua is deemed to be interested in the 221,424,797 shares by virtue of the SFO.
- (6) Grandbuy International Trade (HK) Limited is wholly owned by Guangzhou Business Investment Holding Group Co., Ltd. Lead Straight Limited is wholly owned by Grandbuy International Trade (HK) Limited. Therefore, Guangzhou Business Investment Holding Group Co., Ltd. and Grandbuy International Trade (HK) Limited are deemed to be interested in the 195,229,000 shares by virtue of the SFO.
- (7) Harvest Fund Management Co., Ltd. is owned as to 40% by China Credit Trust Co., Ltd.. Therefore, China Credit Trust Co., Ltd. is deemed to be interested in the 187,000,000 shares by virtue of the SFO.
- (8) The 561,249,000 shares comprised 551,900,000 shares directly held by Guangzhou City Construction Investment Development Company Limited and 9,349,000 shares directly held by Guangzhou Xinhua Urban Development Industry Investment Enterprise (Limited Partnership). Therefore, Guangzhou City Construction Investment Group Co., Ltd. is deemed to be interested in the 561,249,000 shares by virtue of the SFO.

Save as disclosed above, the Bank is not aware of any other person (other than the directors, chief executives and supervisors of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 30 June 2022 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(VI) Major Shareholders under “Interim Measures for Equity Management of Commercial Banks” (《商業銀行股權管理暫行辦法》)

Pursuant to the requirements concerning major shareholders under “Interim Measures for Equity Management of Commercial Banks”, the shareholders listed in the table below were the major shareholders of the Bank as at the end of the Reporting Period:

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties
1	Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司)	722,950,000	Holding more than 5% shares of the bank	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Metro Group Co., Ltd.	22 related natural persons, 86 related legal persons
2	Guangzhou CityRenewal Group Co., Ltd. (廣州城市更新集團有限公司)	666,735,193	Holding more than 5% shares of the bank	No	Guangzhou Pearl River Enterprises Group Co., Ltd.	Guangzhou Municipal People's Government	-	Guangzhou CityRenewal Group Co., Ltd.	27 related natural persons, 183 related legal persons
3	Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司)	273,889,019	Delegated director Ms. Feng Kaiyun	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Business Investment Holding Group Co., Ltd.	11 related natural persons, 184 related legal persons
4	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋樑投資有限公司)	160,020,000	Delegated director Mr. Zhang Junzhou	Yes	Guangdong Pearl River Investment Management Group Co., Ltd. (廣東珠江投資管理集團有限公司)	Zhu Yihang (朱一航)	-	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd.	31 related natural persons, 699 related legal persons
5	Guangdong Yingxin Information Investment Co., Ltd. (廣東盈信信息投資有限公司)	10,000,000	Delegated director Mr. Zhang Junzhou	No	Guangdong Zhicheng Weiyi Investment Limited (廣東至誠偉業投資有限公司)	Zhu Yihang (朱一航)	-	Guangdong Yingxin Information Investment Co., Ltd.	31 related natural persons, 699 related legal persons
6	Fengchi Investment Co., Ltd. (豐馳投資有限公司)	125,010,000	Delegated director Mr. Zhang Junzhou	No	Linzhi Depeng Investment Co., Ltd. (林芝德騰投資有限公司)	Zhu Weihang (朱偉航)	-	Fengchi Investment Co., Ltd.	31 related natural persons, 699 related legal persons
7	Longdong Economic Development Company, Tianhe District, Guangzhou City (廣州市天河區龍洞經濟發展公司)	121,010,000	Delegated supervisor Mr. Liang Bingtian	No	Longdong Stock Cooperative Economic Association, Longdong Street, Tianhe District, Guangzhou (廣州市天河區龍洞街龍洞股份合作經濟聯社)	Longdong Stock Cooperative Economic Association, Longdong Street, Tianhe District, Guangzhou	-	Longdong Economic Development Company, Tianhe District, Guangzhou City	5 related natural persons, 2 related legal persons

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over		Controlling shareholders	De facto controllers	Parties acting in concert		Ultimate beneficial owners	Related parties
				50% of the shares held were pledged	50% of the shares held			acting in concert	Ultimate beneficial owners		
8	Foshan Dongjian Group Co., Ltd. (佛山市東建集團有限公司)	104,000,000	Delegated supervisor Mr. Feng Jintang	No		Zhong Liuhan(鍾流漢)	Zhong Liuhan(鍾流漢)	-	Foshan Dongjian Group Co., Ltd.		8 related natural persons, 22 related legal persons
9	Guangzhou Huaxin Group Co., Ltd. (廣州華新集團有限公司)	100,010,000	Delegated director Mr. Feng Yaoliang	No		Feng Yaoliang (馮耀良)	Feng Yaoliang (馮耀良)	-	Guangzhou Huaxin Group Co., Ltd.		6 related natural persons, 100 related legal persons
10	Aeon Life Insurance Company Ltd. (百年人壽保險股份有限公司)	65,000,000	Delegated director Mr. Zhuang Yuemin	No	-	-	-	-	Aeon Life Insurance Company Ltd.		25 related natural persons, 49 related legal persons
11	Guangzhou Dongsheng Investment Co., Ltd. (廣州市東升投資有限公司)	62,500,000	Delegated director Mr. Lai Zhiguang	No		Guangdong Dongsheng Industrial Group Co., Ltd. (廣東東升實業集團有限公司)	Lai Zhiguang(賴志光)	-	Guangzhou Dongsheng Investment Co., Ltd.		4 related natural persons, 41 related legal persons
12	Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司)	45,312,844	Delegated director Mr. Zuo Liang	No		Guangzhou Industrial Investment Holdings Group Co., Ltd. (廣州工業投資控股集團有限公司)	Guangzhou Municipal People's Government	-	Guangzhou Gongkong Capital Management Co., Ltd.		18 related natural persons, 232 related legal persons
13	Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司)	310,728,411	Delegated supervisor Mr. Chen Jianliang	No		Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Radio Group Co., Ltd.		14 related natural persons, 220 related legal persons

Note: For the definition of major shareholders, controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficial owners, please see the relevant requirements of the Interim Measures for Equity Management of Commercial Banks. The major shareholders of the Bank have submitted their lists of related parties, and the Bank will regularly maintain and update the list of related parties to continuously lift the level of management of related party transactions. The Bank has disclosed the related party transactions in this report. Due to limitations on space, it does not provide the list of related parties of major shareholders.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(VII) Performance of Undertakings by Shareholders Holding 5% or More of Share Capital of the Bank

During the Reporting Period, the shareholders holding more than 5% of the Bank's issued shares were Guangzhou Metro Group Co., Ltd. and Guangzhou CityRenewal Group Co., Ltd., both of which have issued the "Substantial Shareholders Undertaking Letters" to the Bank and undertaken to perform their duties as shareholders in accordance with regulatory requirements.

(VIII) Issuance of Offshore Preference Shares through a Private Offering

1. Issuance and listing of offshore preference shares

To supplement the capital of the Bank in a diversified way, further enhance the capital strength of the Bank and enhance its ability to resist risks, upon the approvals by Guangdong Bureau of the China Banking and Insurance Regulatory Commission (Guangdong Bureau of CBIRC) (Yue Yin Bao Jian (Chou) Fu [2018] No. 27) and the China Securities Regulatory Commission (CSRC) (Zheng Jian Xu Ke [2019] No. 355), the Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,430 million on 20 June 2019. The Offshore Preference Shares (abbreviated as GRCB 19USDPREF with code of 04618) were listed on the Hong Kong Stock Exchange on 21 June 2019 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 71,500,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate published by the China Foreign Exchange Trade System on 20 June 2019, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB9.839 billion. The proceeds raised from the issuance of the Offshore Preference Shares, after deduction of the issuance expenses, as of the end of the Reporting Period, have been fully used to replenish the additional tier 1 capital of the Bank, increase the tier 1 capital adequacy ratio of the Bank and optimize the capital structure, which is consistent with the specific use disclosed beforehand.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the announcements of the Bank published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the official website of the Bank (www.grcbank.com).

2. Number of offshore preference shareholders and shareholdings

As of the end of the Reporting Period, the Bank had one offshore preference shareholder.

Shareholdings of the offshore preference shareholders (or their nominees) of the Bank are as follows (the following data are based on the register of offshore preference shareholders as at 30 June 2022):

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Name of shareholder	Nature of shareholder	Class of shares	Increase or decrease during the Reporting Period (share)	Shareholding ratio (%)	Total number of shares held (share)	Number of shares subject to selling restrictions (share)	Number of shares pledged or frozen (share)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	0	100	71,500,000	-	Unknown

Notes:

- (1) Shareholdings of offshore preference shareholders are based on the information listed in the register of offshore preference shareholders of the Bank.
- (2) As the Offshore Preference Shares were offered through a private offering, the register of offshore preference shareholders presented the information on nominees of the allotted investors.

3. Profit distribution of the Offshore Preference Shares

Dividends will be paid in cash by the Bank to offshore preference shareholders. Each dividend will be payable annually in arrears on the dividend payment date. During the Reporting Period, dividends for the Offshore Preference Shares of USD93,744,444.44 was distributed by the Bank on 20 June 2022, of which USD84,370,000 was paid to the holders of Offshore Preference Shares at a nominal dividend rate of 5.9%, and income tax of USD9,374,444.44 was withheld.

4. Other information on the Offshore Preference Shares

During the Reporting Period, no Offshore Preference Shares have been repurchased, converted into ordinary shares or had their voting rights restored, and there was no experience of any trigger event in which the Offshore Preference Shares need to be coercively converted into H Shares.

In accordance with Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments (2017 revised), Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments (2017 revised) and Rules on the Differences between Financial Liabilities and Equity Instruments and Relevant Accounting Treatment promulgated by the Ministry of Finance of the PRC, as well as International Financial Reporting Standards No. 9 – Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the issued and existing Offshore Preference Shares are eligible to be classified as equity instruments, and will be accounted for as equity instruments.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES OF THE BANK

I. CHANGES IN DIRECTORS OF THE BANK

As of the Latest Practicable Date, the Board of Directors of the Bank comprised a total of thirteen directors, including two executive directors, namely Mr. Cai Jian (Secretary of the Party Committee, Chairman) and Mr. Yi Xuefei (Deputy Secretary of the Party Committee, Vice Chairman and President); six non-executive directors, namely Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang and Mr. Lai Zhiguang; and five independent non-executive directors, namely Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming.

Upon reaching retirement age, Mr. Zhang Jian resigned as an executive Director of the Board of Directors, a member of the Strategy and Investment Committee (Sannong Committee) and a member of the Related Party Transactions and Risk Management Committee of the Bank on 9 August 2022.

On 16 June 2022, the Bank convened the 2021 AGM and elected Ms. Wang Ping, Mr. Da Hengcheng and Mr. Liang Yu as non-executive directors of the third session of the Board of Directors of the Bank, and elected Mr. Zhang Weiguo as independent non-executive director of the third session of the Board of Directors of the Bank. As of the Latest Practicable Date, the qualifications of directors of the above-mentioned persons were still to be approved by the regulatory authorities.

II. CHANGES IN SUPERVISORS OF THE BANK

As of the Latest Practicable Date, the Board of Supervisors of the Bank comprised a total of nine supervisors, including three employee representative supervisors, namely Ms. Wang Xigui, Ms. He Heng, and Mr. Lai Jiaxiong; three external supervisors, namely Mr. Han Zhenping, Mr. Shi Shuiping and Mr. Huang Tianshun; and three shareholder representative supervisors, namely Mr. Chen Jianliang, Mr. Liang Bingtian and Mr. Feng Jintang.

Mr. Zhang Gang and Mr. Zhan Liyuan resigned as supervisors of the Bank on 10 March 2022 and 19 May 2022, respectively.

At the 2021 AGM of the Bank convened on 16 June 2022, Mr. Chen Jianliang was elected as the shareholder supervisor of the third session of the Board of Supervisors.

At the second EGM of the Bank convened on 19 August 2022, Mr. Huang Tianshun was elected as the external supervisor of the third session of the Board of Supervisors.

III. CHANGES IN SENIOR MANAGEMENT OF THE BANK

As of the Latest Practicable Date, the senior management of the Bank comprised a total of eight members: including Mr. Yi Xuefei (Deputy Secretary of the Party Committee, Vice Chairman and President); Mr. Zhao Wei (Chief of the Discipline Inspection Team of the Commission for Discipline Inspection and the National Supervision Commission of Guangzhou stationed in Guangzhou Rural Commercial Bank); three Vice Presidents, namely Mr. Lin Ripeng, Mr. Li Yaguang and Mr. Guo Huahui; one assistant to the president, namely Mr. Tan Bo; two business Directors, namely Ms. Chen Linjun and Ms. Yang Xuan.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES OF THE BANK

The appointment of Mr. Guo Huahui as the vice president of the Bank has been considered and approved by the Board of Directors of the Bank in December 2021, and his qualification was approved on 2 April 2022. The appointment of Ms. Wu Wenli as the secretary of the Board of Directors of the Bank has been considered and approved by the Board of Directors of the Bank in July 2022. As of the Latest Practicable Date, the qualification of Ms. Wu Wenli is subject to approval by the regulatory authorities.

IV. CHANGES IN THE POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE BANK

As of the Latest Practicable Date, Mr. Tan Jinsong, an independent non-executive director, resigned as an independent non-executive director of Shanghai RAAS Blood Products Co Ltd. Mr. Ma Hok Ming, an independent non-executive director of the Bank, served as an executive director of ABCI Capital Acquisition Limited and Everest Acquisition Corporation, and resigned as a director of ABCI AM Acquisition Limited and an executive director of Interra Acquisition Corporation. Ms. Feng Kaiyun, a non-executive director the Bank, served as the deputy leader of Guangzhou Lingnan Business Travel Investment Group Co., Ltd. (廣州嶺南商旅投資集團有限公司), and ceased to be a member of the Party Committee and deputy general manager of Guangzhou Commercial Investment Holdings Group Limited.

As of the Latest Practicable Date, Ms. He Heng, an employee supervisor, is no longer temporarily responsible for the work of Commission for Discipline Inspection (Inspection Office) of Guangzhou Rural Commercial Bank.

V. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted a code of conduct regarding securities transactions by the directors, supervisors no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiries with all directors and supervisors of the Bank, they confirmed that they have complied with the aforesaid code throughout the six months from 1 January 2022 to 30 June 2022.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES OF THE BANK

VI. INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS IN THE BANK

As of the Latest Practicable Date, based on the information available to the Bank and as far as the directors are aware, the interests and short positions of the directors, chief executives and supervisors of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which he/she was deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Directors', chief executives' and supervisors' interests in the Bank							
Name	Capacity	Nature of Interest	Class of shares	Long/Short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interests in the Bank	Approximate percentage of the relevant class of shares of the Bank
Yi Xuefei	Director	Beneficial owner	Non-overseas listed shares	Long	500,000	0.004%	0.005%
Feng Yaoliang	Director	Interest of a controlled corporation ⁽¹⁾	Non-overseas listed shares	Long	100,010,000	0.873%	1.072%
Lai Zhiguang	Director	Interest of a controlled corporation ⁽²⁾	Non-overseas listed shares	Long	62,500,000	0.546%	0.670%
Liao Wenyi	Director	Beneficial owner	Non-overseas listed shares	Long	1,103,000	0.010%	0.012%
Lai Jiaxiong	Supervisor	Beneficial owner	Non-overseas listed shares	Long	452,224	0.004%	0.005%

Notes:

- (1) These shares were held by Guangzhou Huaxin Group Co., Ltd., which was owned as to 99.54% by Feng Yaoliang. Therefore, by virtue of the SFO, Feng Yaoliang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Huaxin Group Co., Ltd..
- (2) These shares were held by Guangzhou Dongsheng Investment Co., Ltd., which was owned as to 100% by Guangdong Dongsheng Industrial Group Co., Ltd., and Lai Zhiguang owned 80% of the shares of Guangdong Dongsheng Industrial Group Co., Ltd.. Therefore, by virtue of the SFO, Lai Zhiguang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Dongsheng Investment Co., Ltd..

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES OF THE BANK

Directors', chief executives' and supervisors' interests in the Bank's associated corporations					
Name	Capacity	Name of associated corporation	Nature of Interest	Number of shares held (Share)	Approximate percentage in the issued Shares in the associated corporation
Lai Zhiguang	Director	Dalian Bonded Area Zhujiang County Bank Co., Ltd.	Interest in a controlled corporation	10,000,000	10.0%

Save as disclosed above, none of the directors, chief executives and supervisors of the Bank had any interests or short positions in any shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO, or otherwise have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

VII. EMPLOYEES

(I) The Basic Information of Employees

As of the end of the Reporting Period, the total number of employees of the Group was 13,993, representing a decrease of 175 employees as compared to the end of 2021. Among them, 13,341 employees entered into labor contracts with the Group, representing a decrease of 230 employees as compared to the end of 2021; and 652 employees were dispatched workers, representing an increase of 55 employees as compared to the end of 2021.

(II) Remuneration Policy of Employees

Following the concept of "performance appraisal leading development" and based on the assessment idea of "undertaking strategy, benchmarking with peers, maintaining true colors and emphasizing core", the Bank established a performance appraisal system composed of indicators such as core development, business efficiency, compliance risk and business development, highlighted the responsibilities of risk management subjects and high-quality development requirements, and continued to improve the efficiency of resource allocation.

According to the relevant provisions of Supervisory Guidelines on Sound Compensation in Commercial Banks, the Bank has formulated the Measures for the Administration of Salary Deferred Payment of Guangzhou Rural Commercial Bank and the Measures for the Administration of Salary Recourse and Deduction of Guangzhou Rural Commercial Bank to implement deferred payment and salary recourse deduction for some of the salaries of personnel in relevant positions required by the regulations. The salary payment period shall be reasonably determined in accordance with the performance realization and risk changes of different business activities. In case of disciplinary action against violations or major risk events, put forward accountability and punishment plans and implement deferred payment and salary deduction.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES OF THE BANK

The Bank's remuneration management policy is applicable to all employees who have established a labor contract relationship with the Bank, and there are no exceptions beyond the original remuneration scheme.

(III) Training of Employees

The Bank has always attached importance to the improvement of employees' professional level and professional quality. In the first half of 2022, the Bank continued to improve its internal training system and optimize the learning and growth path of the staff team. Focusing on the strategic development needs and key work requirements of the Bank during the "14th Five-Year Plan" period, and the four main lines of Party building, the reconstruction of the four capabilities, the strengthening of the cadre team and the improvement of humanistic quality, the Bank carried out various forms of precision training for key talents such as integrated customer managers, product managers, risk managers and fintech personnel; implemented the elite talent training programs, customized the development path, sped up the ability improvement, and created a dynamic and fighting young backbone talent team. During the Reporting Period, the Bank had organized and implemented 155 offline training programs, covering more than 30,000 attendances at all levels of the Bank. At the same time, the Bank had established a modern live teaching training base, carried out 152 live online training, with 32 hours of online learning per capita, continuously improved the quality of the staff team, and promoted the common growth of organizations and individuals.

CORPORATE GOVERNANCE

I. OVERVIEW OF CORPORATE GOVERNANCE OF THE BANK

During the Reporting Period, the Bank continued to refine its corporate governance mechanism and improve its corporate governance in strict compliance with laws and regulations such as the Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China as well as the Listing Rules and in line with actual conditions of the Bank.

During the Reporting Period, the Bank has observed and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, the Bank has complied with most of the recommended best practices set out in the aforementioned code.

II. DUTIES OF THE GENERAL MEETING OF THE BANK

Pursuant to the Articles of Association, the general meeting shall be an organ of power of the Bank and shall exercise the following powers in accordance with the law: to decide on business policies and investment plans of the Bank; to elect and replace non-employee directors and supervisors and decide the remuneration of relevant directors and supervisors; to examine and approve reports prepared by the Board of Directors; to examine and approve reports prepared by the Board of Supervisors; to examine and approve annual budgets, final accounts, balance sheet, profit and loss and other financial reports; to examine and approve profit distribution plans and plans for making up for losses of the Bank; to adopt resolutions concerning the increase and reduction of the registered capital of the Bank; to adopt resolutions on the issuance of bonds and other securities of the Bank and the listing thereof; to adopt resolutions on the merger, division, dissolution, liquidation and change of the form of the Bank; to amend the Articles of Association; to resolve the appointment, reappointment or removal of accounting firm which conducts regular statutory audits of the Bank's financial reports; to examine the matters of single acquisition and disposal of significant assets (including but not limited to equity, fixed assets and other assets), or the matters of which guaranteed amount exceeds ten percent of the net assets audited by the Bank in the latest period; to examine and approve any proposals submitted by any shareholder who individually or jointly hold more than three percent of the total voting rights shares of the Bank (including holders of preference shares with their voting rights restored); to decide on the issuance of preference shares or authorize the Board of Directors to decide any matters in relation to the preference shares issued by the Bank; to examine and approve the rules of procedure of the shareholders' general meetings, the Board of Directors and the Board of Supervisors; to examine and approve the equity incentive plan scheme; to adopt resolutions on the acquisition of shares of the Bank in accordance with the law; to examine and approve any other matters required by the laws, administrative regulations, regulatory provisions and the Articles of Association to be approved by a general meeting.

III. CONVENING OF THE GENERAL MEETING OF THE BANK

During the Reporting Period, the Bank convened a total of two general meetings.

(I) 2022 First EGM

The Bank convened the 2022 first EGM on 18 February 2022, a total of 106 shareholders (including proxies) attended the meeting, and eleven then directors of the third session of the Board of Directors of the Bank including executive directors, Mr. Cai Jian, Mr. Yi Xuefei and Mr. Zhang Jian, independent non-executive directors, Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming, non-executive directors, Mr. Zuo Liang, Mr. Zhang Junzhou and Mr. Zhuang Yuemin attended the EGM, at which the Proposal in Relation to the Consideration of Capital Injection to the Bank's Subsidiary Beijing Mentougou Zhujiang County Bank was considered and approved.

The convening of the EGM was in compliance with the corresponding legal procedures. The notice, convening and voting process of the meeting are in line with the relevant provisions of the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For relevant results of the resolutions, please refer to the announcement on the poll results of the 2022 first EGM dated 18 February 2022 on the Hong Kong Stock Exchange and the website of the Bank.

(II) 2021 AGM

The Bank convened the 2021 AGM on 16 June 2022, a total of 125 shareholders (including proxies) attended the meeting, and the ten then directors of the third session of the Board of Directors of the Bank including executive directors, Mr. Cai Jian and Mr. Yi Xuefei, independent non-executive directors, Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming, and non-executive directors, Mr. Zhang Junzhou, Mr. Zhuang Yuemin and Mr. Lai Zhiguang attended the 2021 AGM, at which a total of 16 resolutions were considered and approved, including the Resolution on Consideration of the 2021 Work Report of the Third Session of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2021 Work Report of the Third Session of the Board of Supervisors of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2021 Annual Report of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2021 Financial Final Accounts Report of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2022 Financial Budget Report of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the 2021 Profit Distribution Plan of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the Engagement of the Accounting Firm to Undertake the Group's Audit Business in 2022 and the Bank's Interim Review Business in 2022, Resolution on Consideration of By-election of Directors of the Third Session of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Election of Mr. Chen Jianliang as the Shareholder Supervisor of the Third Session of the Board of Supervisors of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of Amendments to the Rules of Procedure of the General Meeting of Shareholders of Guangzhou Rural Commercial Bank Co., Ltd. (2022 revised), Resolution on Consideration of Amendments to the Rules of Procedure of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd. (2022 revised), Resolution on Consideration of Amendments to the Rules of Procedure of the Board of Supervisors of Guangzhou Rural Commercial Bank Co., Ltd. (2022 revised), Resolution on Consideration of the 2021 Report on Financial Services for Agriculture, Rural Areas and Farmers of Guangzhou Rural Commercial Bank Co., Ltd., Resolution on Consideration of the Estimated Caps of Daily Related Party Transactions of Guangzhou Rural Commercial Bank in 2022, Resolution on Consideration of the Issuing of Tier 2 Capital Bonds of Guangzhou Rural Commercial Bank Co., Ltd. and Resolution on Consideration of Amendments to the Articles of Association of Guangzhou Rural Commercial Bank Co., Ltd. (2022 revised).

The convening of the AGM was in compliance with the corresponding legal procedures. The notice, convening and voting process of the meeting are in line with the relevant provisions of the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For relevant results of the resolutions, please refer to the announcement of the poll results of the 2021 AGM dated 16 June 2022 on the Hong Kong Stock Exchange and the website of the Bank.

CORPORATE GOVERNANCE

IV. DUTIES OF THE BOARD OF DIRECTORS OF THE BANK

The Board of Directors of the Bank is responsible for formulating the corporate governance system and monitoring the Group's business and financial strategy decisions and performance and reporting to the shareholders at the general meeting. The Board of Directors has conferred the rights and duties of the Group's governance to the management. In addition, the Board of Directors has assigned the respective responsibilities to the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee, and Consumer Protection Committee.

The Board of Directors of the Bank is also responsible for performing corporate governance functions. As of the end of the Reporting Period, the Board of Directors of the Bank has fulfilled its corporate governance functions as set out in Code A.2.1 of the Corporate Governance Code.

Pursuant to the Articles of Association, the Board of Directors of the Bank assumes the ultimate responsibility for the Bank's operations and management and exercises the following duties and powers according to law: to convene shareholders' general meetings and report its work to the shareholders' general meetings; to implement the resolutions of the shareholders' general meetings; to formulate the development strategy of the Bank, and supervise the implementation of the strategy; to decide on the business plans and investment plans of the Bank; to prepare the annual financial budgets and final accounts of the Bank; to prepare the venture capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank; to formulate the capital planning of the Bank and take ultimate responsibility for capital and solvency management, and formulate plans for increase or reduction of the registered capital, issue of corporate bonds or other securities and listing and assume primary responsibility for the Bank's capital management; to prepare plans for the Bank's material acquisitions, acquisitions of the Bank's shares, or merger, division, dissolution and alteration of corporate form of the Bank; to consider and approve the Bank's external investments, purchase of assets, disposal and write-off of assets, pledge of assets, related party transactions, data governance, external donations, external guarantees, entrustments of others to manage the Bank's funds or other assets of the Bank in accordance with laws, regulations, regulatory provisions and the Articles of Association, except for material matters regulated in the Articles of Association of the Bank, which shall be decided by the shareholders' general meeting; to take ultimate responsibility for the management of related party transactions; the Board of Directors shall make a special report on the overall situation of related party transactions to the shareholders' general meeting every year and submit it to CBIRC or its dispatched offices; to decide on the establishment of internal management structure of the Bank; As proposed by the Nomination and Remuneration Committee, to decide on the appointment or removal of the President, the secretary to the Board of Directors, the auditor and their remuneration, rewards and punishments based on the proposals of the Chairman; to decide on the appointment or removal of the vice president, the assistant to the president, the business director and other senior management personnel as determined by the Board of Directors and the supervision and management institutions, and their remuneration, rewards and punishments based on the proposals of the President; to formulate the basic management system of the Bank; to formulate the Bank's risk tolerance, risk management and internal control policies, and assume ultimate responsibility for overall risk management; to take the ultimate responsibility for the compliance of the Bank's business activities; to prepare any amendment proposals to the Articles of Association of the Bank; to formulate the rules of procedure of the shareholders' general meeting, the rules of procedure of the Board of Directors and the modification plan, and examine and approve the working rules of the special committees of the Board of

Directors; be responsible for information disclosure of the Bank and take the ultimate responsibilities for the truthfulness, accuracy, completeness and timeliness of accounting and financial reports of the Bank; to determine the job responsibilities for management, including the President, the Vice President, the assistant to president, the secretary to the Board of Directors, the auditors and the business directors; to monitor the performance of senior management; to listen the work report from the President and inspect the work of the President; the Board of Directors shall establish a supervisory system for the management to formulate the code of conduct and terms of reference for the management and business officers and that the normative documents shall specifically require employees at all levels to report any potential conflict of interests in a timely manner, provide particular rules, establish corresponding measures; the Board of Directors shall establish an information reporting system, requiring the senior management to report regularly to the Board of Directors and the Directors on the operation and management of the Bank; and evaluate and refine the corporate governance of the Bank on a regular basis; to protect the legitimate interests of financial consumers and other interested parties; to assume the management responsibilities of shareholders' affairs; to establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular Substantial Shareholders; to assume the management responsibilities promised by the substantial shareholders; to take the ultimate responsibility for the formulation and updating of recovery plan and disposal plan proposals; to take the ultimate responsibility for management of business continuity, response management of emergency, risk management of reputation, risk management of internet loan, anti-money laundering and anti-terrorist financing, consumer rights protection, data governance, etc.; to assume the responsibility for determining the green credit development strategy; to take the ultimate responsibility for remuneration management; to propose to the shareholders' general meeting the appointment, reappointment or removal of accounting firm that conduct regular statutory audits of the Bank's financial reports; to assume the responsibility for establishing and improving the Directors' performance records; to take the responsibility for formulating the professional norms and value standards to be followed by the Board of Directors and the senior management; to draw up an equity incentive plan; to take the responsibility for ensuring that the Bank has established and implemented an adequate and effective internal control system and that the Bank operates prudently within the legal and policy framework; to take ultimate responsibility for the establishment, operation and maintenance of the internal audit system, as well as the independence and effectiveness of the internal audit; to take the responsibility for fulfilling corporate governance responsibilities, making strategic decisions related to the environment, and effectively governing and overseeing ESG issues; and to exercise any other duties and power conferred by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

V. CONVENING OF THE BOARD MEETING OF THE BANK

During the Reporting Period, the Board of Directors of the Bank convened a total of 9 meetings, considering and approving 60 resolutions and listening to 27 notifications; the Strategy and Investment Committee (Sannong Committee) of the Board convened a total of 5 meetings, considering and approving 21 resolutions and listening to 3 notifications; the Audit Committee of the Board convened a total of 4 meetings, considering and approving 10 resolutions and listening to 10 notifications; the Related Party Transactions and Risk Management Committee of the Board convened a total of 5 meetings, considering and approving 21 resolutions and listening to 5 notifications; the Consumer Rights Protection Committee of the Board convened a total of 3 meetings, considering and approving 5 resolutions; the Nomination and Remuneration Committee of the Board convened 1 meeting, considering and approving 3 resolutions and listening to 1 notification.

CORPORATE GOVERNANCE

VI. PERFORMANCE OF INDEPENDENT DIRECTORS OF THE BANK

During the Reporting Period, the independent non-executive directors of the Bank actively participated in the Board meetings and meetings of the respective special committees, provided advice and suggestions, played their due role effectively, and continued to effectively communicate with the Bank through various ways such as participating in field trips, special investigations and attending training. The independent non-executive Directors issued written independent opinions on major issues such as the profit distribution plan, senior management appointments, engagement of auditors, and major related party transactions. In addition, the independent non-executive Directors of the Bank also took full advantages of their professional advantages in the special committees of the Board of Directors and provided professional and independent opinions on the corporate governance and operation management of the Bank which has provided a powerful guarantee for the scientific decision-making process of the Board of Directors.

VII. DUTIES OF BOARD OF SUPERVISORS OF THE BANK

According to the Articles of Association of the Bank, the Board of Supervisors assumes supervisory responsibility and exercises the following duties and powers according to law: To examine and provide comments in writing on the periodical reports of the Bank prepared by the Board of Directors; To examine and supervise the Bank's financial affairs; To monitor the directors and senior management in the performance of their duties; to propose to remove the directors or senior management who is in breach of the laws, regulations, the provisions of the Articles of Association or the resolutions of the general meeting; To demand rectification from a director or senior management when the acts of such person injure the interests of the Bank; To assume ultimate responsibility for the evaluation of the performance of directors and supervisors of the Bank; To be responsible for the establishment and improvement of the file on the performance of supervisors and the file on the evaluation of the performance of directors and supervisors; To assess and question the performance and conduct of Director, Supervisors and Senior Management, report assessment results to the Shareholders' General Meeting and submit to supervisory authorities in accordance with regulations; To conduct special and off-office audit in respect to any Directors and senior officers as required; To conduct supervision and assessment over the performance of duties by the Board of Directors and senior management in respect of the key responsibilities including strategic management, operation decisions, financial management, remuneration management, capital management, internal control, comprehensive risk management, liquidity risk management, reputational risk management, compliance management, fraud prevention, Sannong financial services, related party transactions, information disclosure, data governance, consumer rights protection and anti-money laundering and to report the same to the general meetings in accordance with the requirements; To review relevant audit reports in accordance with regulations and provide guidance and supervise the internal audit work of the Bank, and have the right to request relevant information from the Board of Directors and senior management in relation to the audit; To review the financial reports, operation reports, profit distribution plan and other financial documents submitted by the Board of Directors to general meetings; if any query arises, to engage such professionals as certified public accountants or practicing auditors to assist reexamine the work for the Bank; To propose the convening of extraordinary general meetings; to host the general meetings under the circumstances that the Board of Directors cannot perform its duties of convening and presiding over the general meeting as required under the "Company Law"; To make the proposals to the shareholders' general meetings; To represent the Bank to negotiate with the directors or senior management or bring the lawsuits against the directors or senior management according to the provisions of the Company Law; If any abnormality is found in operations of the Bank, to conduct investigations; and when necessary, to engage such professionals as accountants or auditors to assist the work for the account of the Bank at the expense

of the Bank; To supervise the Board of Directors on the establishment of stable business ideas and valuation standard and formulate the developing strategies in line with the situation of the Bank; To make periodical assessments on the rationality, reasonability and robustness of the developing strategies of the Bank and make the reports; To supervise and inspect the operating decision, risk management, internal control, etc. of the Bank, and supervise the rectification; To supervise the procedure of the election and appointment of the directors; To supervise the implementation of the system of the remuneration management of the Bank and the rationality and reasonability on the salary plan of the senior management and propose any remuneration (or allowance) arrangement of a supervisor; To be responsible for the supervision of money laundering risk management, and shall be responsible for supervising the performance of due diligence of the Board and senior management in money laundering risk management and supervising rectification, and making recommendations and opinions on the Bank's money laundering risk management; To communicate with the banking regulatory authorities of the State Council about the condition of the Bank on a regular basis; Other duties and powers as provided in the laws, regulations, regulatory requirements and the provisions of the Articles of Association.

VIII. CONVENING OF THE MEETING OF THE BOARD OF SUPERVISORS OF THE BANK

During the Reporting Period, the Board of Supervisors of the Bank convened a total of 5 meetings, at which 29 resolutions were considered and approved and 20 notifications were listened. The Nomination Committee of the Board of Supervisors convened a total of 3 meetings, at which 9 resolutions were considered and approved. The Audit and Supervision Committee of the Board of Supervisors convened a total of 4 meetings, at which 8 resolutions were considered and approved and 3 notifications were listened.

IX. WORK OF EXTERNAL SUPERVISORS OF THE BANK

During the Reporting Period, the external Supervisors of the Bank in strict accordance with the provisions of relevant laws, regulations, the Bank's Articles of Association performed their supervisory duties diligently by taking part in the meetings of the Board of Supervisors and the respective special committees on time, carefully studying and reviewing every proposal, participating in the general meetings, attending the meetings of the Board of Directors and its special committees, actively participating in the supervision and inspections, investigation and research and training activities of the Board of Supervisors, expressing their professional opinions independently and impartially, and enhancing supervisory efficiency practically, which played a proactive role in facilitating the improvement of the Bank's corporate governance, internal control, risk prevention and control standards. During the closure period, the Board of Supervisors carefully reviewed the documents such as the Monthly Information Report of the Board of Supervisors(《監事會信息月報》), the Quarterly Information Report of the Board of Supervisors(《監事會信息季報》)and the Work Brief of Board of Supervisors(《監事會工作簡訊》) to keep abreast of the Bank's business management, further enhance its performance ability, and lay a solid foundation for scientific supervision.

CORPORATE GOVERNANCE

X. DUTIES OF SENIOR MANAGEMENT OF THE BANK

The Bank shall have one president, who shall be nominated by the chairman of the Board of Directors, and appointed or dismissed by the Board of Directors. The Bank shall have vice president, assistant to the president, business director and certain members of the senior management recognised by regulators and one secretary to the Board of Directors. The appointment or dismissal of vice president, assistant to the president and business director shall be determined by the Board of Directors in accordance with the nomination by president, and the appointment or dismissal of secretary to the Board of Directors shall be determined by the Board of Directors in accordance with the nomination by the chairman. All senior management are qualified for appointment as required by laws and regulations and the banking and insurance regulatory authorities. The senior management of the Bank is composed of the president, vice president and assistant to the president. The senior management performs their duties in accordance with the relevant laws and regulations, regulatory rules and the articles of association of the Bank.

XI. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE BANK

During the Reporting Period, pursuant to the requirements of the Company Law, Corporate Governance Guidelines for Banking and Insurance Institutions, the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies, relevant laws and regulations and normative documents, the Bank, in combination with its actual condition, made amendments to certain articles of the Articles of Association. The amendment was considered and approved at the 2021 AGM. The revised Articles of Association have been approved by the banking regulatory authority and are now effective. For details of the amendment, please refer to the announcement dated 31 March 2022, the circular dated 27 May 2022, the announcement on the poll results of the AGM dated 16 June 2022 and the announcement dated 3 August 2022 published by the Bank.

I. IMPLEMENTATION OF DIVIDENDS DISTRIBUTION

Upon the approval of the 2021 AGM of the Bank, the Bank distributed a final dividend in cash for 2021 on 15 July 2022 of RMB1.05 per 10 shares (tax inclusive) and RMB1,202 million (tax inclusive) in aggregate to holders of Non-overseas Listed Shares and holders of H Shares whose names appeared on the register of members of the Bank on 27 June 2022. The Bank did not declare any interim dividend for 2022 (2021: nil).

II. ISSUANCE OF THE BONDS

During the Reporting Period, according to the Administrative Approval Decision of the People's Bank of China (Yin Xu Zhun Yu Zi [2022] No. 73) and the Approval on the Issuance of Green Financial Bonds by Guangzhou Rural Commercial Bank (Yue Yin Bao Jian Fu [2022] No. 117), the Bank has issued the first tranche of Green Financial Bonds with the amount of RMB3 billion in the National Inter-Bank Bond Market of China. The bonds have a term of three years with a coupon rate of 2.89%, and the interest shall be calculated at a fixed interest rate on annual basis.

III. SHAREHOLDERS HOLDING MORE THAN 5% OF THE BANK AND CHANGES IN THEIR SHAREHOLDINGS

During the Reporting Period, the shareholders holding more than 5% of the Bank's total issued shares were Guangzhou Metro Group Co., Ltd. and Guangzhou CityRenewal Group Co., Ltd., which held 722,950,000 and 666,735,193 shares of the Bank respectively. There was no change in the number of shares held by the above shareholders from the end of 2021.

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

The Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank's listed securities during the Reporting Period.

V. MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

During the Reporting Period, the Bank increased its capital contribution by RMB80 million to Beijing Mentougou Zhujiang County Bank Co., Ltd.. After the capital contribution, the registered capital of Beijing Mentougou Zhujiang County Bank Co., Ltd. increased from RMB315 million to RMB395 million and the shareholding ratio of the Bank increased from 84.44% to 87.59%. For details, please refer to the announcement dated 30 December 2021, the circular dated 4 January 2022 and the announcement on the poll results of the 2022 first EGM dated 18 February 2022 of the Bank.

VI. USE OF PROCEEDS

During the Reporting Period, there was no additional proceeds of the Bank.

On 23 March 2018, the Bank completed the issuance of the tier-two capital bonds with a total amount of RMB10 billion in the national interbank bond market. The proceeds from the issuance of the tier-two capital bonds, after deducting the issuance expense, have all been used to replenish the tier-two capital of the Bank.

MAJOR EVENTS

The Bank issued the non-cumulative perpetual offshore preference shares with a size of USD1.43 billion on 20 June 2019. The proceeds from the issuance of the offshore preference shares, after deducting the issuance expenses, have all been used to replenish other tier-one capital of the Bank.

The Bank completed the issuance of 305 million H shares and 1,338 million non-overseas listed ordinary shares on December 1 and December 21, 2021, respectively, and the total number of shares of the Bank increased to 11,451,268,539 shares. The net proceeds from the issuance, after deducting the related issuance expenses, amounted to approximately RMB9,663 million, which was fully utilized to replenish the core tier-one capital of the Bank.

All of the proceeds received by the Bank in the past issues have been used in accordance with the purposes disclosed in the relevant documents such as their respective prospectuses, which was to replenish the capital of the Bank for supporting its business development.

VII. RELATED PARTY TRANSACTIONS

As of the end of the Reporting Period, the loan balance of material related party transactions of the Bank with related parties amounted to RMB4,760 million.

VIII. MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

As of the end of the Reporting Period, there were a total of 4 pending litigations with an amount exceeding RMB10 million each in which the Bank was a defendant or third party, involving a total amount of RMB675 million. The Bank believes that the above instigation and arbitration would not have a significant impact on its business activities.

IX. PENALTIES IMPOSED ON DIRECTORS AND SUPERVISORS OF THE BANK

During the Reporting Period, the Bank's directors and supervisors were not subject to penalties by relevant authorities that would have a significant impact on its business activities.

X. SUBSEQUENT EVENTS

According to the resolution of the 2022 second EGM dated 19 August 2022, the Bank intended to transfer all or part of the equity interest of Zhujiang Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, in accordance with the Bank's overall development strategy plan.

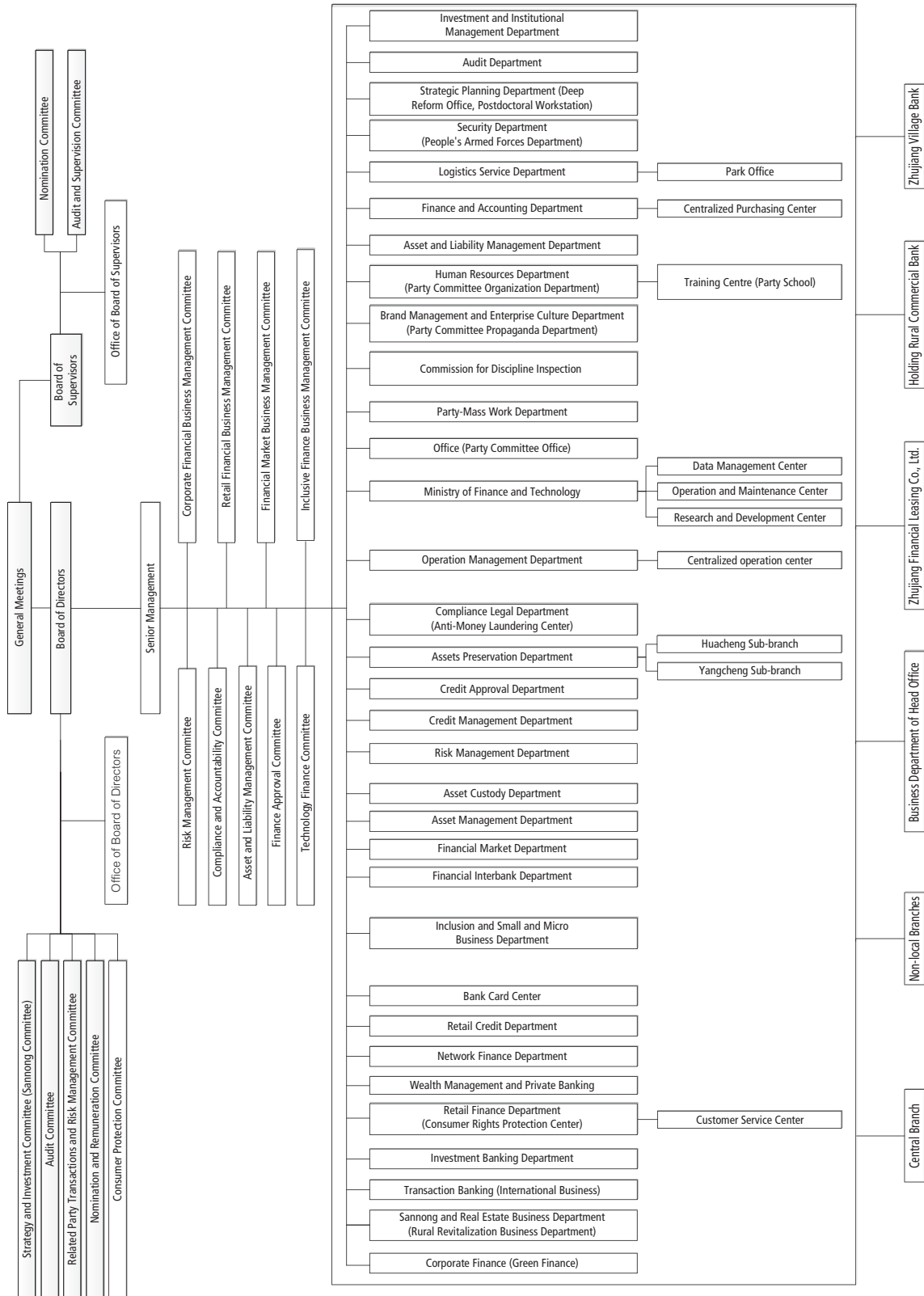
XI. REVIEW AND RELEASE OF INTERIM RESULTS

The interim financial report for the six months ended 30 June 2022 prepared by the Bank in accordance with the IFRS has been reviewed by PricewaterhouseCoopers and the Audit Committee under the Board of Directors and the Board of Directors of the Bank have reviewed and approved the Bank's interim results and financial report for the six months ended 30 June 2022.

Please refer to the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.grcбанк.com) for both the English and Chinese versions of the Bank's interim reports prepared in accordance with the International Financial Reporting Standards and the Hong Kong Listing Rules.

CORPORATE STRUCTURE

As of the end of the Reporting Period, the corporate structure of the Group is as follows:



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 79 to 173, which comprises the interim condensed consolidated statement of financial position of Guangzhou Rural Commercial Bank Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. 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". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 30, 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
Interest income	5	21,757,669	20,463,431
Interest expense	5	(12,656,458)	(10,803,711)
Net interest income		9,101,211	9,659,720
Fee and commission income	6	684,569	836,043
Fee and commission expense	6	(120,441)	(141,850)
Net fee and commission income		564,128	694,193
Net trading gains	7	972,084	1,180,642
Net gains on disposal of financial assets at fair value through other comprehensive income		94,318	156,855
Net gains on disposal of financial assets measured at amortized cost		3,218	2,450
Other income, gains or losses	8	475,598	102,348
Operating income		11,210,557	11,796,208
Operating expenses	9	(3,225,500)	(3,503,410)
Credit impairment losses	10	(4,779,226)	(3,826,943)
Impairment losses on other assets		(33,431)	(8,696)
Profit before income tax		3,172,400	4,457,159
Income tax expense	11	(207,677)	(797,078)
Net Profit for the period		2,964,723	3,660,081
Attributable to:			
Shareholders of the Bank		2,526,576	3,129,780
Non-controlling interests		438,147	530,301
		2,964,723	3,660,081
Earnings per share (RMB yuan)			
– basic and diluted	13	0.17	0.26

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
Net Profit for the period		2,964,723	3,660,081
Other comprehensive income (after tax, net):	35		
Items that may be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income		(172,472)	(123,321)
Changes in the expected credit losses of financial assets at fair value through other comprehensive income		(155,825)	363,892
Items that will not be reclassified to profit or loss			
Remeasurement losses on defined benefit plans		(263)	–
Sub-total of other comprehensive income for the period		(328,560)	240,571
Total comprehensive income for the period		2,636,163	3,900,652
Total comprehensive income attributable to:			
Shareholders of the Bank		2,220,927	3,362,748
Non-controlling interests		415,236	537,904
		2,636,163	3,900,652

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 30 June 2022	As at 31 December 2021
ASSETS			
Cash and deposits with central bank	14	84,135,422	86,264,989
Deposits with banks and other financial institutions	15	14,027,222	20,275,410
Placements with banks and other financial institutions	16	39,909,487	33,951,904
Financial assets held under resale agreements	17	14,098,703	53,049,060
Loans and advances to customers	18	669,738,619	637,553,811
Financial investments			
– Financial assets at fair value through profit or loss	19	121,542,829	91,628,563
– Financial assets at fair value through other comprehensive income	20	69,064,282	65,205,249
– Financial assets at amortized cost	21	205,291,658	157,404,703
Property and equipment	22	2,625,003	2,750,899
Goodwill	23	734,237	734,237
Deferred tax assets	24	9,836,438	7,665,004
Other assets	25	5,651,561	5,144,797
Total assets		1,236,655,461	1,161,628,626
LIABILITIES			
Due to central bank		34,324,329	24,859,889
Deposits from banks and other financial institutions	26	44,288,902	36,226,681
Placements from banks and other financial institutions	27	3,183,343	1,331,545
Financial liabilities at fair value through profit or loss		3,892	5,619
Financial assets sold under repurchase agreements	28	10,103,110	32,359,979
Customer deposits	29	885,996,960	849,766,804
Income tax payable		1,767,259	1,344,407
Debt securities issued	30	147,669,433	108,033,562
Other liabilities	31	21,783,378	20,814,874
Total liabilities		1,149,120,606	1,074,743,360

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 30 June 2022	As at 31 December 2021
EQUITY			
Share capital	32	11,451,269	11,451,269
Preference shares	33	9,820,734	9,820,734
Reserves	34	38,667,176	38,977,950
Retained earnings		20,481,172	19,777,351
Equity attributable to shareholders of the Bank		80,420,351	80,027,304
Non-controlling interests		7,114,504	6,857,962
Total equity		87,534,855	86,885,266
Total liabilities and equity		1,236,655,461	1,161,628,626

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

The interim condensed consolidated financial information was approved by the Board of Directors on 30 August 2022 and were signed on its behalf by:

Cai Jian
Chairman

Li Yaguang
Chief Financial Officer

Ding Bin
Head of Financial Department

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank							Total			
	Share capital	Preference shares	Capital reserve	Surplus reserve	Reserves		Non-controlling interests				
					General reserve	Other comprehensive income			Retained earnings	Total	
Balance at 1 January 2022	11,451,269	9,820,734	18,957,883	5,350,061	14,618,358	51,648	38,977,950	19,777,351	80,027,304	6,857,962	86,885,266
Net profit for the period	-	-	-	-	-	-	-	2,526,576	2,526,576	438,147	2,964,723
Other comprehensive income for the period	-	-	-	-	-	(305,649)	(305,649)	-	(305,649)	(22,911)	(328,560)
Total comprehensive income	-	-	-	-	-	(305,649)	(305,649)	2,526,576	2,220,927	415,236	2,636,163
Transactions with non-controlling interests	-	-	(6,252)	-	-	-	(6,252)	-	(6,252)	6,252	-
Shareholders' donation	-	-	1,127	-	-	-	1,127	-	1,127	831	1,958
Dividends declared to ordinary shareholders	-	-	-	-	-	-	-	(1,202,382)	(1,202,382)	(165,777)	(1,368,159)
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(620,373)	(620,373)	-	(620,373)
Balance at 30 June 2022	11,451,269	9,820,734	18,952,758	5,350,061	14,618,358	(254,001)	38,667,176	20,481,172	80,420,351	7,114,504	87,534,855

Note 34

Note 33

Note 32

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank										Total
	Share capital	Preference shares	Capital reserve	Surplus reserve	General reserve	Reserves		Retained earnings	Total	Non-controlling interests	
						Other comprehensive income	Subtotal				
	Note 32	Note 33						Note 34			
Balance at 1 January 2021	9,808,269	9,820,734	10,952,990	5,055,777	12,944,073	(233,397)	28,719,443	21,138,630	69,487,076	6,398,234	75,885,310
Net profit for the period	-	-	-	-	-	-	-	3,129,780	3,129,780	530,301	3,660,081
Other comprehensive income for the period	-	-	-	-	-	232,968	232,968	-	232,968	7,603	240,571
Total comprehensive income	-	-	-	-	-	232,968	232,968	3,129,780	3,362,748	537,904	3,900,652
Transactions with non-controlling interests	-	-	(33,614)	-	-	-	(33,614)	-	(33,614)	33,614	-
Dividends declared to ordinary shareholders	-	-	-	-	-	-	-	(1,961,654)	(1,961,654)	(192,512)	(2,154,166)
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(606,264)	(606,264)	-	(606,264)
Balance at 30 June 2021	9,808,269	9,820,734	10,919,376	5,055,777	12,944,073	(429)	28,918,797	21,700,492	70,248,292	6,777,240	77,025,532

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank							Total			
	Share capital	Preference shares	Capital reserve	Surplus reserve	Reserves		Non-controlling interests				
					General reserve	Other comprehensive income			Retained earnings	Total	
	Note 32	Note 33				Note 34					
Balance at 1 January 2021	9,808,269	9,820,734	10,952,990	5,055,777	12,944,073	(233,397)	28,719,443	21,138,630	69,487,076	6,398,234	75,885,310
Net profit for the year	-	-	-	-	-	-	-	3,175,208	3,175,208	601,085	3,776,293
Other comprehensive income for the year	-	-	-	-	285,045	285,045	285,045	-	-	33,875	318,920
Total comprehensive income	-	-	-	-	285,045	285,045	285,045	3,175,208	3,460,253	634,960	4,095,213
Contribution of shareholders	1,643,000	-	8,019,981	-	-	-	8,019,981	-	9,662,981	-	9,662,981
Transactions with non-controlling interests	-	-	(33,614)	-	-	-	(33,614)	-	(33,614)	33,614	-
Shareholders' donation	-	-	18,526	-	-	-	18,526	-	18,526	6,238	24,764
Appropriation to surplus reserve	-	-	-	294,284	-	-	294,284	(294,284)	-	-	-
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,961,654)	(1,961,654)	(215,084)	(2,176,738)
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(606,264)	(606,264)	-	(606,264)
Appropriation to general reserve	-	-	-	-	1,674,285	-	1,674,285	(1,674,285)	-	-	-
Balance at 31 December 2021	11,451,269	9,820,734	18,957,883	5,350,061	14,618,358	51,648	38,977,950	19,777,351	80,027,304	6,857,962	86,885,266

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,172,400	4,457,159
Adjustments for:			
Interest income on financial investments		(3,816,152)	(3,374,036)
Interest income accrued on impaired financial assets		(128,258)	(62,886)
Interest expense on debt securities	5	1,886,729	1,289,217
Net trading gains		(371,508)	(321,130)
Net gains on disposal of financial assets at fair value through other comprehensive income		(94,318)	(156,855)
Net gains on disposal of financial assets measured at amortized cost		(3,218)	(2,450)
Net foreign exchange (gains)/losses		(274,997)	72,820
Net gains on disposal of property and equipment and foreclosed assets		(55,659)	(21,211)
Depreciation and amortization	9	352,278	457,271
Depreciation of investment properties		3,970	4,069
Interest expense on lease liabilities		23,567	28,749
Impairment losses		4,862,518	3,898,331
Other		1,212	(1,321)
		5,558,564	6,267,727
Net decrease/(increase) in operating assets			
Deposits with central bank		592,445	(2,163,285)
Deposits with banks and other financial institutions		1,316,585	2,152,758
Placements with banks and other financial institutions		(6,593,983)	(10,482,446)
Financial assets held under resale agreements		1,899,509	2,302,199
Loans and advances to customers		(36,221,687)	(68,868,029)
Financial assets at fair value through profit or loss		(24,762,034)	(12,332,885)
Other assets		(565,538)	(1,041,524)
		(64,334,703)	(90,433,212)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
Net increase/(decrease) in operating liabilities			
Due to central bank		9,464,440	(3,350,833)
Deposits from banks and other financial institutions		8,062,221	6,795,197
Placements from banks and other financial institutions		1,851,798	(1,127,533)
Financial liabilities at fair value through profit or loss		(1,727)	62
Financial assets sold under repurchase agreements		(22,256,869)	(287,793)
Customer deposits		36,060,926	51,573,286
Other liabilities		(312,592)	582,595
		32,868,197	54,184,981
Net cash flows used in operating activities before tax		(25,907,942)	(29,980,504)
Income tax paid		(1,847,073)	(1,930,488)
Net cash flows used in operating activities		(27,755,015)	(31,910,992)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(336,997)	(198,920)
Proceeds from disposal of property and equipment and other long-term assets		73,706	38,997
Cash paid for investments		(127,072,730)	(75,635,600)
Proceeds from sale and redemption of investments		69,832,585	72,242,549
Return on investments		3,826,658	4,583,771
Net cash flows (used in)/from investing activities		(53,676,778)	1,030,797

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Shareholders' donation		1,958	370
Proceeds from issuance of debt securities		126,302,032	69,675,823
Repayment of debt securities issued		(86,804,871)	(62,928,245)
Interest paid on debt securities		(1,748,024)	(1,403,385)
Dividends paid to preference shares	12	(620,373)	(606,264)
Payment for lease contracts		(147,989)	(142,027)
Dividends paid to non-controlling shareholders		(143,511)	(166,141)
Net cash flows from financing activities		36,839,222	4,430,131
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(44,592,571)	(26,450,064)
Cash and cash equivalents at the beginning of the period		99,541,275	95,700,856
Effect of exchange rate changes on cash and cash equivalents		303,751	(90,406)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	36	55,252,455	69,160,386
NET CASH FLOWS FROM OPERATING ACTIVITIES			
INCLUDE:			
Interest received		18,745,035	17,814,689
Interest paid		(12,733,191)	(7,861,371)

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE

Guangzhou Rural Commercial Bank Co., Ltd. (the “Bank”), whose predecessor was established in 1952, underwent a series of reforms in subsequent years. Under the “Approval Regarding the Opening of Guangzhou Rural Commercial Bank Co., Ltd.” (Yinjianfu No. [2009]484) issued by the China Banking Regulatory Commission (the “CBRC”, which was renamed to China Banking Insurance Regulatory Commission (the “CBIRC”) in 2018), Guangzhou Rural Commercial Bank Co., Ltd. was incorporated on 9 December 2009.

The Bank obtained its finance permit No.B1048H244010001 from the CBIRC and its business license of Unified Social Credit code No.914401017083429628 from the Administration for Industry and Commerce of Guangzhou Municipality. The registered office is located at No.9 Yingri Road, Huangpu District, Guangzhou, China.

On 20 June 2017, the Bank was listed on The Stock Exchange of Hong Kong Limited.

The Bank and its subsidiaries (the “Group”) conducts its operating activities in China.

The principal activities of the Bank comprise taking deposits from the general public (including domestic and foreign currencies), granting short, medium and long-term loans (including domestic and foreign currencies), domestic and international settlements, bills acceptance and discounting, providing agency services for issuing/redemption and underwriting of government bonds, trading government bonds, trading and issuing financial bonds, inter-bank placements (including domestic and foreign currency), bank cards (including debit cards and credit cards) business, providing agency services of payment collection and insurance agency service, providing safe locker service, foreign currency remittance, foreign currency exchange, settlement and sale of foreign exchange, foreign credit investigations, advisory and attestation service, fund and insurance assets trusteeship, financing services, fund consignment business, e-bank services, securitization of credit assets, and other financial business activities approved by the CBIRC or other relevant regulators.

The interim condensed consolidated financial information was authorized for issue by the Board of Directors of the Bank on August 30, 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE (Continued)

The Bank and its subsidiaries are collectively referred to as the “Group”. As at 30 June 2022, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks across China. All subsidiaries are Limited companies. The details of the Bank’s subsidiaries as at 30 June 2022 are as follows:

Name	Place of registration	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		30 June	31 December	30 June	31 December	30 June	31 December	
		2022	2021	2022	2021	2022	2021	
Laiwu Zhujiang County Bank	Jinan, Shandong Province	60,000	60,000	51.00%	51.00%	51.00%	51.00%	Banking
Jiangsu Xuyi Zhujiang County Bank	Huai'an, Jiangsu Province	100,000	100,000	75.50%	75.50%	75.50%	75.50%	Banking
Jiangsu Qidong Zhujiang County Bank	Qidong, Jiangsu Province	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Banking
Changning Zhujiang County Bank	Changning, Hunan Province	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Banking
Laizhou Zhujiang County Bank	Laizhou, Shandong Province	80,000	80,000	51.00%	51.00%	56.00%	56.00%	Banking
Haiyang Zhujiang County Bank	Haiyang, Shandong Province	70,000	70,000	51.00%	51.00%	51.00%	51.00%	Banking
Huixian Zhujiang County Bank (i)	Huixian, Henan Province	100,000	100,000	35.00%	35.00%	53.57%	53.57%	Banking
Pengshan Zhujiang County Bank	Meishan, Sichuan Province	100,000	100,000	62.50%	62.50%	70.50%	70.50%	Banking
Xinjin Zhujiang County Bank (i)	Chengdu, Sichuan Province	100,000	100,000	35.00%	35.00%	54.00%	53.00%	Banking
Guanghan Zhujiang County Bank (i)	Guanghan, Sichuan Province	100,000	100,000	35.00%	35.00%	51.00%	51.00%	Banking
Dalian Baoshuiqu Zhujiang County Bank	Dalian Bonded Area, Liaoning Province	350,000	350,000	81.43%	81.43%	87.44%	87.44%	Banking
Jizhou Zhujiang County Bank (i)	Jian, Jiangxi Province	87,820	87,820	33.79%	33.79%	57.19%	57.19%	Banking
Heshan Zhujiang County Bank (i)	Heshan, Guangdong Province	150,000	150,000	34.00%	34.00%	71.00%	71.00%	Banking
Beijing Mentougou Zhujiang County Bank (ii)	Mentougou District, Beijing	395,000	315,000	87.59%	84.44%	87.59%	84.44%	Banking
Xinyang Zhujiang County Bank (i)	Xinyang, Henan Province	414,200	414,200	39.60%	39.60%	54.13%	54.13%	Banking
Yantai Fushan Zhujiang County Bank	Yantai, Shandong Province	100,000	100,000	93.00%	93.00%	100.00%	100.00%	Banking
Anyang Zhujiang County Bank (i)	Anyang, Henan Province	60,000	60,000	35.00%	35.00%	55.50%	55.50%	Banking
Qingdao Chengyang Zhujiang County Bank (i)	Qingdao, Shandong Province	100,000	100,000	35.00%	35.00%	51.00%	51.00%	Banking
Suzhou Wuzhong Zhujiang County Bank	Suzhou, Jiangsu Province	150,000	150,000	51.00%	51.00%	51.00%	51.00%	Banking

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE (Continued)

Name	Place of registration	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		30 June	31 December	30 June	31 December	30 June	31 December	
		2022	2021	2022	2021	2022	2021	
Sanshui Zhujiang County Bank (i)	Foshan, Guangdong Province	200,000	200,000	33.40%	33.40%	50.50%	50.50%	Banking
Zhongshan Dongfeng Zhujiang County Bank (i)	Zhongshan, Guangdong Province	150,000	150,000	35.00%	35.00%	55.00%	55.00%	Banking
Xingning Zhujiang County Bank (i)	Xingning, Guangdong Province	50,000	50,000	34.00%	34.00%	100.00%	100.00%	Banking
Shenzhen Pingshan Zhujiang County Bank (i)	Shenzhen, Guangdong Province	300,000	300,000	35.00%	35.00%	83.00%	83.00%	Banking
Dongguan Huangjiang Zhujiang County Bank (i)	Dongguan, Guangdong Province	150,000	150,000	35.00%	35.00%	100.00%	100.00%	Banking
Zhengzhou Zhujiang County Bank (i)	Zhengzhou Area of Henan Pilot Free Trade Zone	200,000	200,000	35.00%	35.00%	90.00%	90.00%	Banking
Zhuzhou Zhujiang Rural Commercial Bank (the "ZZRCB")	Zhuzhou, Hunan Province	600,000	600,000	51.00%	51.00%	61.00%	61.00%	Banking
Chaozhou Rural Commercial Bank (the "CZRCB")	Chaozhou, Guangdong Province	2,633,342	2,633,342	57.72%	57.72%	74.38%	74.38%	Banking
Guangdong Nanxiong Rural Commercial Bank (the "NXRCB")	Nanxiong, Guangdong Province	431,800	431,800	51.00%	51.00%	53.39%	53.39%	Banking
Shaoguan Rural Commercial Bank (the "SGRCB")	Shaoguan, Guangdong Province	1,373,718	1,373,718	50.10%	50.10%	50.10%	50.10%	Banking
Zhujiang Financial Leasing Co., Ltd. (the "ZJFL")	Guangzhou, Guangdong Province	1,500,000	1,500,000	100.00%	100.00%	100.00%	100.00%	Financial leasing

- (i) The Bank holds less than majority equity interests in these subsidiaries. In accordance with the agreements to act in concert entered into by the Bank and the non-controlling shareholders, the non-controlling shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, the management of the Bank believes that the Bank has controls over these subsidiaries.
- (ii) The bank made a RMB80,000 thousand capital contribution to its subsidiary Beijing Mentougou Zhujiang County Bank, which resulted the percentage of equity interests held by the bank increased from 84.44% to 87.59% as at 30 June 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information has been prepared on an accrual basis and under the historical cost convention except for certain financial instruments that have been measured at fair value. This condensed consolidated interim financial information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

This condensed consolidated interim financial information of the Group should be read in conjunction with the 2021 annual consolidated financial statements.

Except as described below, the Group’s accounting policies applied in preparing this condensed consolidated interim financial information are consistent with those policies applied in preparing the 2021 annual consolidated financial statements.

2.1 Standards, amendments and interpretations effective in 2022

On 1 January 2022, the Group adopted the following new standards, amendments and interpretations. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020

The adoption of the above amendments does not have a significant impact on the operation results, comprehensive income and financial position of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2022

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is assessing the impact of adopting the above standards and amendments. Currently the adoption of the above is expected not to have a material impact on the Group's consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing this interim condensed consolidated financial information, except for the change of estimated useful life of certain assets, the significant judgements 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 consolidated financial statements for the year ended 31 December 2021.

3.1 Changes in accounting estimates

In accordance with the requirements for operational management of the Group, since 1 January 2022, the Group adjusted the estimated useful life of properties and buildings so as to fairly reflect the actual condition of the Group's assets and to improve the quality of accounting information.

In previous years, the Group depreciated properties and buildings by 10 years to 20 years. Since 1 January 2022, the Group adjusted the the range of the depreciation term of the properties and buildings to 10 years to 40 years. The Group will apply this change in accounting estimate prospectively.

The aforesaid changes resulted in a decrease of depreciation expense by RMB47,705 thousand for the period ended 30 June 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

4 OPERATING SEGMENT INFORMATION

4.1 Operating segments

For management purposes, the Group is organized into four different operating segments as follows:

Corporate banking

The corporate banking segment covers financial products and services for corporate customers including deposits, loans, settlement, clearing and other trade-related services.

Retail banking

The retail banking segment covers financial products and services for individual customers including deposits, debit and credit cards, personal and collateral loans and personal wealth management services.

Financial market business

The financial market business segment covers proprietary tradings and agent services including money market placements, investments, repurchases and foreign exchange transactions.

Others

This segment covers businesses other than corporate banking, retail banking and financial market business, of which the assets, liabilities, income and expenses cannot be directly attributable or allocated to certain segment on a reasonable basis.

Inter-segment transfer pricing is made in accordance with the sources, funding periods and interest rates announced by the People's Bank of China (the "PBOC") and the interbank market rates. The allocation of expenses between segments above is based on the benefits received.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

4 OPERATING SEGMENT INFORMATION (Continued)

4.1 Operating segments (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Six months ended 30 June 2022 (Unaudited)					
Interest income	11,454,908	5,167,039	5,135,722	–	21,757,669
Interest expense	(4,040,516)	(5,082,976)	(3,532,966)	–	(12,656,458)
Inter-segments interest (expense)/ income	(2,039,348)	3,337,821	(1,298,473)	–	–
Net interest income	5,375,044	3,421,884	304,283	–	9,101,211
Fee and commission income	340,983	235,745	107,841	–	684,569
Fee and commission expense	(61,496)	(52,056)	(6,889)	–	(120,441)
Net fee and commission income	279,487	183,689	100,952	–	564,128
Net trading gains	–	–	972,084	–	972,084
Net gains on disposal of financial assets at fair value through other comprehensive income	–	–	94,318	–	94,318
Net gains on disposal of financial assets measured at amortized cost	–	–	3,218	–	3,218
Other income, gains or losses	97,933	153,415	17,391	206,859	475,598
Operating income	5,752,464	3,758,988	1,492,246	206,859	11,210,557
Operating expenses	(1,070,024)	(1,852,664)	(222,717)	(80,095)	(3,225,500)
Credit impairment losses	(3,715,646)	(641,339)	(358,806)	(63,435)	(4,779,226)
Impairment losses on other assets	(25,385)	(4,288)	(2,499)	(1,259)	(33,431)
Profit before tax	941,409	1,260,697	908,224	62,070	3,172,400
Income tax expense					(207,677)
Net profit for the period					2,964,723
Other segment information					
Depreciation and amortization	116,101	205,604	23,212	7,361	352,278
Capital expenditure	110,573	196,664	22,397	7,363	336,997
As at 30 June 2022 (Unaudited)					
Segment assets	403,304,305	170,896,756	644,044,428	8,573,534	1,226,819,023
Segment liabilities	(407,394,946)	(519,149,751)	(220,556,151)	(2,019,758)	(1,149,120,606)
Other segment information					
Credit commitments	181,877,201	35,227,799	–	–	217,105,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

4 OPERATING SEGMENT INFORMATION (Continued)

4.1 Operating segments (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Six months ended					
30 June 2021 (Unaudited)					
Interest income	11,072,208	4,641,882	4,749,341	–	20,463,431
Interest expense	(3,494,804)	(4,329,707)	(2,979,200)	–	(10,803,711)
Inter-segments interest (expense)/ income	(1,682,431)	3,120,593	(1,438,162)	–	–
Net interest income	5,894,973	3,432,768	331,979	–	9,659,720
Fee and commission income	473,485	289,340	73,218	–	836,043
Fee and commission expense	(55,817)	(79,358)	(6,675)	–	(141,850)
Net fee and commission income	417,668	209,982	66,543	–	694,193
Net trading gains	–	–	1,180,642	–	1,180,642
Net gains on disposal of financial assets at fair value through other comprehensive income	–	–	156,855	–	156,855
Net gains on disposal of financial assets measured at amortized cost	–	–	2,450	–	2,450
Other income, gains or losses	(73,132)	(1,092)	(36)	176,608	102,348
Operating income	6,239,509	3,641,658	1,738,433	176,608	11,796,208
Operating expenses	(1,149,117)	(2,041,697)	(228,256)	(84,340)	(3,503,410)
Credit impairment losses	(2,011,510)	(794,998)	(1,002,801)	(17,634)	(3,826,943)
Impairment losses on other assets	(4,571)	(1,806)	(2,279)	(40)	(8,696)
Profit before tax	3,074,311	803,157	505,097	74,594	4,457,159
Income tax expense					(797,078)
Net profit for the period					3,660,081
Other segment information					
Depreciation and amortization	142,477	288,059	23,284	3,451	457,271
Capital expenditure	63,649	120,086	11,213	3,972	198,920
As at 31 December 2021					
Segment assets	385,907,570	165,451,710	594,051,617	8,552,725	1,153,963,622
Segment liabilities	(402,671,005)	(480,796,181)	(190,799,901)	(476,273)	(1,074,743,360)
Other segment information					
Credit commitments	184,804,846	34,755,253	–	–	219,560,099

4.2 Geographical information

The Group mainly operates in Guangdong Province, China. The major customers and non-current assets are located in Guangdong Province, China.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

5 NET INTEREST INCOME

	Six months ended 30 June	
	2022	2021
Interest income		
Loans and advances to customers	16,391,406	15,455,142
Financial investments	3,816,152	3,374,036
– Financial assets at amortized cost	2,915,135	1,969,591
– Financial assets at fair value through other comprehensive income	901,017	1,404,445
Financial assets held under resale agreements	433,868	480,197
Due from central bank	462,587	542,886
Deposits with banks and other financial institutions	653,656	611,170
Subtotal	21,757,669	20,463,431
Interest expense		
Customer deposits	(9,403,946)	(8,250,118)
Debt securities issued	(1,886,729)	(1,289,217)
Deposits from banks and other financial institutions	(553,547)	(656,642)
Due to central bank	(375,727)	(212,493)
Borrowings from other banks(i)	(249,039)	(204,081)
Financial assets sold under repurchase agreements	(163,903)	(162,411)
Lease liabilities	(23,567)	(28,749)
Subtotal	(12,656,458)	(10,803,711)
Net interest income	9,101,211	9,659,720
Including Interest income accrued on impaired financial assets	128,258	62,886

- (i) The interest expenses for the long-term and short-term borrowings from other banks were incurred by Zhujiang Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

6 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2022	2021
Fee and commission income:		
Agency and custodian service fees	145,393	174,683
Syndicated loan fees	117,674	151,291
Wealth management products related fee income	107,801	73,135
Bank card fees	98,086	114,711
Settlement and electronic channel business fees	86,708	82,693
Financial lease business fees	47,928	39,309
Guarantee and commitment service fees	22,220	73,800
Advisory and consultancy fees	5,377	31,019
Foreign exchange business fees	1,170	12,122
Others	52,212	83,280
Subtotal	684,569	836,043
Fee and commission expense:		
Bank card fees	(26,104)	(31,399)
Settlement and electronic channel business fees	(10,944)	(8,010)
Others	(83,393)	(102,441)
Subtotal	(120,441)	(141,850)
Net fee and commission income:	564,128	694,193

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

7 NET TRADING GAINS

	Six months ended 30 June	
	2022	2021
Debt securities		
Unrealised losses from debt securities	(117,571)	(398,194)
Realised gains from debt securities	614,692	1,260,699
Subtotal	497,121	862,505
Funds		
Unrealised (losses)/gains from funds	(20,448)	10,059
Realised gains from funds	495,395	304,966
Subtotal	474,947	315,025
Others	16	3,112
Total	972,084	1,180,642

The above amounts include gains and losses arising from the buying and selling of, interest income on, and changes in the fair value of financial assets at fair value through profit or loss.

8 OTHER INCOME, GAINS OR LOSSES

	Six months ended 30 June	
	2022	2021
Net foreign exchange gains/(losses)	274,997	(72,820)
Government grants and subsidies	108,658	131,812
Net gains on disposal of property and equipment	56,028	21,100
Net (losses)/gains on disposal of foreclosed assets	(369)	111
Others	36,284	22,145
Total	475,598	102,348

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

9 OPERATING EXPENSES

	Six months ended 30 June	
	2022	2021
Staff costs(i)	2,098,614	2,379,527
Depreciation and amortization(ii)	352,278	457,271
Insurance fees	175,384	90,770
Tax and surcharges	132,490	130,510
Labor dispatch fees	31,824	23,086
Professional service fees	3,118	6,795
Others	431,792	415,451
Total	3,225,500	3,503,410

(i) Staff costs

	Six months ended 30 June	
	2022	2021
Salaries, bonuses and allowances	1,439,044	1,678,673
Social insurance and employee benefits	589,499	611,833
Labour union expenditure and education costs	53,349	57,751
Benefits for early retirement and supplemental retirement	16,722	31,270
Total	2,098,614	2,379,527

- (ii) Rent concessions total RMB151 thousand have been accounted for as negative variable lease payments and recognised in operating expenses in the statement of profit or loss for the six months ended 30 June 2022 (30 June 2021: RMB390 thousand), with a corresponding adjustment to the lease liabilities.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

10 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2022	2021
Loans and advances to customers		
– Loans and advances to customers at amortized cost	4,304,751	2,574,183
– Impairment gains on assets(i)	(49,861)	(62,692)
– Loans and advances to customers at fair value through other comprehensive income	(1,330)	30,137
Financial investments	176,574	803,423
Off-balance sheet activities	201,606	244,644
Placements with banks and other financial institutions	46,218	27,746
Deposits with banks and other financial institutions	(851)	18,792
Others	102,119	190,710
Total	4,779,226	3,826,943

- (i) The Group recognized the excess of the collection amount of the purchased loans over the fair value on the purchase date as asset impairment gains.

11 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
Current income tax	2,269,925	1,542,784
Deferred income tax	(2,062,248)	(745,706)
Total	207,677	797,078

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group for the respective periods.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

11 INCOME TAX EXPENSE (Continued)

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Six months ended 30 June	
	2022	2021
Profit before income tax	3,172,400	4,457,159
Tax calculated at a tax rate of 25%	793,100	1,114,290
Tax effect arising from income not subject to tax (i)	(639,457)	(377,225)
Tax effect of expenses that are not deductible for tax purposes (ii)	44,151	30,091
Adjustments on income tax for prior years which affect current profit or loss	9,883	29,922
Income tax expense	207,677	797,078

(i) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

(ii) The expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses and so forth, which are not deductible for tax purposes according to PRC tax regulations.

12 DIVIDENDS

	Six months ended 30 June	
	2022	2021
Dividends on ordinary shares declared and paid	1,202,382	1,961,654
Dividend per share (in RMB yuan)	0.105	0.200
Dividends on preference shares declared	620,373	606,264

(a) Distribution of dividend for 2021

A cash dividend of RMB0.105 per ordinary share related to 2021, amounting to RMB1,202,382 thousand in total was approved in the annual general meeting held on 16 June 2022.

The above dividend was recognized as distribution but not paid during the six months ended 30 June 2022.

(b) Distribution of preference dividend

A cash dividend for preference share, amounting to RMB620,373 thousand in total was approved by the board of directors on 27 April 2022.

The above dividend was recognized as distribution and paid during the six months ended 30 June 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

13 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
Profit for the period attributable to ordinary shareholders of the Bank	2,526,576	3,129,780
Less: distribution for the period attributable to preference shareholders of the Bank	(620,373)	(606,264)
Net profit for the period attributable to ordinary shareholders of the Bank	1,906,203	2,523,516
Divided: Weighted average number of ordinary shares in issue (in thousands)	11,451,269	9,808,269
Basic and diluted earnings per share (in RMB yuan)	0.17	0.26

During the six months ended 30 June 2022, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

14 CASH AND DEPOSITS WITH CENTRAL BANK

	As at 30 June 2022	As at 31 December 2021
Cash on hand	3,284,531	3,760,436
Mandatory reserves with central bank (a)	53,051,182	54,400,714
Surplus reserves with central bank (b)	26,812,228	27,873,445
Fiscal deposits with central bank	987,481	230,394
Subtotal	84,135,422	86,264,989
Less:		
ECL allowance	-	-
Total	84,135,422	86,264,989

(a) The Group is required to place mandatory reserve deposits with the PBOC, and these mandatory reserve deposits with central bank are not available for use in the Group's daily operations. As at 30 June 2022, the ratio of the Bank for RMB deposits statutory reserve was 6% (31 December 2021: 6.5%), and different ratios are applicable to the subsidiaries based on their respective locations. The ratio for foreign currency deposits was 8% at 30 June 2022 (31 December 2021: 9%). The reserves for RMB are interest bearing based on the rules of the PBOC.

(b) Surplus reserves are mainly for settlement purpose.

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022	As at 31 December 2021
Deposits with banks operating in Mainland China	10,368,035	13,021,140
Deposits with other financial institutions operating in Mainland China	723,675	1,101,759
Deposits with banks operating outside Mainland China	2,940,650	6,135,895
Interest receivable	21,122	43,727
Subtotal	14,053,482	20,302,521
Less:		
ECL allowance	(26,260)	(27,111)
Total	14,027,222	20,275,410

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022	As at 31 December 2021
Placements with banks operating in Mainland China	201,342	837,096
Placements with other financial institutions operating in Mainland China	36,881,170	29,692,170
Placements with banks operating outside Mainland China	3,116,456	3,667,892
Interest receivable	51,024	49,033
Subtotal	40,249,992	34,246,191
Less: ECL allowance	(340,505)	(294,287)
Total	39,909,487	33,951,904

17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2022	As at 31 December 2021
Securities purchased under resale agreements	14,095,111	53,004,710
Interest receivable	12,054	44,350
Subtotal	14,107,165	53,049,060
Less: ECL allowance	(8,462)	-
Total	14,098,703	53,049,060

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers:

	As at 30 June 2022	As at 31 December 2021
Loans and advances at amortized cost		
Corporate loans and advances		
Corporate loans	424,908,369	407,026,690
Discounted bills	161,166	444,538
	425,069,535	407,471,228
Personal loans and advances		
Personal residential mortgages	74,988,609	73,343,811
Personal business loans	68,766,794	65,285,621
Personal consumption loans	10,292,220	10,051,295
Credit cards overdraft	10,404,852	9,748,738
	164,452,475	158,429,465
Gross amount of loans and advances at amortized cost	589,522,010	565,900,693
Less: ECL allowance of loans and advances at amortized cost	(21,201,993)	(20,109,119)
Net amount of loans and advances at amortized cost	568,320,017	545,791,574
Loans and advances at fair value through other comprehensive income		
Corporate loans and advances		
Discounted bills	101,418,602	91,762,237
Net amount of loans and advance to customers	669,738,619	637,553,811

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Loans listed by assessment method for allowance

	As at 30 June 2022				
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	Total
Gross amount of loans and advances at amortized cost					
Corporate loans	348,994,221	46,873,796	29,173,833	27,685	425,069,535
Personal loans	160,286,505	2,131,523	1,970,321	64,126	164,452,475
	509,280,726	49,005,319	31,144,154	91,811	589,522,010
Less: ECL allowance					
Corporate loans	(3,547,104)	(4,359,278)	(10,442,773)	(945)	(18,350,100)
Personal loans	(742,800)	(576,496)	(1,531,989)	(608)	(2,851,893)
	(4,289,904)	(4,935,774)	(11,974,762)	(1,553)	(21,201,993)
Net amount of loans and advances at amortized cost	504,990,822	44,069,545	19,169,392	90,258	568,320,017
Gross amount of loans and advances at fair value through other comprehensive income	101,418,602	-	-	-	101,418,602

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Loans listed by assessment method for allowance (continued)

	As at 31 December 2021				
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	Total
Gross amount of loans and advances to customers at amortized cost					
Corporate loans	338,827,887	42,298,823	26,315,208	29,310	407,471,228
Personal loans	154,981,805	1,865,832	1,513,970	67,858	158,429,465
	<u>493,809,692</u>	<u>44,164,655</u>	<u>27,829,178</u>	<u>97,168</u>	<u>565,900,693</u>
Less: ECL allowance					
– Corporate loans	(2,845,586)	(3,644,029)	(10,057,799)	(914)	(16,548,328)
– Personal loans	(1,702,298)	(613,434)	(1,244,546)	(513)	(3,560,791)
	<u>(4,547,884)</u>	<u>(4,257,463)</u>	<u>(11,302,345)</u>	<u>(1,427)</u>	<u>(20,109,119)</u>
Net amount of loans and advances to customers at amortized cost	<u>489,261,808</u>	<u>39,907,192</u>	<u>16,526,833</u>	<u>95,741</u>	<u>545,791,574</u>
Gross amount of loans and advances at fair value through other comprehensive income	91,762,237	–	–	–	91,762,237

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance

Movements in ECL allowance on corporate loans and advances to customers at amortized cost

	Six months ended 30 June 2022				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Corporate loans and advances					
ECL allowance as at 1 January 2022	2,845,586	3,644,029	10,057,799	914	16,548,328
Originated or purchased	1,155,858	–	–	–	1,155,858
Derecognition or settlements	(548,760)	(186,524)	(74,052)	–	(809,336)
Remeasurement					
– Parameter changes	338,786	264,298	568,683	31	1,171,798
– Stage transfer	(40,886)	843,718	2,768,502	–	3,571,334
Write-offs or disposals	–	–	(3,166,136)	–	(3,166,136)
Transfers	(203,480)	(206,243)	409,723	–	–
Transfer from Stage I to Stage II	(202,781)	202,781	–	–	–
Transfer from Stage I to Stage III	(54,594)	–	54,594	–	–
Transfer from Stage II to Stage I	53,895	(53,895)	–	–	–
Transfer from Stage II to Stage III	–	(382,416)	382,416	–	–
Transfer from Stage III to Stage II	–	27,287	(27,287)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Others	–	–	(121,746)	–	(121,746)
ECL allowance as at 30 June 2022	3,547,104	4,359,278	10,442,773	945	18,350,100

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on corporate loans and advances to customers at amortized cost

	Year ended 31 December 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Corporate loans and advances					
ECL allowance as at 1 January 2021	1,471,346	3,703,951	6,394,640	1,972	11,571,909
Originated or purchased	1,825,404	–	–	–	1,825,404
Derecognition or settlements	(925,681)	(380,176)	(602,896)	–	(1,908,753)
Remeasurement					
– Parameter changes	761,934	(607,439)	1,254,800	(1,058)	1,408,237
– Stage transfer	(239,830)	1,897,402	5,747,183	–	7,404,755
Write-offs or disposals	–	–	(3,564,329)	–	(3,564,329)
Transfers	(47,587)	(969,709)	1,017,296	–	–
Transfer from Stage I to Stage II	(163,606)	163,606	–	–	–
Transfer from Stage I to Stage III	(175,912)	–	175,912	–	–
Transfer from Stage II to Stage I	291,931	(291,931)	–	–	–
Transfer from Stage II to Stage III	–	(1,116,230)	1,116,230	–	–
Transfer from Stage III to Stage II	–	274,846	(274,846)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Others	–	–	(188,895)	–	(188,895)
ECL allowance as at 31 December 2021	2,845,586	3,644,029	10,057,799	914	16,548,328

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(All amounts expressed in thousands of RMB unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on personal loans and advances to customers at amortized cost

	Six months ended 30 June 2022				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Personal loans and advances					
ECL allowance as at 1 January 2022	1,702,298	613,434	1,244,546	513	3,560,791
Originated or purchased	172,618	–	–	–	172,618
Derecognition or settlements	(320,515)	(138,341)	(103,272)	–	(562,128)
Remeasurement					
– Parameter changes	(749,139)	(42,848)	25,811	95	(766,081)
– Stage transfer	(160,823)	343,212	420,313	–	602,702
Write-offs or disposals	–	–	(149,497)	–	(149,497)
Transfers	98,361	(198,961)	100,600	–	–
Transfer from Stage I to Stage II	(39,325)	39,325	–	–	–
Transfer from Stage I to Stage III	(29,995)	–	29,995	–	–
Transfer from Stage II to Stage I	134,431	(134,431)	–	–	–
Transfer from Stage II to Stage III	–	(132,675)	132,675	–	–
Transfer from Stage III to Stage II	–	28,820	(28,820)	–	–
Transfer from Stage III to Stage I	33,250	–	(33,250)	–	–
Others	–	–	(6,512)	–	(6,512)
ECL allowance as at 30 June 2022	742,800	576,496	1,531,989	608	2,851,893

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on personal loans and advances to customers at amortized cost

	Year ended 31 December 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Personal loans and advances					
ECL allowance as at 1 January 2021	2,113,122	809,623	1,261,541	1,635	4,185,921
Originated or purchased	726,865	–	–	–	726,865
Derecognition or settlements	(926,128)	(259,718)	(154,439)	–	(1,340,285)
Remeasurement					
– Parameter changes	(179,748)	(107,026)	369,193	(1,122)	81,297
– Stage transfer	(180,258)	486,970	653,289	–	960,001
Write-offs or disposals	–	–	(1,052,863)	–	(1,052,863)
Transfers	148,445	(316,415)	167,970	–	–
Transfer from Stage I to Stage II	(26,733)	26,733	–	–	–
Transfer from Stage I to Stage III	(17,453)	–	17,453	–	–
Transfer from Stage II to Stage I	176,355	(176,355)	–	–	–
Transfer from Stage II to Stage III	–	(174,418)	174,418	–	–
Transfer from Stage III to Stage II	–	7,625	(7,625)	–	–
Transfer from Stage III to Stage I	16,276	–	(16,276)	–	–
Others	–	–	(145)	–	(145)
ECL allowance as at 31 December 2021	1,702,298	613,434	1,244,546	513	3,560,791

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income

	Six months ended 30 June 2022			
	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Discounted bills				
ECL allowance as at 1 January 2022	19,601	–	–	19,601
Originated or purchased	10,624	–	–	10,624
Derecognition or settlements	(11,640)	–	–	(11,640)
Remeasurement				
– Parameter changes	(314)	–	–	(314)
Write-offs or disposals	–	–	–	–
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 30 June 2022	18,271	–	–	18,271

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance (continued)

	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Discounted bills				
ECL allowance as at 1 January 2021	7,326	–	200,000	207,326
Originated or purchased	19,601	–	–	19,601
Derecognition or settlements	(7,326)	–	–	(7,326)
Remeasurement				
– Parameter changes	–	–	–	–
Write-offs or disposals	–	–	(200,000)	(200,000)
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2021	19,601	–	–	19,601

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022	As at 31 December 2021
Government bonds	11,939,967	27,346,564
Bonds issued by policy banks	8,021,089	9,738,005
Bonds issued by financial institutions	1,083,770	1,047,417
Certificates of deposit issued by other financial institutions	43,556,109	6,389
Assets backed securities issued by other banks and non-bank financial institutions	1,168,297	1,363,585
Corporate bonds	1,779,400	3,781,783
Trust and asset management plans	6,090,522	4,819,958
Fund and other investments	47,382,110	42,891,160
Interest receivable	521,565	633,702
Total	121,542,829	91,628,563

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2022	As at 31 December 2021
Government bonds	21,553,927	21,572,767
Bonds issued by policy banks	34,041,933	26,041,193
Bonds issued by financial institutions	253,716	443,258
Assets backed securities issued by other banks and non-bank financial institutions	158,255	1,888,592
Corporate bonds	4,701,893	5,894,778
Certificates of deposit issued by other financial institutions	1,897,111	2,386,467
Trust and asset management plans (i)	5,469,589	5,789,631
Interest receivable	987,858	1,188,563
Total	69,064,282	65,205,249

(i) Trust and asset management plans as at 30 June 2022 were invested in credit assets.

(a) Movements in ECL allowance are summarised as follows:

	Six months ended 30 June 2022			
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
ECL allowance as at 1 January 2022	39,706	233,485	2,047,836	2,321,027
Originated or purchased	1,623	–	–	1,623
Derecognition or settlements	(4,700)	–	(19,921)	(24,621)
Remeasurement				
– Parameter changes	(17,465)	(52,078)	(52,826)	(122,369)
– Stage transfer	–	–	–	–
Write-offs or disposals	–	–	(61,070)	(61,070)
Transfers:	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 30 June 2022	19,164	181,407	1,914,019	2,114,590

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

(a) Movements in ECL allowance are summarised as follows: (Continued)

	Year ended 31 December 2021			
	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL allowance as at 1 January 2021	35,013	483,019	1,265,291	1,783,323
Originated or purchased	1,899	–	24,985	26,884
Derecognition or settlements	(21,636)	(384)	(1,067)	(23,087)
Remeasurement				
– Parameter changes	24,430	70,264	392,062	486,756
– Stage transfer	–	–	139,380	139,380
Write-offs or disposals	–	–	(92,229)	(92,229)
Transfers:	–	(319,414)	319,414	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(319,414)	319,414	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2021	39,706	233,485	2,047,836	2,321,027

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

21 FINANCIAL ASSETS AT AMORTIZED COST

	As at 30 June 2022	As at 31 December 2021
Government bonds	106,013,341	70,669,273
Bonds issued by policy banks	69,789,192	53,291,330
Bonds issued by financial institutions	7,236,638	3,555,241
Certificates of deposit issued by other financial institutions	5,241,281	6,405,226
Assets backed securities issued by other banks and non-bank financial institutions	4,790,271	8,553,199
Corporate bonds	1,324,791	3,391,171
Trust and asset management plans (i)	9,748,018	10,839,761
Interest receivable	2,541,671	2,271,846
Subtotal	206,685,203	158,977,047
Less :		
ECL allowance	(1,393,545)	(1,572,344)
Total	205,291,658	157,404,703

(i) Trust and asset management plans as at 30 June 2022 were invested in credit assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

21 FINANCIAL ASSETS AT AMORTIZED COST (Continued)

(a) Movements in ECL allowance are summarised as follows:

	Six months ended 30 June 2022			
	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL allowance as at 1 January 2022	19,638	177,881	1,374,825	1,572,344
Originated or purchased	11,234	–	–	11,234
Derecognition or settlements	(5,055)	(234)	(63,089)	(68,378)
Remeasurement				
– Parameter changes	7,031	93,408	60,781	161,220
– Stage transfer	–	–	217,865	217,865
Write-offs or disposals	–	–	(500,740)	(500,740)
Transfers:	–	(132,113)	132,113	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(132,113)	132,113	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 30 June 2022	32,848	138,942	1,221,755	1,393,545
	Year ended 31 December 2021			
	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL allowance as at 1 January 2021	12,853	259,149	681,169	953,171
Originated or purchased	17,707	–	387,017	404,724
Derecognition or settlements	(5,496)	(32,837)	–	(38,333)
Remeasurement				
– Parameter changes	(2,762)	(37,816)	227,092	186,514
– Stage transfer	–	15,098	62,823	77,921
Write-offs or disposals	–	–	(11,653)	(11,653)
Transfers:	(2,664)	(25,713)	28,377	–
Transfer from Stage I to Stage II	(2,664)	2,664	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(28,377)	28,377	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2021	19,638	177,881	1,374,825	1,572,344

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

22 PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
As at 1 January 2022	6,070,646	295,908	609,905	1,367,197	41,634	8,385,290
Additions	15,000	30,448	485	29,104	-	75,037
Transfer from construction in progress	11,438	(80,474)	-	41,507	-	(27,529)
Disposals	(235,012)	-	-	(103,612)	(25,475)	(364,099)
As at 30 June 2022	5,862,072	245,882	610,390	1,334,196	16,159	8,068,699
Accumulated depreciation						
As at 1 January 2022	4,016,478	-	553,165	1,035,272	29,476	5,634,391
Charge for the period	73,454	-	10,601	70,127	1,175	155,357
Disposals	(226,618)	-	-	(96,478)	(22,956)	(346,052)
As at 30 June 2022	3,863,314	-	563,766	1,008,921	7,695	5,443,696
Net book value						
As at 30 June 2022	1,998,758	245,882	46,624	325,275	8,464	2,625,003
As at 1 January 2022	2,054,168	295,908	56,740	331,925	12,158	2,750,899

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

22 PROPERTY AND EQUIPMENT (Continued)

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
At 1 January 2021	6,084,348	269,885	597,756	1,263,215	45,096	8,260,300
Additions	32,541	151,459	6,481	111,019	8,194	309,694
Transfer from construction in progress	382	(125,436)	11,949	65,626	–	(47,479)
Transfer from investment properties	5,540	–	–	–	–	5,540
Disposals	(51,780)	–	(6,281)	(72,663)	(11,656)	(142,380)
Other transfer-out	(385)	–	–	–	–	(385)
At 31 December 2021	6,070,646	295,908	609,905	1,367,197	41,634	8,385,290
Accumulated depreciation						
At 1 January 2021	3,783,514	–	534,506	966,487	38,203	5,322,710
Charge for the year	266,274	–	21,954	131,325	1,677	421,230
Transfer from investment properties	5,489	–	–	–	–	5,489
Disposals	(38,414)	–	(3,295)	(62,540)	(10,404)	(114,653)
Other transfer-out	(385)	–	–	–	–	(385)
At 31 December 2021	4,016,478	–	553,165	1,035,272	29,476	5,634,391
Net book value						
At 31 December 2021	2,054,168	295,908	56,740	331,925	12,158	2,750,899
At 1 January 2021	2,300,834	269,885	63,250	296,728	6,893	2,937,590

The original value and net value of the property and equipment that have been used but are in the process of applying for the right certificates and that have been used but have not yet applied for the right certificates are listed as follows:

	As at 30 June 2022	As at 31 December 2021
Original value	1,586,423	1,590,409
Net value	784,377	809,194

Management expects that the aforesaid matter would not affect the rights of the Group to these assets or have any significant impact on the business operation of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

23 GOODWILL

	As at 1 January 2022	Additions	As at 30 June 2022
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

	As at 1 January 2021	Additions	As at 31 December 2021
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

(i) Impairment

The recoverable amount of the asset group is based on the five-year budget approved by the management, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

The assumptions of the future cash flow discount method are as follows:

	As at 30 June 2022	As at 31 December 2021
Growth rate	3%	3%
Discount rate	15%	15%

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after five years, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each business. The management uses the interest rate of profit-before-tax as the discount rate which can reflect the specific risks of the relevant asset groups and the portfolio of asset groups. The above assumptions are used to analyse the recoverable amounts of each asset group and portfolio of asset groups within the business division.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

24 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets against income tax liabilities and when the deferred income taxes are related to income taxes levied by the same taxation authority. The deferred tax assets and liabilities recognised are as follows:

	30 June 2022		31 December 2021	
	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference
Deferred income tax assets:				
Impairment allowances for assets	6,975,199	27,900,795	6,255,200	25,019,443
Provisions	1,518,559	6,074,236	169,427	677,707
Changes in the expected credit losses of financial assets at FVOCI	528,647	2,114,590	580,256	2,321,027
Changes in fair value of financial assets at FVOCI	583,852	2,335,405	479,673	1,917,954
Changes in the expected credit losses of loans and advances to customers at FVOCI	4,568	18,271	4,900	19,601
Changes in fair value of loans and advances to customers at FVOCI	26,112	104,449	73,046	292,186
Changes in fair value of financial assets at FVPL	427,608	1,710,431	393,721	1,574,882
Staff salary and welfare payable	274,491	1,097,964	247,929	991,714
Others	156,395	625,577	153,302	613,208
Subtotal	10,495,431	41,981,718	8,357,454	33,427,722
Deferred income tax liabilities:				
Changes in the expected credit losses of financial assets at FVOCI	(528,647)	(2,114,590)	(580,256)	(2,321,027)
Changes in the expected credit losses of loans and advances to customers at FVOCI	(4,568)	(18,271)	(4,900)	(19,601)
Changes in fair value of financial assets at FVPL	(2,507)	(10,028)	(3,124)	(12,497)
Adjustment of book value of assets and liabilities on the date of acquisition	(123,195)	(492,778)	(104,094)	(416,377)
Unrealized gains of foreclosed assets	(76)	(303)	(76)	(303)
Subtotal	(658,993)	(2,635,970)	(692,450)	(2,769,805)
Net deferred income tax	9,836,438	39,345,748	7,665,004	30,657,917

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

24 DEFERRED INCOME TAXES (Continued)

The movements for deferred tax assets and liabilities recognised are as follows:

	As at 30 June 2022	As at 31 December 2021
Balance at the end of the last year	7,665,004	6,706,441
Charged to profit or loss	2,062,248	1,078,244
Charged to other comprehensive income	109,186	(119,681)
At the end of the period/year	9,836,438	7,665,004

25 OTHER ASSETS

	As at 30 June 2022	As at 31 December 2021
Right-of-use assets (a)	1,765,524	1,871,029
Receivables and payments	1,511,338	1,202,400
Settlement and clearing accounts	994,731	1,145,016
Interest receivable	859,063	503,799
Foreclosed assets (b)	574,687	627,236
Assets to be settled	297,366	297,366
Intangible assets (c)	217,918	200,165
Prepayment of properties and buildings	215,526	–
Long-term deferred expenses	90,947	93,882
Investment properties	35,710	39,680
Others	28,616	22,717
Total	6,591,426	6,003,290
Less: Allowance for impairment losses	(939,865)	(858,493)
Total	5,651,561	5,144,797

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

25 OTHER ASSETS (Continued)

(a) Right-of-use assets

	Properties and equipments	Land use rights	Total
Cost			
As at 1 January 2022	1,431,215	1,085,031	2,516,246
Additions	65,615	–	65,615
Disposals	(102,102)	–	(102,102)
As at 30 June 2022	1,394,728	1,085,031	2,479,759
Accumulated depreciation			
As at 1 January 2022	551,127	94,090	645,217
Charge for the period	125,017	12,759	137,776
Disposals	(68,758)	–	(68,758)
As at 30 June 2022	607,386	106,849	714,235
Net book value			
As at 30 June 2022	787,342	978,182	1,765,524
As at 1 January 2022	880,088	990,941	1,871,029

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

25 OTHER ASSETS (Continued)

(a) Right-of-use assets (Continued)

	Properties and equipments	Land use rights	Total
Cost			
As at 1 January 2021	1,366,127	1,102,911	2,469,038
Additions	255,689	–	255,689
Disposals	(190,601)	(17,880)	(208,481)
As at 31 December 2021	1,431,215	1,085,031	2,516,246
Accumulated depreciation			
As at 1 January 2021	453,250	68,899	522,149
Charge for the year	250,973	25,191	276,164
Disposals	(153,096)	–	(153,096)
As at 31 December 2021	551,127	94,090	645,217
Net book value			
As at 31 December 2021	880,088	990,941	1,871,029
As at 1 January 2021	912,877	1,034,012	1,946,889

(b) Foreclosed assets

	As at 30 June 2022	As at 31 December 2021
Houses and buildings	554,237	606,053
Others	20,450	21,183
Total	574,687	627,236
Less: Allowance for impairment losses	(145,359)	(132,119)
Total	429,328	495,117

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(All amounts expressed in thousands of RMB unless otherwise stated)

25 OTHER ASSETS (Continued)

(b) Foreclosed assets (Continued)

Movements of allowance for foreclosed assets are as follows:

	Houses and buildings	Others	Total
At 1 January 2022	132,091	28	132,119
Charge for the period	32,353	–	32,353
Disposal for the period	(19,113)	–	(19,113)
At 30 June 2022	145,331	28	145,359
At 1 January 2021	69,307	–	69,307
Charge for the year	62,784	28	62,812
At 31 December 2021	132,091	28	132,119

(c) Intangible assets

	Software	Total
Cost		
At 1 January 2022	871,370	871,370
Additions	40,814	40,814
Transfer from construction in progress	18,351	18,351
As at 30 June 2022	930,535	930,535
Accumulated amortization		
At 1 January 2022	671,205	671,205
Amortization	41,412	41,412
As at 30 June 2022	712,617	712,617
Net book value		
As at 30 June 2022	217,918	217,918
At 1 January 2022	200,165	200,165

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

25 OTHER ASSETS (Continued)

(c) Intangible assets (Continued)

	Software	Total
Cost		
At 1 January 2021	716,611	716,611
Additions	134,314	134,314
Transfer from construction in progress	29,189	29,189
Disposals	(8,744)	(8,744)
At 31 December 2021	871,370	871,370
Accumulated amortization		
At 1 January 2021	530,929	530,929
Amortization	145,946	145,946
Disposals	(5,670)	(5,670)
At 31 December 2021	671,205	671,205
Net book value		
At 31 December 2021	200,165	200,165
At 1 January 2021	185,682	185,682

26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022	As at 31 December 2021
Deposits from banks operating in Mainland China	8,770,987	630,132
Deposits from other financial institutions operating in Mainland China	35,312,031	35,374,882
Interest payable	205,884	221,667
Total	44,288,902	36,226,681

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022	As at 31 December 2021
Placements from banks operating in Mainland China	3,180,000	800,000
Placements from other financial institutions operating in Mainland China	–	530,000
Interest payable	3,343	1,545
Total	3,183,343	1,331,545

28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2022	As at 31 December 2021
Securities	10,096,593	32,349,999
Interest payable	6,517	9,980
Total	10,103,110	32,359,979

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(All amounts expressed in thousands of RMB unless otherwise stated)

29 CUSTOMER DEPOSITS

	As at 30 June 2022	As at 31 December 2021
Demand deposits		
– Corporate customers	171,651,513	179,302,174
– Personal customers	128,518,443	125,691,468
	300,169,956	304,993,642
Time deposits		
– Corporate customers	202,666,457	200,646,029
– Personal customers	359,364,221	327,913,865
	562,030,678	528,559,894
Pledged deposits	20,867,576	13,370,518
Other deposits	2,928,750	2,842,750
Total	885,996,960	849,766,804

30 DEBT SECURITIES ISSUED

	As at 30 June 2022	As at 31 December 2021
2018 tier 2 capital bonds (a)	10,132,109	10,377,040
Interbank certificates of deposit issued(b)	134,523,682	96,628,433
Financial bonds (c)	3,013,642	1,028,089
Total	147,669,433	108,033,562

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(All amounts expressed in thousands of RMB unless otherwise stated)

30 DEBT SECURITIES ISSUED (Continued)

(a) Tier 2 capital bonds

Pursuant to the approval of the PBOC and the CBIRC, the Bank issued tier 2 capital bonds in an amount of RMB10 billion in the domestic interbank bond market on 23 March 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.90% and annual interest payment on 23 March. The principal is repaid upon its maturity and the Bank has the option to early redeem the bonds at the end of the fifth year. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be needed to be paid.

(b) Interbank certificates of deposit issued

As at 30 June 2022 and 31 December 2021, the interest rates of outstanding balance were ranging from 1.84% to 3.03% and 2.40% to 3.21% respectively, and the amount would mature in 2022 and 2021 respectively.

(c) Financial bonds

Pursuant to the approval of the PBOC and the CBIRC, the Bank issued financial bonds in an amount of RMB 3 billion in the domestic interbank bond market on 5 May 2022. The bonds have a maturity of 3 years, with a fixed coupon rate of 2.89% and annual interest payment on 5 May every year from 2023 to 2025.

Pursuant to the approval of the PBOC and the CBIRC, Zhujiang Financial Leasing Co., Ltd. issued financial bonds in an amount of RMB1 billion in the domestic interbank bond market on 18 April 2019. The bonds have a maturity of 3 years, with a fixed coupon rate of 3.80% and annual interest payment on 22 April every year from 2020 to 2022. The aforesaid financial bonds of Zhujiang Financial Leasing Co., Ltd. have been fully paid on April 22, 2022.

31 OTHER LIABILITIES

	As at 30 June 2022	As at 31 December 2021
Borrowings from other banks (a)	12,332,590	10,876,070
Settlement and clearing accounts	1,550,901	1,719,908
Salaries, bonuses, allowances and subsidies payable (b)	1,243,437	1,717,482
Dividend payable	1,224,648	–
Guarantee deposits from lessees (c)	1,059,523	1,331,469
Provisions (d)	880,525	677,707
Lease liabilities	843,290	936,799
Sundry tax payables	610,369	637,642
Rediscount liabilities	601,245	1,664,710
Bill payables	150,000	–
Deferred revenue	97,263	147,208
Recovery of replaced assets	91,046	113,966
Prepaid fees and commissions	86,835	129,077
Deposits and guarantees received	44,890	49,581
Others	966,816	813,255
Total	21,783,378	20,814,874

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(All amounts expressed in thousands of RMB unless otherwise stated)

31 OTHER LIABILITIES (Continued)

(a) Borrowings from other banks

As at 30 June 2022, the wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., borrowed long-term and short-term loans for its leasing operation business, with maturity ranging from 2 to 60 months (31 December 2021: from 1 to 60 months) and fixed interest rates ranging from 2.75% to 3.99% (31 December 2021: from 3.22% to 4.40%).

(b) Salaries, bonuses, allowances and subsidies payable

	As at 30 June 2022	As at 31 December 2021
Salaries, bonuses and allowances	393,462	863,003
Social insurance	5,076	4,837
Housing fund	545	494
Employee benefits	48,023	48,800
Labor union expenditure and education costs	94,356	79,701
Defined contribution plans	1,687	2,977
Defined benefit plans		
– Supplemental retirement benefits (i)	590,026	587,577
Early retirement benefits	110,262	130,093
Total	1,243,437	1,717,482

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FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

31 OTHER LIABILITIES (Continued)

(b) Salaries, bonuses, allowances and subsidies payable (Continued)

(i) Supplemental retirement benefits

During the period ended 30 June 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current period (31 December 2021: Nil).

The movement of supplementary retirement benefits of the Group are as follows:

	As at 30 June 2022	As at 31 December 2021
At the beginning of the period/year	587,577	422,202
Benefits paid during the period/year	(14,136)	(46,074)
Defined benefit cost recognised in profit or loss	16,322	170,587
Defined benefit cost recognised in other comprehensive income	263	40,862
At the end of the period/year	590,026	587,577

The principal actuarial assumptions adopted at the end of 30 June 2022 and 31 December 2021 are as follows:

	As at 30 June 2022	As at 31 December 2021
Discount rate		
– Normal retirees	2.55%-3.13%	2.55%-3.13%
– Early retirees	3.16%	3.16%
Expected growth rate of benefits	0–5%	0–5%
Age of retirement		
– Male	60	60
– Female	50/55	50/55

Assumptions regarding future mortality are based on the China Life Insurance Mortality table, published in Mainland China.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

31 OTHER LIABILITIES (Continued)

(b) Salaries, bonuses, allowances and subsidies payable (Continued)

(i) Supplemental retirement benefits (Continued)

The sensitivity of the present value of supplemental retirement benefit obligations to changes in the principal assumption is:

	Discount rate	
	As at 30 June 2022	As at 31 December 2021
Change in basis points		
+50 basis points	(43,469)	(43,430)
-50 basis points	49,308	49,268

	Growth rate	
	As at 30 June 2022	As at 31 December 2021
Change in basis points		
+50 basis points	48,699	48,699
-50 basis points	(43,246)	(43,246)

(c) Guarantee deposits from lessees

The wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., received deposits from lessees when entering into the finance lease contracts. These deposits are interest-free and will be repaid upon maturity of the lease contracts.

(d) Provisions

As at 30 June 2022, the balance mainly represent expected credit loss allowance of off-balance sheet credit commitments including bank acceptances, letters of credit and guarantees.

32 SHARE CAPITAL

All shares of the Bank issued are fully paid ordinary shares, with par value of RMB1 per share. The Bank's number of shares is as follows:

	30 June 2022		31 December 2021	
	Number of shares '000	Nominal value	Number of shares '000	Nominal value
Opening balance	11,451,269	11,451,269	9,808,269	9,808,269
Issuance of shares	–	–	1,643,000	1,643,000
As at 30 June 2022/31 December 2021	11,451,269	11,451,269	11,451,269	11,451,269

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

33 PREFERENCE SHARES

(a) Preference shares outstanding at the end of the period

	Issue date	Accounting classification	Dividend rate	Issue price	Number of shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
Offshore preference share										
Preference shares in USD	20 June 2019	Equity	5.90%	USD20/ share	71,500,000	1,430,000	9,839,115	No maturity date	Mandatory	No conversion during the period
					Total		9,839,115			
					Less: Issuance fees		18,381			
					Book value		9,820,734			

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

33 PREFERENCE SHARES (Continued)

(b) Main clauses

Offshore preference shares

(i) Dividend

The offshore preference shares accrue non-cumulative dividends on the issue price at the relevant dividend rate below:

- (1) From and including the issue date to but excluding the first reset date, at the rate of 5.90% per annum; and
- (2) Thereafter, in respect of the period from and including the first reset date and each reset date falling thereafter to but excluding the immediately following reset date, at the relevant reset dividend rate, provided that the dividend rate shall not at any time exceed 13.57% per annum, being the mean of the weighted average return on equity of the Bank (as determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (as amended in 2010) and calculated based on the return attributable to the Ordinary Shareholders) for the two most recent financial years prior to the issue date.

(ii) Conditions to distribution of dividends

The payment of any dividend on any dividend payment date is subject to:

- (a) the Board (or within the delegated authorization of the Board) having passed a resolution to declare such dividend in accordance with the Articles of Association;
- (b) the Bank having distributable after-tax profit, after making up for the previous years' losses and contributing to the statutory reserve fund and general reserve; and
- (c) the capital adequacy ratios of the Bank meet the regulatory requirements.

Offshore preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

33 PREFERENCE SHARES (Continued)

(b) Main clauses (continued)

Offshore preference shares (continued)

(ii) Conditions to distribution of dividends (Continued)

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

The cancellation of any amount of dividend (in whole or in part) shall not constitute a default for any purpose by the Bank. Dividend payments are non-cumulative. Under the circumstances where the Bank cancels a dividend (in whole or in part), any amount of dividend that has not been fully distributed to the offshore preference shareholders during the then current dividend period will not be accumulated to the following dividend periods.

(iii) Mandatory conversion trigger events

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, offshore preference share shall be mandatorily converted into ordinary H Shares of the Bank (as converted into Hong Kong dollars at the fixed exchange rate of USD1.00 to HKD7.8489), partially or entirely.

(iv) Order of distribution and liquidation method

On winding-up of the Bank, distribution to offshore preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the offshore preference shares; all offshore preference shareholders are ranked the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to offshore preference shareholders prior to ordinary shareholders.

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the offshore preference shares have been made, be applied to the claims of the offshore preference shareholders equally in all respects with the claims of holders of any parity obligations and in priority to the claims of the holders of ordinary shares.

The distribution amount obtained by the offshore preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, offshore preference shareholders will share the distribution amount on a proportional basis.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

33 PREFERENCE SHARES (Continued)

(b) Main clauses (continued)

Offshore preference shares (continued)

(v) Redemption

The offshore preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining CBIRC approval and in compliance with the redemption preconditions, redeem all or some of the offshore preference shares after five years. The redemption period ends at the date when shares are fully converted or redeemed.

34 RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value and shareholders' donation.

(b) Surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the articles of association to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

For the six months ended 30 June 2022, no appropriation was made to the statutory surplus reserve (For the year ended 31 December 2021: RMB294,284 thousand).

(c) General reserve

Pursuant to the relevant regulations issued by the Ministry of Finance (the "MOF"), the Bank and its subsidiaries are required to maintain a general reserve within equity, through the appropriation of net profit, starting from 1 July 2012, which should not be less than 1.5% of the year-end balance of their respective risk assets as defined by the regulations.

For the six months ended 30 June 2022, no appropriation was made to the general reserve (For the year ended 31 December 2021: RMB1,674,285 thousand) and the reserve has reached 1.5% of the year/period ended balance of its risk assets as required on 30 June 2022 and 31 December 2021.

(d) Other comprehensive income

Other comprehensive income included financial assets revaluation reserve and remeasurement losses on defined benefit plans. The financial assets revaluation reserve records the fair value changes and expected credit losses of financial assets at fair value through other comprehensive income. Remeasurement losses on defined benefit plans are the actuarial gains or losses of supplemental retirement benefits.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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35 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Other comprehensive income in statement of financial position			Other comprehensive income in income statement				
	Attributable to the		As at 30 June 2022	Amount before tax	Net amount transferred to the income statement	Tax expense	Attributable to the shareholders of the Bank after tax	Attributable to the non- controlling interests after tax
	As at 31 December 2021	shareholders of the Bank after tax						
Other comprehensive income to be reclassified to profit or loss in subsequent years:								
Fair value changes on financial assets at fair value through other comprehensive income	(1,670,371)	(149,481)	(1,819,852)	(135,397)	(94,318)	57,245	(149,481)	(22,989)
Loss allowance on financial assets at fair value through other comprehensive income	1,757,735	(156,023)	1,601,712	(207,768)	-	51,941	(156,023)	196
Other comprehensive income not to be reclassified to profit or loss in subsequent years:								
Remeasurement losses on defined benefit plans	(35,716)	(145)	(35,861)	(263)	-	-	(145)	(118)
Total	51,648	(305,649)	(254,001)	(343,428)	(94,318)	109,186	(305,649)	(22,911)

	Other comprehensive income in statement of financial position			Other comprehensive income in income statement				
	Attributable to the		As at 31 December 2021	Amount before tax	Net amount transferred to the income statement	Tax expense	Attributable to the shareholders of the Bank after tax	Attributable to the non- controlling interests after tax
	As at 31 December 2020	shareholders of the Bank after tax						
Other comprehensive income to be reclassified to profit or loss in subsequent years:								
Fair value changes on Financial assets at fair value through other comprehensive income	(1,734,252)	63,881	(1,670,371)	467,829	(338,344)	(32,187)	63,881	33,417
Loss allowance on financial assets at fair value through other comprehensive income	1,495,790	261,945	1,757,735	349,978	-	(87,494)	261,945	539
Other comprehensive income not to be reclassified to profit or loss in subsequent years:								
Remeasurement losses on defined benefit plans	5,065	(40,781)	(35,716)	(40,862)	-	-	(40,781)	(81)
Total	(233,397)	285,045	51,648	776,945	(338,344)	(119,681)	285,045	33,875

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

36 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

On the consolidated statement of cash flows, cash and cash equivalents have an original maturity of less than three months and include the following:

	As at 30 June 2022	As at 31 December 2021
Cash on hand	3,284,531	3,760,436
Surplus reserves with central bank	26,812,228	27,873,445
Deposits with banks and other financial institutions	11,759,667	16,692,121
Placements with banks and other financial institutions	2,016,608	2,793,466
Financial assets held under resale agreements	11,379,421	48,421,807
Total	55,252,455	99,541,275

37 TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets in the consolidated statement of financial position.

Bond lending arrangements

As of 30 June 2022, the carrying amount of the bond lending agreements the Group entered into with securities borrowers to lend out its bond securities classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost totalled nil, RMB4,208,106 thousand and RMB8,970,292 thousand respectively (31 December 2021: RMB5,200,286 thousand, RMB3,301,264 thousand and RMB6,606,005 thousand). 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 in the condensed consolidated interim financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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38 STRUCTURED ENTITIES

The Group is principally involved with structured entities through wealth management products, financial investments in asset management plans, trust plans and securitisation transactions. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

(a) Consolidated structured entities

(i) *Principal guaranteed wealth management products sponsored and managed by the Group*

Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products are presented in respective financial assets items in accordance with the Group's accounting policies based on the nature of the assets. The corresponding liabilities to the investors of these products are presented in customers deposits and deposits with banks and other financial institutions.

As at 30 June 2022, there was no guaranteed wealth management products sponsored and managed by the Group (31 December 2021: same).

(ii) *Other consolidated structured entities*

Other structured entities consolidated by the Group include certain asset management plans, trust plans and wealth management products 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.

As at 30 June 2022, the balance of these consolidated structured entities were RMB44,722,574 thousand (31 December 2021: RMB40,587,436 thousand).

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38 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities

(i) *Unconsolidated structured entities managed by the Group*

Unconsolidated structured entities managed by the Group mainly include non-principal guaranteed wealth management products issued and managed by the Group as an agent. Based on the analysis and research of potential target customer groups, the Group designs and sells wealth management products to specific target customers. The Group invests the funds raised in the assets and distributes investment income to investors in accordance with the contracts.

During the six months ended 30 June 2022, the Group recorded commission income as the manager of these wealth management products amounting to RMB107,801 thousand (For the six months ended 30 June 2021: RMB73,135 thousand). The gains from the unconsolidated non-guaranteed wealth management products of the Group are the same as the Bank's maximum exposure to loss in such business. The Group considers its variable returns from its involvement with the structured entities are not significant and hence it does not consolidate these structured entities.

For the purpose of asset-liability management, the Group's unconsolidated structured entities may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. The Group may enter into repurchase and placement transactions with these unconsolidated structured entities in accordance with market principles. As at 30 June 2022, there was no balance of the above repurchase and placement transactions (31 December 2021: same).

As at 30 June 2022, the balance of the unconsolidated non-guaranteed wealth management products sponsored by the Group amounted to RMB81,358,569 thousand (31 December 2021: RMB86,022,999 thousand).

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For the six months ended 30 June 2022

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38 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(ii) Unconsolidated structured entities invested by the Group

As at 30 June 2022, the Group invests in a number of unconsolidated structured entities mainly consisting of asset-backed securities, funds, wealth management products, trust plans and the asset management plans sponsored and managed by other independent third parties.

The table below sets out the carrying value and the Group's maximum exposure to these unconsolidated structured entities.

As at 30 June 2022	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	6,090,522	6,090,522
Fund investments	41,850,547	41,850,547
Other investments	5,511,995	5,511,995
Subtotal	53,453,064	53,453,064
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	5,750,518	5,750,518
Other investments	158,464	158,464
Subtotal	5,908,982	5,908,982
<u>Financial assets at amortized cost</u>		
Trust plans and asset management plans	8,630,405	8,630,405
Other investments	4,796,550	4,796,550
Subtotal	13,426,955	13,426,955

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38 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(ii) Unconsolidated structured entities invested by the Group (Continued)

At 31 December 2021	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	4,819,959	4,819,959
Fund investments	37,130,579	37,130,579
Other investments	5,934,883	5,934,883
Subtotal	47,885,421	47,885,421
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	6,080,934	6,080,934
Other investments	1,894,462	1,894,462
Subtotal	7,975,396	7,975,396
<u>Financial assets at amortized cost</u>		
Trust plans and asset management plans	9,536,036	9,536,036
Other investments	8,579,491	8,579,491
Subtotal	18,115,527	18,115,527

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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39 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan and credit card commitments are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the period if the counterparties had failed to perform as contracted.

	As at 30 June 2022	As at 31 December 2021
Bank acceptances	40,838,171	37,751,574
Letters of credit issued	3,454,804	1,667,390
Guarantees issued	34,811,331	36,660,849
Loan and credit card commitments (i)	138,000,694	143,480,286
Subtotal	217,105,000	219,560,099
Allowance for credit commitments	853,243	651,637
Total	216,251,757	218,908,462

(i) Loan commitments of the Group are the unconditionally revocable loan commitments.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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39 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Operating lease commitments

The Group leased certain of their office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	As at 30 June 2022	As at 31 December 2021
Within one year	744	3,207
After one year but not more than two years	811	1,319
After two years but not more than three years	811	995
After three years	7,162	8,465
Total	9,528	13,986

(c) Capital commitments

	As at 30 June 2022	As at 31 December 2021
Contracted, but not provided for	336,586	454,621

(d) Credit risk-weighted amount of financial guarantees and credit related commitments

	As at 30 June 2022	As at 31 December 2021
Financial guarantees and credit related commitments	29,705,183	26,609,177

The credit risk-weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBIRC and depends on the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(e) Legal proceedings

As at 30 June 2022, the expected total claimed amounts of the litigation cases of which the Bank or its subsidiaries are the defendant amounted to RMB27,282 thousand (31 December 2021: RMB26,070 thousand). In the opinion of management, the Bank has made adequate provisions for any probable losses based on the current facts and circumstances. The litigation cases are not expected to have a significant impact on the Group's business, financial condition and performance.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

40 FIDUCIARY ACTIVITIES

The Group operates entrusted loans. The entrusted loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group only acts on behalf of trustors and assists them to administer the loans. Risks remain to trustors while the Group charges commission fee for the business. Entrusted loans are not included in the Group's consolidated balance sheet.

The Group manages assets for customers as an agent, which does not include in the Group's consolidated balance sheet. The Group only charges fees according to agent agreement and bears no risk and takes no benefit of these assets.

	As at 30 June 2022	As at 31 December 2021
Entrusted deposits	(5,910,689)	(6,018,341)
Entrusted loans	5,910,689	6,018,341

Entrusted wealth management refers to service that the Group makes investments and manages principal on behalf of customers within agreed investment plans and methods, and earnings will be paid to customers in accordance with terms of agreements and actual earnings. As at 30 June 2022 and 31 December 2021, entrusted wealth management service of the Group amounted to RMB81,358,569 thousand and RMB86,022,999 thousand respectively.

41 ASSETS PLEDGED AS SECURITY

(a) Financial assets which have been pledged

As at 30 June 2022 and 31 December 2021, financial assets of the Group, which refer to debt securities, have been pledged as security for liabilities or contingent liabilities, mainly arising from financial assets sold under repurchase agreements, time deposits and borrowings from the Central Bank. As at 30 June 2022 and 31 December 2021, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB39,300,364 thousand and RMB46,666,776 thousand respectively.

(b) Collateral received

The Group received debt securities and bills as collateral in connection with the terms of the financial assets held under resale agreements. The Group did not hold any collateral that can be resold or reused as at 30 June 2022 and 31 December 2021.

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For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

42 RELATED PARTY DISCLOSURES

(a) Related party relationships

As at 30 June 2022 and 31 December 2021, there are 2 shareholders directly holding 5% or above shares of the Bank.

	Number of shares '000	Percentage of shares holding of the Bank %	Main business
Guangzhou Metro Group Co., Ltd	722,950	6.31	Building and Civil Engineering Industry
Guangzhou City Renewal Group Co., Ltd	666,735	5.82	Business Service Industry
Total	<u>1,389,685</u>	<u>12.13</u>	

(b) Related party transactions

Related party transactions of the Bank mainly include loans and deposits. Transactions between the Bank and its related parties follow general business terms and normal procedures and their pricing principle is the same as with independent third parties.

(i) *Transactions between the Bank and major shareholders and the companies controlled or jointly controlled by major shareholders*

Major shareholders consist of shareholders of the bank with more than 5% (inclusive 5%) shares, and shareholders who hold less than 5% of the total shares but have the power to appoint a director in the Bank.

Balances at the end of the period/year	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers	8,572,157	9,699,914
Financial assets at fair value through profit or loss	948,745	2,573,604
Financial assets at amortized cost	164,458	877,606
Deposits from banks and other financial institutions	6,989	183,793
Customer deposits	8,560,357	15,537,110
Credit commitments	549,383	1,925,659

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For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

42 RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

(i) Transactions between the Bank and major shareholders and the companies controlled or jointly controlled by major shareholders (Continued)

Transactions during the period	Six months ended 30 June	
	2022	2021
Interest income	203,531	270,057
Interest expense	(68,705)	(185,463)
Fee and commission income	3,414	5,196
Fee and commission expense	(529)	(525)
Net trading gains	19,734	–
<u>Interest rate ranges during the period</u>		
Loans and advances to customers	2.35%-9.00%	3.15%-9.00%
Financial assets at amortized cost	2.76%-4.10%	2.95%-3.19%
Customer deposits	0.30%-4.26%	0.07%-4.00%
Deposits from banks and other financial institutions	0.30%-1.00%	0.30%-1.00%

(ii) Transactions between the Bank and subsidiaries

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the condensed consolidated interim financial information. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.

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For the six months ended 30 June 2022

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42 RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

(iii) Other related parties

Other related parties include the companies controlled or jointly controlled by the key management personnel and their close family members, and the companies of which key management personnel and their close family members were appointed as directors and key management personnel. During the period/year, the Group entered into transactions with other related parties in the ordinary course of business. Details are as follows:

	As at 30 June 2022	As at 31 December 2021
Balances at the end of the period/year		
Loans and advances to customers	5,624,775	14,923,214
Financial assets at fair value through profit or loss	3,484,724	3,995,621
Financial assets at amortized cost	5,058	573,356
Financial assets at fair value through other comprehensive income	319,852	5,128
Customer deposits	5,602,717	4,912,496
Deposits from banks and other financial institutions	62,000	–
Credit commitments	1,279,931	1,587,412
Six months ended 30 June		
Transactions during the period		
	2022	2021
Interest income	138,887	376,448
Interest expense	(67,495)	(94,327)
Fee and commission income	148	2,604
Net trading gains	9,717	2,912
Interest rate ranges during the period		
Loans and advances to customers	2.89%-6.20%	3.30%-8.50%
Placements with banks and other financial institutions	4.80%-4.90%	4.00%-4.90%
Financial assets at amortized cost	3.70%	3.70%-3.72%
Financial assets at fair value through other comprehensive income	3.00%	3.00%
Customer deposits	0.30%-4.26%	0.30%-4.26%
Deposits from banks and other financial institutions	0.35%-2.21%	0.35%

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For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

42 RELATED PARTY DISCLOSURES (Continued)

(c) Key management personnel

Key management personnel refer to those have power and directly or indirectly are responsible for planning, instruction and control of the Group.

Total amount of remuneration of key management personnel is listed below:

	Six months ended 30 June	
	2022	2021
Salary, remuneration and benefits	9,320	9,886

Transactions with key management personnel and their closed family members are listed below:

	As at 30 June 2022	As at 31 December 2021
Balances at the end of the period/year		
Loans and advances to customers	5,713	10,347
Customer deposits	96,042	629,347
Credit commitments	2,600	1,600

	Six months ended 30 June	
	2022	2021
Transactions during the period		
Interest income	105	286
Interest expense	(98)	(4,368)
Fee and commission income	375	176
Interest rate ranges during the period		
Loans and advances to customers	4.02%-5.04%	3.28%-6.65%
Customer deposits	0.01%-4.26%	0.30%-5.24%

43 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing those risks are crucial to the financial business, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

A description and an analysis of the major risks faced by the Group are as follows:

The major types of risks are credit risk, market risk and liquidity risk. Market risk mainly consists of currency risk, interest rate risk and price risk.

The Board of Directors of the Group is responsible for determining the Group's overall risk preference. Within this framework, the senior management of the Bank designs risk management policies and procedures for credit risk, market risk and liquidity risk accordingly. After the policies and procedures are approved by the Board of Directors, relevant departments of the headquarters are responsible for their implementation.

The Board of Directors of the Group is responsible for setting the Group's overall risk tolerance, risk management and internal control strategies, supervising and ensuring that senior management performs risk management duties effectively. The Group has a Related Party Transactions and Risk Management Committee under the Board of Directors, which is responsible for monitoring the risk management of senior management, evaluating the Group's situation of risk management, risk tolerance ability and level regularly, and taking case precautions, reviewing and controlling the related party transactions. The Board of Supervisors is responsible for inspecting the Group's risk management and taking case precautions, comprehensively evaluating the risk management performance of the directors and senior management. Senior management is responsible for executing the policies of risk management and internal control approved by the Board of Directors and developing the specific rules and regulations of risk management. The Group has a Risk Management Committee under senior management, which is responsible for reviewing significant matters of risk management.

The Risk Management Department is the leading department of overall risk management, and is responsible for overall planning and coordination of risk management. The Risk Management Department, Credit Management Department, Credit Approval Department, Asset Management Department, Legal and Compliance Department (Anti-Money Laundry Center) and Asset and Liability Management Department are primarily responsible for managing credit risk, market risk, operation risk and liquidity risk. The Audit Department is responsible for supervising, inspecting, evaluating and reporting the risk management activities' effect independently and objectively.

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different industrial sectors and geographic areas have their unique characteristics in terms of economic development, and could present a different credit risk.

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For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Credit Risk Management

Loans

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and management. The Group enhances its credit risk management by strict compliance with its credit management procedures to identify, measure, monitor and manage the potential credit risk, which includes:

- strengthening customer investigation, lending approval and post lending monitoring;
- setting up authorisation limits over loan review and approval;
- establishing the internal assessment system in respect of the credit rating towards different kinds of customers, as the fundamental procedures for granting credit;
- setting up the authority limit over risk classification of credit assets, reviewing periodically and updating risk classification of credit assets, and carrying out on-site sample review and off-site review to monitor the risk; and
- implementing and continuously upgrading the Credit Management System based on the requirements of risk management, developing and popularising various risk management tools.

In respect of the corporate loans, credit managers of the Group are responsible for accepting application from the applicants, carrying out credit investigation and making recommendations on credit rating through credit risk assessment of the applicants and their business. According to the authority limit over credit review and approval, applications will be assessed and authorised at the branch level or/and head office level. The credit limit will be determined based on assessment of the factors including the applicant's credit rating, financial position, collateral and guarantee, the overall credit risk of the portfolio, macro-economic policies, and restriction imposed by laws and regulations. The Group minimises losses over credit risk through: (1) collecting; (2) restructuring; (3) repossessing the collateral or resourcing from the guarantor; (4) seeking arbitration or pursuing lawsuits; and (5) write off according to relevant regulations.

Bonds and other bills

The Group manages the credit risk exposure of bonds and other bills through controlling the investment scale and based on issuer's credit rating and establishing post lending management standards.

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For the six months ended 30 June 2022

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43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) *Credit Risk Management (Continued)*

Other financial assets carrying at amortized cost

Other financial assets carrying at amortized cost, include wealth management products, trust plans and asset management plans issued and managed by other banks and other financial institutions. The Group establishes a risk evaluation system on the trust companies, security companies and fund management companies, sets up credit limit for parties repurchasing trust beneficial rights, issuers of wealth management products, ultimate borrowers of asset management schemes, and performs ongoing post-lending monitoring on timely basis.

Inter-bank transactions

The Group reviews and monitors the credit risk of individual financial institutions on regularly basis. Limits are set for each individual bank or non-banking financial institution which has business relationship with the Group.

Credit commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Letters of guarantee issued, acceptances, bill acceptance and letters of credit, which represent irrevocable commitment that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. When the amount of credit commitment exceeds the original credit limit, margin deposits are required to mitigate the credit risk. The Group's exposure of credit risk is equivalent to the total amount of credit commitments.

(ii) *Risk limit control and mitigation policies*

The Group manages and limits the concentrations of credit risk, including concentration to individual counterparty, group, industry and region.

The Group continuously optimizes the credit risk structure by setting limits on the borrower, group of borrowers, geographical and industry segments. Concentration risks are monitored on ongoing basis and subject to an annual or more frequent reviews where necessary.

The Group manages the exposure to credit risk through regular analyses of borrowers and potential borrowers' abilities to fulfil interest and principal repayment obligations and amends the lending limits where appropriate.

The Group has established relevant policies to mitigate credit risk. One of the most important measures is to obtain collateral, pledged assets, guarantee deposits or guarantees from corporates or individuals. The Group provides guidelines on the acceptance of specific classes of collateral. The principal types of collateral for loans and advances are:

- Residential property and land use right;

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(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Risk limit control and mitigation policies (Continued)

- Commercial assets, such as commercial property, inventory and accounts receivables;
- Financial instruments, such as debt securities and equity shares.

Fair value of collateral is usually required to be assessed by professional valuer designated by the Group. When there is objective evidence of impairment, the value of collateral will be reviewed by the Group to assess whether it could sufficiently cover the credit exposure of relevant loans. To mitigate the credit risk, the Group has implemented loan-to-value ratio requirement based on type of collateral as follows:

Item	Main loan-to-value ratio
Residential properties	70%
Office buildings, shops, factories, houses, carports, warehouses	50%
Land use rights	50%
Constructions in process	45%
Automobiles	50%
Forest ownerships	40%

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

For loans guaranteed by third parties, the Group will review the financial condition and credit history of guarantors and evaluate the ability of the guarantors to meet obligations on regular basis.

(iii) Credit risk impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

Stage I (not credit-impaired on initial recognition): 12-month expected credit losses (ECL);

Stage II (significant increase in credit risk since initial recognition): lifetime expected credit losses;

Stage III (credit-impaired assets): lifetime expected credit losses

The Group developed an impairment model to calculate expected credit losses in accordance with the new standards. A top-down development method was used to establish a logistic regression model of macroeconomic indicators and risk parameters.

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43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment (Continued)

Stage division

The assessment of significant increase in credit risk consider a number of factors such as five-category classification, overdue days, and credit rating changes. The stages are transferable.

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Quantitative criteria

At the reporting date, the Group assesses the significant increase in credit risk through the relative change of the probability of default. The thresholds were set based on different product type, such as corporate loans, personal loans, securities investments, etc. For the financial instrument without overdue, the Group assesses changes of probability of default over the lifetime to identify increment of the default risk.

If the borrower fails to pay more than 30 days after the contractual payment date, the credit risk of the financial instrument is considered to be increased significantly.

Qualitative criteria

For corporate loans and bond investment portfolio, the credit risk is considered to be increased significantly, if borrowers were on the watch list or met one or more criteria as follows:

- Significant negative impact appears in business, financing or economic position for borrower;
- Actual or expected extension or restructuring;
- Actual or expected significant adverse change on borrower's operations;
- Collateral's valuation changes which expected to led the increase of default probability (only for collateralized and pledged loans);
- Indicator for cash flow or liquidity problems, e.g. extension for account payable or loan repayment.

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43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment (Continued)

Qualitative criteria (Continued)

For corporate loans, the Group uses a credit risk early warning monitoring system to assess whether there has been a significant increase in its credit risk. For bond investment, the Group strengthens the management of bond investment and assesses it periodically. For individual loans, the Group assesses at the portfolio level on a quarterly basis whether there has been a significant increase in credit risk. The criteria used to identify significant increases in credit risk are monitored and reviewed by risk management departments on timely basis.

In the half year of 2022, the Group did not consider any financial instruments as having low credit risk, so that its credit risk did not need to be evaluated on the reporting date, comparing with its initial recognition date.

Definition of default and credit impairment

When a financial instrument meets one or more of the following conditions, the Group defines the financial asset as default which is consistent with the definition of credit impairment:

Quantitative criteria

The borrower is more than 90 days overdue.

Qualitative criteria

The borrower meets the "difficulty to repay" criteria, indicating significant financial difficulties experienced by the borrower. Examples include:

- Significant financial difficulty of the issuer or the debtor;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- Debtors are in breach of contract;
- The disappearance of an active market for some financial assets due to the borrower's financial difficulties;
- A purchased or originated credit-impaired financial asset.

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43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment (Continued)

Qualitative criteria (Continued)

These criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the calculation of expected credit losses of the Group.

Explanation of inputs, assumptions and estimation techniques in the ECL models

The Expected Credit Losses (ECL) are measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), 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). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

Forward-looking information should be considered in determining the 12-month and lifetime PD, EAD and LGD. This varies by product types.

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43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment (Continued)

Explanation of inputs, assumptions and estimation techniques in the ECL models (Continued)

The Group quarterly monitors and reviews the ECL calculation related assumptions, including the changes of PD and LGD for different terms.

The Group has updated the PD and EAD in the ECL models based on the latest historical information and risk condition.

Forward-looking information in the ECL models

The assessment of significant increase in credit risk and the calculation of ECL incorporates forward-looking information. Through the analysis of historical data, the Group identifies the macroeconomic indicators that affect the credit risk and ECL of various portfolio. Macroeconomic indicators include Gross Domestic Product (GDP), Consumer Price Index(CPI), Money Supply(M2) and Completed Investment in Real Estate Development, etc. The Group obtained the key macroeconomic factors from the Wind Economic to perform historical analysis on the intertemporal endogenous relationship of the macroeconomic factors. The Group integrates statistical analysis and expert judgments to determine economic forecasts and weighting scheme under various economic scenarios.

The impact of these economic indicators 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 economic indicators and the PDs and LGDs. The Group assesses and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews and assesses results.

Since the outbreak of COVID-19 in January 2020, the economy in China has undergone significant changes and the economic environment is still uncertain. Future impairment charges may be subject to further volatility, depending on the longevity of the COVID-19 pandemic and related containment measures, as well as the longer term effectiveness of central bank, government and other support measures. For the six months ended 30 June 2022, in order to timely reflect the impact of the COVID-19 on the ECL of financial instruments, the Group updated the forward-looking information in the ECL models. The results of the ECL models were consistent with the impact of COVID-19.

The Group has adopted three economic scenarios (Base, Pessimistic and Optimistic) on the basis of the macroeconomic information analysis and expert judgment. Considering the impact of the effectiveness of central bank, government and other support measures on the ECL of financial instruments under the COVID-19, the weightings for the three scenarios remain 80%, 10% and 10% respectively.

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(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment (Continued)

Forward-looking information in the ECL models (Continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the nonlinearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Sensitivity analysis

The expected credit losses are sensitive to the parameters used in the model, macroeconomic variables for forward-looking prediction, scenarios weightings and other factors considered in the application of expert judgments. The changes in these parameters, assumptions, models and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Grouping for ECL allowance

The Group classified the exposures with similar characteristics when collectively assessing the ECL allowance.

The characteristics for grouping are as follows:

Personal loans

- Product types (for instance, personal business loans, personal consumption loans, personal residential mortgages, credit cards overdraft)

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage III

Credit risk team monitors and reviews the grouping appropriateness regularly.

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43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iv) Maximum exposure to credit risk

Financial instruments and commitment and guarantee subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The net carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 30 June 2022	As at 31 December 2021
Cash and deposits with central bank	80,850,891	82,504,553
Deposits with banks and other financial institutions	14,027,222	20,275,410
Placements with banks and other financial institutions	39,909,487	33,951,904
Financial assets held under resale agreements	14,098,703	53,049,060
Loans and advances to customers		
– at amortized cost	568,320,017	545,791,574
– at fair value through other comprehensive income	101,418,602	91,762,237
Financial assets at amortized cost	205,291,658	157,404,703
Financial assets at fair value through other comprehensive income	69,064,282	65,205,249
Other financial assets	2,199,795	1,823,701
Total	1,095,180,657	1,051,768,391
Credit commitments	216,251,757	218,908,462

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Loans and advances to customers

By industry	30 June 2022		31 December 2021	
	Amount	(%)	Amount	(%)
Corporate loans				
Lease and commercial service	108,641,084	15.73%	99,733,134	15.18%
Wholesale and retail	61,338,973	8.88%	65,188,859	9.91%
Real estate	60,410,570	8.74%	59,025,406	8.98%
Manufacturing	45,656,836	6.61%	42,120,565	6.40%
Construction	38,359,118	5.55%	38,937,475	5.92%
Resident services, repairing and other services	19,059,940	2.76%	17,641,848	2.68%
Hotel and catering	18,406,183	2.66%	18,274,513	2.78%
Education	12,861,868	1.86%	12,017,335	1.83%
Water, environment and public facilities management	11,251,024	1.63%	10,472,339	1.59%
Transportation, warehouse and postal services	11,030,292	1.60%	9,818,709	1.49%
Agriculture, forestry, farming and fishery	10,986,930	1.59%	9,850,454	1.50%
Information transmission, software and IT services	6,917,281	1.00%	6,448,392	0.98%
Financial services	5,034,676	0.73%	3,183,114	0.48%
Culture, sports and entertainment	3,739,878	0.54%	3,358,704	0.51%
Energy and utilities	2,900,731	0.42%	3,027,707	0.46%
Healthcare and social welfare	2,131,986	0.31%	1,997,322	0.30%
Others	6,180,999	0.89%	5,930,814	0.90%
Subtotal	424,908,369	61.50%	407,026,690	61.89%
Discounted bills	101,579,768	14.70%	92,206,775	14.02%
Personal loans	164,452,475	23.80%	158,429,465	24.09%
Total	690,940,612	100.00%	657,662,930	100.00%

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Loans and advances to customers (Continued)

	As at 30 June 2022	As at 31 December 2021
By geography		
Guangzhou	574,757,787	542,501,488
Guangdong Province (except Pearl River Delta)	43,143,991	41,771,747
Pearl River Delta (except Guangzhou)	42,032,147	42,771,059
Central China	21,057,546	20,197,504
Western China	2,410,655	2,454,174
Yangtze River Delta	2,296,378	2,418,657
Bohai Rim	994,343	1,271,863
North-east China	531,921	509,261
Others	3,715,844	3,767,177
Total	690,940,612	657,662,930

(i) The bank lists the distribution by geography according to the location of the loan granting institution.

	As at 30 June 2022	As at 31 December 2021
By collateral type		
Unsecured loans	158,201,130	132,719,680
Guaranteed loans	163,937,066	164,409,814
Collateralized loans	332,703,434	324,521,951
Pledged loans	36,098,982	36,011,485
Total	690,940,612	657,662,930

	Overdue loans and advances to customers				Total
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	
30 June 2022					
Unsecured loans	300,040	522,408	183,750	33,162	1,039,360
Guaranteed loans	5,456,374	4,041,781	975,680	2,636,036	13,109,871
Collateralized loans	3,608,087	2,318,235	4,254,122	138,272	10,318,716
Pledged loans	888,177	1,206,432	40,675	2,372	2,137,656
Total	10,252,678	8,088,856	5,454,227	2,809,842	26,605,603

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Loans and advances to customers (Continued)

	Overdue loans and advances to customers				Total
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	
31 December 2021					
Unsecured loans	305,101	249,745	105,333	19,552	679,731
Guaranteed loans	7,923,541	4,591,046	2,859,311	129,114	15,503,012
Collateralized loans	5,607,921	7,299,828	2,162,184	133,983	15,203,916
Pledged loans	289,348	61,428	9,467	2,073	362,316
Total	14,125,911	12,202,047	5,136,295	284,722	31,748,975

(vi) Restructuring loans and advances to customers

As at 30 June 2022 and 31 December 2021, the original value of the Group's restructuring loans and advances were RMB19,297,021 thousand and RMB19,530,392 thousand respectively.

As at 30 June 2022 and 31 December 2021, the original value of the Group's restructuring loans and advances in stage I were RMB1,094,252 thousand and RMB901,771 thousand respectively.

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims to:

- optimise the structure of assets and liabilities;
- maintain the stability of the deposit base;
- project cash flows and evaluate the level of current assets; and
- in terms of liquidity of the branches, maintain an efficient internal fund transfer mechanism.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

The Group's expected remaining maturity of their financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

30 June 2022	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:	–								
Cash and deposits with central bank	–	31,084,240	–	–	–	–	–	53,051,182	84,135,422
Deposits with banks and other financial institutions ⁽¹⁾	281,585	14,075,411	23,901,201	4,891,548	24,885,667	–	–	–	68,035,412
Loans and advances to customers	16,184,502	–	37,637,262	56,165,404	245,761,081	215,960,807	98,029,563	–	669,738,619
Financial assets at fair value through profit or loss	8,330,626	41,854,439	114,312	1,804,894	54,097,753	11,809,026	2,365,004	1,166,775	121,542,829
Financial assets at amortized cost	3,921,380	–	2,027,282	4,039,878	14,027,950	100,173,509	81,101,659	–	205,291,658
Financial assets at fair value through other comprehensive income	3,805,527	–	465,704	881,211	5,483,166	36,434,059	21,994,615	–	69,064,282
Other financial assets	717,304	–	868,191	145,190	261,327	38,880	168,903	–	2,199,795
Total financial assets	33,240,924	87,014,090	65,013,952	67,928,125	344,516,944	364,416,281	203,659,744	54,217,957	1,220,008,017
Financial liabilities:									
Due to the central bank	–	–	729,454	4,215,805	29,379,070	–	–	–	34,324,329
Deposits from banks and other financial institutions ⁽²⁾	–	17,528,986	4,054,439	7,279,657	24,280,640	4,431,633	–	–	57,575,355
Financial liabilities at fair value through profit or loss	–	3,892	–	–	–	–	–	–	3,892
Customer deposits ⁽³⁾	–	366,534,359	25,471,054	51,946,192	182,236,510	259,527,027	281,818	–	885,996,960
Lease liabilities	–	–	22,955	45,910	172,943	509,144	92,338	–	843,290
Debt securities issued	–	–	15,251,836	34,584,451	84,687,395	3,013,642	10,132,109	–	147,669,433
Other financial liabilities	315	18,349	2,340,156	4,115,613	9,257,020	968,166	110,811	188,101	16,998,531
Total financial liabilities	315	384,085,586	47,869,894	102,187,628	330,013,578	268,449,612	10,617,076	188,101	1,143,411,790
Net liquidity gap	33,240,609	(297,071,496)	17,144,058	(34,259,503)	14,503,366	95,966,669	193,042,668	54,029,856	76,596,227

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below (Continued):

31 December 2021	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	31,864,275	-	-	-	-	-	54,400,714	86,264,989
Deposits with banks and other financial institutions ⁽¹⁾	281,585	17,169,394	59,427,898	4,425,746	25,971,751	-	-	-	107,276,374
Loans and advances to customers	20,241,229	-	23,815,665	42,046,436	190,694,277	223,776,995	136,979,209	-	637,553,811
Financial assets at fair value through profit or loss	8,294,784	37,136,198	5,925,753	10,298,627	17,417,623	10,176,645	1,298,962	1,079,971	91,628,563
Financial assets at amortized cost	1,828,392	-	1,224,906	5,908,809	15,422,943	95,519,645	37,500,008	-	157,404,703
Financial assets at fair value through other comprehensive income	2,837,611	-	296,634	464,937	5,238,370	36,670,064	19,697,633	-	65,205,249
Other financial assets	384,446	-	886,158	176,419	116,962	45,089	214,627	-	1,823,701
Total financial assets	33,868,047	86,169,867	91,577,014	63,320,974	254,861,926	366,188,438	195,690,439	55,480,685	1,147,157,390
Financial liabilities:									
Due to central bank	-	-	1,211,978	2,640,444	20,943,778	-	-	63,689	24,859,889
Deposits from banks and other financial institutions ⁽²⁾	-	6,070,309	36,593,258	11,914,149	15,340,489	-	-	-	69,918,205
Financial liabilities at fair value through profit or loss	-	5,619	-	-	-	-	-	-	5,619
Customer deposits ⁽³⁾	-	326,115,733	25,672,379	52,556,426	174,890,665	254,441,919	273,790	15,815,892	849,766,804
Lease liabilities	-	-	25,084	50,167	200,579	529,270	131,699	-	936,799
Debt securities issued	-	-	1,378,602	35,290,277	61,365,681	-	9,999,002	-	108,033,562
Other financial liabilities	961	13,554	913,817	2,208,701	9,111,426	1,181,844	36,997	237,282	13,704,582
Total financial liabilities	961	332,205,215	65,795,118	104,660,164	281,852,618	256,153,033	10,441,488	16,116,863	1,067,225,460
Net liquidity gap	33,867,086	(246,035,348)	25,781,896	(41,339,190)	(26,990,692)	110,035,405	185,248,951	39,363,822	79,931,930

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(i) *Analysis of the remaining maturity of the assets and liabilities is set out below (Continued):*

- (1) Includes placements with banks and other financial institutions, financial assets held under resale agreements.
- (2) Includes financial assets sold under repurchase agreements.
- (3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

(ii) *Maturity analysis of contractual undiscounted cash flows*

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices.

Market risk arises from both the Group's trading and non-trading businesses. The Group's market risk contains currency risk, interest rate risk and other price risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly arises from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group.

The Bank uses different management methods to control market risk which comprises trading book and banking book risks respectively.

The Group considers the market risk arising from commodity or stock price fluctuations in respect of its investment portfolios to be immaterial.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign exchange business.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

(d) Capital management

The Group follows the following capital management principles:

- Maintain the high quality and adequacy of capital to meet asset regulatory requirements, support business growth and advance the sustainable development scale in the Group;
- Sufficiently identify, calculate, monitor, mitigate and control various types of risks, ensuring that the capital employed is commensurate with the related risks and the level of risk management of the Group; and
- Optimise asset structure and allocate capital properly, to steadily improve the efficiency and return of capital, and advance the sustainable development of the Group.

Capital adequacy and regulatory capital are monitored by the Group's management by employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis. From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

The Group's regulatory capital is managed by its asset-liability management department and consists of the following:

- Common equity tier 1 capital, mainly including share capital, capital reserve, surplus reserve, general reserve, retained profits, eligible portion of minority interests and others;
- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests; and
- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss allowances and eligible portion of minority interests.

The Group implements a weighted approach to measuring credit risk-weighted assets, which are determined according to the credit risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee, with adjustments made to reflect the potential losses. Market risk-weighted assets and operational risk weighted assets are calculated using the standardised approach and basic indicator approach, respectively.

The Group takes various measures to manage risk-weighted assets including adjusting the composition of its on-balance and off-balance sheet assets.

The Group was in compliance with the capital requirement promulgated by the regulators in the reporting period. The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

	As at 30 June 2022	As at 31 December 2021
Net common equity tier 1 capital	70,026,401	71,617,718
Net tier 1 capital	80,271,411	81,845,779
Net capital	94,931,229	96,883,055
Risk-weighted assets	768,938,650	739,973,775
Common equity tier 1 capital adequacy ratio	9.11%	9.68%
Tier 1 capital adequacy ratio	10.44%	11.06%
Capital adequacy ratio	12.35%	13.09%

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

30 June 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	67,813,068	29,102	67,842,170
– Funds and other investments	42,679,635	–	11,021,024	53,700,659
Financial assets at fair value through other comprehensive income				
– Debt securities	–	63,052,021	261,743	63,313,764
– Other investments	–	–	5,750,518	5,750,518
Loans and advances at fair value through other comprehensive income	–	101,418,602	–	101,418,602
Total	42,679,635	232,283,691	17,062,387	292,025,713

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments measured at fair value (Continued)

Determination of fair value and fair value hierarchy (Continued)

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	43,386,171	60,175	43,446,346
– Funds and other investments	37,984,114	–	10,198,103	48,182,217
Financial assets at fair value through other comprehensive income				
– Debt securities	–	58,653,342	470,973	59,124,315
– Other investments	–	–	6,080,934	6,080,934
Loans and advances at fair value through other comprehensive income				
	–	91,762,237	–	91,762,237
Total	37,984,114	193,801,750	16,810,185	248,596,049

The following tables present the changes in Level 3 assets for the period ended 30 June 2022 and the year ended 31 December 2021:

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total
	Debt securities	Funds and other investments	Debt securities	Other investments	
At 1 January 2022	60,175	10,198,103	470,973	6,080,934	16,810,185
Purchase	–	1,197,317	–	–	1,197,317
Transfer to Level 3	–	–	–	–	–
Total gains and losses					
– Profit or loss	(31,073)	(321,109)	–	(10,374)	(362,556)
– Other comprehensive income	–	–	(27,973)	(213,597)	(241,570)
Settlement	–	(53,287)	(181,257)	(106,445)	(340,989)
At 30 June 2022	29,102	11,021,024	261,743	5,750,518	17,062,387

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments measured at fair value (Continued)

Determination of fair value and fair value hierarchy (Continued)

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total
	Debt securities	Funds and other investments	Debt securities	Other investments	
At 1 January 2021	–	14,321,438	–	6,682,448	21,003,886
Purchase	60,175	3,812,799	470,973	–	4,343,947
Transfer to Level 3	–	–	–	–	–
Total gains and losses					
– Profit or loss	–	21,928	–	146,778	168,706
– Other comprehensive income	–	–	–	(452,492)	(452,492)
Settlement	–	(7,958,062)	–	(295,800)	(8,253,862)
At 31 December 2021	60,175	10,198,103	470,973	6,080,934	16,810,185

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 fair value measurement is as below:

	Fair value		Valuation techniques	Unobservable input
	As at 30 June 2022	As at 31 December 2021		
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	29,102	60,175	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Funds and other investments	11,021,024	10,198,103	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial assets at fair value through other comprehensive income				
– Debt securities	261,743	470,973	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Other investments	5,750,518	6,080,934	Discounted cash flow	Risk-adjusted discount rate, cash flow
Total	17,062,387	16,810,185		

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments measured at fair value (Continued)

Determination of fair value and fair value hierarchy (Continued)

During the six months ended 30 June 2022 and the year ended 31 December 2021, there were no significant changes in the valuation techniques.

As at 30 June 2022 and 31 December 2021, unobservable inputs such as estimated future cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly trust and asset management plans. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

There are no transfers between Level 1 and Level 2 for financial assets measured at fair value during the six month ended 30 June 2022 and the year of 2021.

(b) Financial instruments for which fair values are disclosed

As at 30 June 2022, financial assets and liabilities not presented at fair value on the condensed consolidated interim statement of financial position mainly represent "Deposits with central banks", "Deposits with banks and other financial institutions", "Placements with banks and other financial institutions", "Financial assets held under resale agreements", "Loans and advances to customers" measured at amortized cost, "Financial assets at amortized cost", "Borrowings from central bank", "Deposits from banks and other financial institutions", "Placements from banks and other financial institutions", "Financial assets sold under repurchase agreements", "Customer deposits" and "Debt securities issued" (31 December 2021: same).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Financial instruments for which fair values are disclosed (Continued)

Except for the following items, there are no significant differences between carrying amount and fair value.

	As at 30 June 2022	As at 31 December 2021
Carrying amount:		
Financial assets at amortized cost	205,291,658	157,404,703
Debt securities issued	147,669,433	108,033,562
Fair Value:		
Financial assets at amortized cost	208,697,529	161,185,372
Debt securities issued	148,225,946	108,308,476

45 EVENTS AFTER THE REPORTING PERIOD

Pursuant to a shareholder's resolution dated 19 August 2022, the Bank intends to transfer its equity in Zhujiang Financial Leasing Co.,Ltd., a wholly-owned subsidiary of the Bank, in whole or in part to external parties in accordance with the Bank's overall development strategy plan. The Group has no other material events that required additional disclosure in its financial statements for the period ended 30 June 2022.

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in millions of RMB unless otherwise stated)

1. LIQUIDITY RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

(1) Liquidity Ratio

	As at 30 June 2022	As at 31 December 2022
Liquidity ratio (RMB and foreign currency)	98.83%	93.15%

(2) Liquidity coverage ratio

	As at 30 June 2022	As at 31 December 2022
High-quality liquid assets	219,414.68	179,797.52
Net cash outflows in future 30 days	101,791.66	55,247.03
Liquidity coverage ratio	215.55%	325.44%

(3) Net stable funding ratio

	As at 30 June 2022	As at 31 December 2022	As at 31 December 2022
Available and stable funds	780,396.12	757,012.15	726,240.76
Required stable funds	638,737.81	648,752.57	637,609.62
Net stable funding ratio	122.18%	116.69%	113.90%

Pursuant to the Administrative Measures on the Liquidity Risk of Commercial Banks (商業銀行流動性風險管理辦法) issued by the CBIRC, since 1 July 2018 (effective date of the Measures), the above liquidity ratio, liquidity coverage ratio and net stable funding ratio were calculated based on the financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF.

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in millions of RMB unless otherwise stated)

2. CURRENCY CONCENTRATION

	As at 30 June 2022			Subtotal
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	4,187.24	2,346.05	285.67	6,818.96
Spot liabilities	4,119.96	2,346.05	285.67	6,751.68
Net long/(short) position	67.28			67.28

	As at 31 December 2022			Subtotal
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	6,774.19	5,688.63	280.16	12,742.98
Spot liabilities	6,710.27	5,688.63	280.16	12,679.06
Net long/(short) position	63.92	–	–	63.92

Above information is calculated in accordance with regulations promulgated by the CBRC. The Group had no structural position as at 30 June 2022 and 31 December 2021.

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2022

(All amounts expressed in millions of RMB unless otherwise stated)

3. INTERNATIONAL CLAIMS

The Group regards all claims on third parties outside Mainland China and claims denominated in foreign currencies on third parties inside Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements and investments in debt securities.

International claims are disclosed by country or geographical region. A country or geographical region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	As at 30 June 2022		
	Banks and other financial institutions	Non-bank private institutions	Total
Asia Pacific	6,014.28	868.60	6,882.88
of which attributed to Hong Kong	2,565.22	-	2,565.22
North and South America	687.38	-	687.38
Europe	13.51	-	13.51
Oceania	6.16	-	6.16
Total	6,721.33	868.60	7589.93

	As at 31 December 2022		
	Banks and other financial institutions	Non-bank private institutions	Total
Asia Pacific	10,880.91	926.58	11,807.49
of which attributed to Hong Kong	5,871.54	-	5,871.54
North and South America	892.88	-	892.88
Europe	11.50	-	11.50
Oceania	25.11	-	25.11
Total	11,810.40	926.58	12,736.98