

2022 INTERIM REPORT

Stock Code:03328



CREATE SHARED VALUE
創造共同價值



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IMPORTANT REMINDERS

- I. The Board of Directors, the Board of Supervisors and Directors, Supervisors, senior management of the Bank are responsible for the authenticity, accuracy and completeness of the Interim Report, free of false records, misleading statements or material omissions and assume individual and joint legal responsibilities.
- II. The 2022 Interim Report and results announcement were reviewed and approved at the 2nd Meeting of the 10th Session of the Board of Directors of the Bank on 26 August 2022. The number of directors who should attend the meeting was 15, with 15 directors attending the meeting in person.
- III. Mr. Ren Deqi, Chairman of the Bank, Mr. Guo Mang, Principal in charge of accounting and Mr. Chen Yu, Head of Accounting Department represent that they are responsible for the authenticity, accuracy and completeness of the financial statements in the Interim Report.
- IV. This Interim Report is unaudited.
- V. The Bank did not distribute any interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2022.
- VI. Prospective statements involved in the Report, such as future plans and development strategies, do not constitute a substantive commitment of the Group to investors. Investors and stakeholders are required to keep sufficient risk awareness and understand the differences among the plan, forecasting and commitment.
- VII. The Group's operation is mainly exposed to risks including credit risk, market risk, operational risk and compliance risk. The Group took and will continue to take various steps to effectively manage risks. For more details, please refer to section of "Management Discussion and Analysis – Risk Management".

DEFINITIONS

The following terms will have the following meanings in this Report unless otherwise stated:

Bank, BoCom	Bank of Communications Co., Ltd.
Group	The Bank and its subsidiaries
Ministry of Finance	Ministry of Finance of the People's Republic of China
HSBC	The Hongkong and Shanghai Banking Corporation Limited
SSF	The National Council for Social Security Fund
PBOC	The People's Bank of China
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
MARA	Ministry of Agriculture and Rural Affairs
SSE	The Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Corporate Governance Code	Appendix 14 Corporate Governance Code of Hong Kong Listing Rules

Major products and services of the Bank

Win to Fortune	A corporate and interbank wealth management brand of the Bank providing comprehensive one-stop wealth management solutions for corporate, government institutions and interbank financial customers through intelligent financial service and digital transformation.
OTO Fortune	A main brand of retail business of the Bank with the core value of “creating and sharing abundant wealth with noble virtue” devoted to realizing value maintenance and appreciation of wealth for customers
Personal Mobile Banking	A mobile APP providing online business processing and other services to personal customers of the Bank and covering a variety of financial products and life service needs of customers.
Corporate Mobile Banking	A portable and convenient channel providing online account opening, account enquiry, reconciliation management, transfer and payment, wealth management and investment, financial information, business signing and termination for corporate customers through APPs on mobile phones and tablet computers, with close and convenient channels.

Corporate Online Banking	An electronic transaction system of the Bank providing financial services such as account enquiry, corporate payment, cash management, international business, wealth management and investment and financial services for corporate customers through the Internet.
Go Pay	A one-stop digital service platform of finance and life for all customers.
Benefit Loan	Online credit consumption loans launched by the Bank for qualified customers.
Inclusive e-Loan	Online inclusive financing business services of inclusive finance launched by the Bank for qualified customers.
Xingnong e-Loan	An online financing service of the Bank for new types of agricultural business entities.
Cloud BoCom	The Bank's online and offline integrated service brand. Build a system of "cloud outlets, cloud tellers, and cloud services" with remote video services, and meet customers' needs for online and digital services through a new online screen-to-screen, line-to-line, and key-to-key service model.

GENERAL INFORMATION

I. CORPORATE INFORMATION

Chinese Name: 交通银行股份有限公司
Chinese Abbreviation: 交通银行
English Name: Bank of Communications Co., Ltd.

Legal representative: Ren Deqi
Authorised representatives: Ren Deqi, Gu Sheng

Secretary of the Board of Directors and Company Secretary: Gu Sheng

Registered address: 188 Yin Cheng Zhong Lu,
(Shanghai) Pilot Free Trade
Zone, PRC

Contact and address:

188 Yin Cheng Zhong Lu, Pudong New District, Shanghai
Postal code: 200120
Tel: 86-21-58766688
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E-mail: investor@bankcomm.com
Official website: www.bankcomm.com
Principal place of business in Hong Kong: 20 Pedder Street, Central,
Hong Kong

Information Disclosure Channels and Places Where the Interim Report is Available

A share: *China Securities Journal, Shanghai Securities News, Securities Times* and website of the SSE at www.sse.com.cn

H share: Website of HKEx News at www.hkexnews.hk

Places where the interim report is available: Board of Directors Office of the Bank

Information of shares

Classes	Stock exchange	Stock name	Stock code
A share	Shanghai Stock Exchange	Bank of Communications	601328
H share	The Stock Exchange of Hong Kong Limited	BANKCOMM	03328
Domestic preference share	Shanghai Stock Exchange	BOCOMPREF1	360021

Domestic auditor: KPMG Huazhen LLP
8/F, Office Tower E2, Oriental Plaza,
1 East Chang An Avenue,
Dongcheng District, Beijing, PRC

Name of the undersigned accountants: Shi Haiyun, Li Li

International auditor: KPMG
Registered Public Interest Entity
Auditor
8/F, Prince's Building, 10 Chater
Road, Central, Hong Kong, PRC

Name of the undersigned accountants: Siu Tung Chan Thomas

PRC legal advisor: AllBright Law Offices
Hong Kong legal advisor: DLA Piper Hong Kong

Share Registrar and Transfer Office

A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
No. 188 South Yanggao Road, Pudong
New District, Shanghai, P.R. China
H Share: Computershare Hong Kong Investor Services Limited
Flat 1712-1716, 17th Floor, Hopewell
Centre, 183 Queen's Road East,
Wanchai, Hong Kong

Other Information

Unified social credit code:9131000010000595XD

II. COMPANY PROFILE AND PRINCIPAL ACTIVITIES

Founded in 1908, the Bank is one of the note-issuing banks with the longest history in modern China. The Bank reopened after reorganisation on 1 April 1987 and became the first nationwide state-owned joint-stock commercial bank in China, with Head Office located in Shanghai. The Bank was listed on the Hong Kong Stock Exchange in June 2005 and on the Shanghai Stock Exchange in May 2007.

Upon approval by the CBIRC, the Bank provides customers with various corporate and personal financial products & services, such as deposits and loans, supply chain finance, cash management, international settlement and trade financing, investment banking, asset custody, wealth management, bank cards, private banking, treasury businesses, etc. In addition, the Group is involved in businesses such as financial leasing, fund, wealth management, trust, insurance, overseas securities, and debt-to-equity swap through wholly-owned or controlling subsidiaries. During the Reporting Period, the Group's operating mode, primary businesses and key performance drivers had no significant change.

FINANCIAL HIGHLIGHTS

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

(in millions of RMB unless otherwise stated)

Key financial data	January to June 2022	January to June 2021	Increase/ (decrease) (%)
Net interest income	85,093	78,486	8.42
Net fee and commission income	24,654	24,966	(1.25)
Net operating income	143,568	134,051	7.10
Credit impairment losses	36,827	33,082	11.32
Operating expenses	38,923	35,537	9.53
Profit before tax	45,617	46,588	(2.08)
Net profit (attributable to shareholders of the Bank)	44,040	42,019	4.81
Earnings per share (in RMB yuan) ¹	0.55	0.54	1.85

	30 June 2022	31 December 2021	Increase/ (decrease) (%)
Total assets	12,580,576	11,665,757	7.84
Loans and advances to customers ²	7,087,730	6,560,400	8.04
Total liabilities	11,591,640	10,688,521	8.45
Deposits from customers ²	7,811,363	7,039,777	10.96
Shareholders' equity (attributable to shareholders of the Bank)	976,543	964,647	1.23
Net assets per share (attributable to ordinary shareholders of the Bank, in RMB yuan) ³	10.80	10.64	1.50
Net capital ⁴	1,152,895	1,139,957	1.13
Including: Net core tier-1 capital ⁴	794,487	783,877	1.35
Other tier-1 capital ⁴	176,386	176,348	0.02
Tier-2 capital ⁴	182,022	179,732	1.27
Risk-weighted assets ⁴	7,956,077	7,379,912	7.81

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

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

Notes:

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

I. FINANCIAL STATEMENT ANALYSIS

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

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

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

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

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

(I) Analysis on Key Income Statement Items

1. Profit before tax

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

FINANCIAL STATEMENT ANALYSIS

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

(in millions of RMB unless otherwise stated)

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

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

(in millions of RMB unless otherwise stated)

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

2. Net interest income

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

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

(in millions of RMB unless otherwise stated)

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

Notes:

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

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

FINANCIAL STATEMENT ANALYSIS

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

(in millions of RMB)

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

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

(1) Interest Income

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

A. Interest income from loans and advances to customers

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

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

(in millions of RMB unless otherwise stated)

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

B. Interest income from investment securities

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

C. Interest income from cash and balances with central banks

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

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

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

(2) Interest expenses

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

FINANCIAL STATEMENT ANALYSIS

A. Interest expenses on deposits from customers

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

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

(in millions of RMB unless otherwise stated)

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

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

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

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

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

3. Net fee and commission income

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

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

(in millions of RMB unless otherwise stated)

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

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

4. Operating expenses

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

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

(in millions of RMB unless otherwise stated)

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

FINANCIAL STATEMENT ANALYSIS

5. Asset impairment losses

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

6. Income tax

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

(II) Analysis on Key Balance Sheet Items

1. Assets

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

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers (after provision)	6,923,521	55.03	6,412,201	54.97
Financial investments	3,692,614	29.35	3,523,249	30.20
Cash and balances with central banks	746,660	5.94	734,728	6.30
Due from and placements with banks and other financial institutions	799,743	6.36	632,708	5.42
Others	418,038	3.32	362,871	3.11
Total assets	12,580,576	100.00	11,665,757	100.0

(1) Loans and advances to customers

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

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

(in millions of RMB unless otherwise stated)

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

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

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

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

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

Distribution of the loans and advances to customers by security types

(in millions of RMB unless otherwise stated)

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

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Expected credit loss allowance for loans and advances to customers

(in millions of RMB)

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

(2) Financial investments

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

The breakdown of investments by nature

(in millions of RMB unless otherwise stated)

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

The breakdown of investments by the presentation basis of financial statements

(in millions of RMB unless otherwise stated)

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

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

The breakdown of investment securities by issuers*(in millions of RMB unless otherwise stated)*

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

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

Top 10 financial bonds held by the Group*(in millions of RMB unless otherwise stated)*

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

(3) Foreclosed asset

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

(in millions of RMB)

	30 June 2022	31 December 2021
Original value of foreclosed assets	1,421	1,437
Less: Impairment allowance	(411)	(407)
Net value of foreclosed assets	1,010	1,030

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2. Liabilities

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

Deposits from customers

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

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

(in millions of RMB unless otherwise stated)

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

3. Off-balance sheet items

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

The Group entered into various derivative financial instruments relating to interest rate contracts, exchange rate contracts, precious metals and commodity contracts for trading, hedging, asset and liability management and on behalf of customers. Please refer to financial statements – Note 20 Derivative Financial Instruments for the details of nominal amounts and fair value of the derivative financial instruments.

The Group's contingencies and commitments are mainly pending litigation, credit commitments and financial guarantees, capital commitments, operating lease commitments, securities underwriting and bond acceptance commitments. Please refer to Note 39 Contingencies for details about contingencies and Note 40 Commitments for details about commitments.

Some of the Group's assets are used as collaterals for inter-bank repurchase and other debt business. Please refer to Note 41 collaterals for details about collaterals.

(III) Analysis on Key Cash Flow Items

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

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

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

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

(IV) Segment Analysis

1. Operating results by geographical segments

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

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June							
	2022				2021			
	Profit before tax	Proportion (%)	Net operating income ¹	Proportion (%)	Profit before tax	Proportion (%)	Net operating income ¹	Proportion (%)
Yangtze River Delta	20,869	45.75	55,611	38.73	21,857	46.92	49,911	37.23
Pearl River Delta	4,193	9.19	12,500	8.71	4,148	8.90	11,561	8.62
Bohai Rim Economic Zone	2,351	5.15	16,203	11.29	2,364	5.07	14,844	11.07
Central China	14,705	32.24	19,155	13.34	9,606	20.63	18,115	13.52
Western China	2,835	6.21	11,955	8.33	3,272	7.02	10,942	8.16
North Eastern China	279	0.61	3,795	2.64	(1,488)	(3.19)	3,617	2.70
Overseas	2,251	4.93	5,494	3.83	4,661	10.00	7,165	5.35
Head Office ²	(1,866)	(4.08)	18,855	13.13	2,168	4.65	17,896	13.35
Total³	45,617	100.00	143,568	100.00	46,588	100.00	134,051	100.00

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Notes:

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

2. Deposits and loans and advances by geographical segments

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

(in millions of RMB unless otherwise stated)

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

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

(in millions of RMB unless otherwise stated)

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

3. Operating results by business segments

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

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

(in millions of RMB unless otherwise stated)

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

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

(V). Capital Adequacy Ratio

1. Measurement scope

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

2. Measurement method

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

3. Measurement result

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

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(in millions of RMB unless otherwise stated)

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

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

4. Risk-weighted assets

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

(in millions of RMB)

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

5. Credit risk exposure

(in millions of RMB)

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

6. Market risk capital requirement

(in millions of RMB)

Risk type	30 June 2022	31 December 2021
Market risk covered under internal model approach	17,932	11,320
Market risk not covered under internal model approach	4,886	4,826
Interest rate risk	3,596	4,070
Stock risk	115	126
Foreign exchange risk	1,158	619
Commodity risk	14	11
Option risk	3	–
Total	22,818	16,146

7. Value at risk (VaR)

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

(in millions of RMB)

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

8. Equity risk of banking book

(in millions of RMB)

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

Notes:

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

Please refer to “Supplementary Information on Capital Adequacy Ratio, Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio” for more information on the Group’s capital measurement.

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(VI) Leverage Ratio

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

(in millions of RMB unless otherwise stated)

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

Please refer to “Supplementary Information on Capital Adequacy Ratio, Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio” for more information on the leverage ratio of the Group.

II. BUSINESS REVIEW

(I) Development strategies and implementation

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

1. Leverage the advantage of “Shanghai Base”

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

2. Construct a “New Digital BoCom”

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

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3. Create four business features

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

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

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

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

(II) Corporate banking

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

1. Customer development

The Bank accelerated the construction of customer projects, deepened the stratified customer operation, and established the refined and professional service system. As at the end of the Reporting Period, the total number of corporate customers of domestic branches increased by 5.76% over the end of the previous year. For group customers, the Bank enhanced its services and supports for the strategies of reinvigorating China and Green Development, promoted the integrated expansion programme among the upstream and downstream, the ecosystem and the investment chain, continuously optimised the credit management policies and processes, and strengthened the synergistic collaborative services within the Group. As at the end of the Reporting Period, the number of the Bank’s group customers reached 88.4 thousand, representing an increase of 5,498 over the end of the previous year. For government institutions customers, the Bank actively participated in the construction of digital government and the process of urban digital transformation, assisted in the provision of

¹ Excluding the number value of customers’ securities

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convenient government affair services, and expanded the dominant position in the cooperation between banks and governments. As at the end of the Reporting Period, the number of government institutions customers reached 72.9 thousand, representing an increase of 2,079 over the end of the previous year. For small and micro basic customers, the Bank enhanced the supporting for digital marketing, established the “Four-in-One” service system with the electronic channels, online products, outbound call services and outlet supports, and continuously improved services for the basic customer segments. As at the end of the Reporting Period, the number of small and micro basic customers reached 2,150.4 thousand, representing an increase of 118 thousand over the end of the previous year.

2. Scenario construction

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

3. Services to inclusive small and micro enterprises

With the supports of FinTech and big data, the Bank promoted the “Online products+Scenario customisation” mode, enhanced the batched, scenario-based, intelligent and online operating capabilities, and launched a batch of scenario-customised products. For small and micro enterprises in the industrial chain, the Bank built projects such as “Ouyeel Chain²”, “Dairy Chain”, “Liquor Chain”, “Fodder Chain”, etc.; for small and micro enterprises in the field of science and technology innovation, the Bank launched the “Inclusive e-Loan” on the scenario-customised scientific and technological projects in Suzhou, Shenzhen, Anhui, Hunan, Xiamen, Shanghai, Shannxi and other places; for small and micro enterprises in specific industries, the Bank launched special projects such as “Cigarette Loan”, “Government Purchase Loan”, “Medical Insurance Loan” and “Household Loan”. The Bank focused on small and micro key areas, key customer segments and key products, continuously increased the credit issuance to support small and micro enterprises in the recovery, resumption of production and manufacturing as well as the high-quality development. At the end of the Reporting Period, the balance of inclusive loans to small and micro enterprises was 403.893 billion, which was an increase of 19.21% over the end of the previous year. The number of customers with loan balances was 245.8 thousand, representing an increase of 15.84% over the end of the previous year. The accumulated average interest rate of inclusive loans to small and micro enterprises was 3.84%, representing a decrease of 0.16 percentage point. Non-performing loan ratio of inclusive small and micro enterprises was 0.94%, representing a decrease of 0.22 percentage point over the end of the previous year. Also, 2,763 business outlets of the Bank provided financial services such as financing services to small and micro enterprises.

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

4. Industrial chain finance

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

5. Investment bank

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

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(III) Personal Banking Businesses

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

1. Retail customers

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

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

4 Excluding the fair value of customer’s securities.

5 Standards of 17 commercial banks. Same applies hereinafter.

2. Wealth management

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

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

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

3. Scenario and payment

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

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

4. Consumer finance

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

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

5. Private banking

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

6. Credit card

The Bank expanded its customer basis by enhancing the off-line customer acquisition and improving the conversion rate of the on-line scenario traffics. It launched out innovative products such as credit cards themed with national cultures to attract quality young customers. As at the end of the Reporting Period, the number of credit cards registered with domestic branches was 75,286,300, increasing by 1,017,500 over the end of the

previous year. During the Reporting Period, the proportion of customers acquired online was 55.98%, representing an increase of 3.63 percentage points on a year-on-year basis; new active accounts saw a growth of 19.10% on a year-on-year basis. The Bank continued the marketing campaigns such as “Super Red Friday”, “Weekly Swipe” and launched special activities against the COVID-19, and therefore achieved steady improvement in its share of the consumption market and the amount of mobile payment transactions. During the Reporting Period, the cumulative amount of consumption through credit cards was 1,507.142 billion, representing a year-on-year increase of 3.83%. In detail, the average consumption of active accounts increased by 3.59% on a year-on-year basis and the amount of mobile payment transactions increased by 24.55% on a year-on-year basis. The balance in instalments increased by 3.66% on a year-on-year basis. As at the end of the Reporting Period, the credit card overdraft balance in domestic branches was 480.771 billion⁶.

7. Pension finance

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

(IV) Interbank and Financial Market Businesses

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

1. Inter-bank businesses

The Bank enhanced the clearing business and settlement service provided in the financial factor market, improved emergency safeguard mechanism for the settlement in the financial factor market to address COVID-19 and other emergencies, so as to support the smooth development of the financial market. The Bank also participated in facilitating the interconnection between financial markets and financial infrastructure and became a qualified settlement bank for interconnection transactions between the interbank and exchange bond markets. It served

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

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the development of futures market and became one of the qualified depository banks initially designated by Shanghai International Energy Exchange for commodity swaps. During the Reporting Period, the volume of the Bank's agent clearing business in Shanghai Clearing House topped in the market, and the volume of securities and futures settlement of the bank was also leading the market.

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

2. Financial market businesses

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

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

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

3. Asset custody

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

4. Wealth management business

The Bank continued to optimise the structure of its wealth management products, accelerated the expansion and increase of distribution channels to further increase the net worth of its wealth management products. As at the end of the Reporting Period, the balance of off-balance sheet wealth management products of the Group

reached 1,276.964 billion, among which the balance of net-worth wealth management products was 1,148.520 billion, accounting for 89.94% of the Group's asset management products and representing a year-on-year increase of 18.62 percentage points.

(V) Integrated Operation

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

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

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

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

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industry. With this innovative project, the company ensured the supply of containers to enterprises and helped maintain a smooth and stable global logistics supply chain.

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

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

BOCOM Wealth Management Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues to customers wealth management products of fixed income, equity, commodities, financial derivatives and hybrid categories. During the Reporting Period, the company contributed to establishing Schroder BOCOM Wealth Management Co., Ltd., and Guomin Pension Insurance Co., Ltd. to align with the nation's development strategy. It was also qualified to participate in the

second round of pilot scheme of pension wealth management products. In addition, the company practiced the ESG investment concept, and successfully raised funds for and launched its first Yangtze River Delta ESG-themed wealth management product. The company also actively expanded consignment agencies outside the Bank, and ranked top among wealth management subsidiaries, with the balance of wealth management products reaching 1,148.520 billion as at the end of the Reporting Period. The company was awarded the Gold Financial Product of the Year in terms of Market Influence, and the Outstanding Innovative Wealth Management Product, among others, from media and rating agencies. As at the end of the Reporting Period, the company's total assets and net assets were 10.871 billion and 10.540 billion, respectively. The company's net profit during the Reporting Period was 0.634 billion, representing an increase of 4.51% on a year-on-year basis.

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

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

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

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

(VI) Global Service Capabilities

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

1. Internationalisation development

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

2. International settlement and trade financing

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

3. Overseas service network

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

4. Cross-Border Renminbi transactions

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

5. Offshore services

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

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(VII) Channel Construction

1. Corporate online banking and corporate mobile banking

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

2. Personal mobile banking

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

3. Go Pay

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

4. Open banking

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

5. *Cloud Banking*

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

(VIII) FinTech and Digital Transformation

1. *Focus on technological innovation to lay a solid technical foundation*

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

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

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

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

The Bank strengthened ecosystem construction of various scenarios and further integrated digital transformation into scenarios such as digital China, digital society, digital government, and digital enterprises, so as to improve

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

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

3. Strengthen data support capabilities

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

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

4. Strengthen the safeguard on work security

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

III. RISK MANAGEMENT

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

(I) Risk Management Framework

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

(II) Risk Management Tool

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

(III) Credit Risk Management

During the reporting period, the Bank has continued to enhance its unified credit risk management. The Bank has promoted the development of credit business in an orderly manner and supported the stabilisation and improvement of the real economy, and has vigorously developed green finance. The Bank has actively provided support to key sectors including inclusive small and micro businesses, advanced manufacturing, infrastructure construction, strategic emerging industries, and trade and logistics. The Bank has also strengthened control

RISK MANAGEMENT

over real estate, government's implicit debt, large business group customers, overcapacity, credit cards, etc. The Bank has continuously improved its management infrastructure, improved its credit policy framework, the outline of its credit and risk policy, its industry investment guideline, its "one industry one policy", and has been able to adopt special policies swiftly. The Bank has connected to the Unified Registration and Publication System for Chattel Financing of the Credit Reference Centre of the People's Bank of China, and has been promoting online mortgage registration nationwide, and "cross-province" mortgage registration has been enabled for many cities in the Yangtze River Delta. Our system tools are constantly being upgraded, and post-loan/investment management and risk monitoring methods have been further enhanced; Our risk classification has become more accurate and stricter, and our asset quality has been stable and improving.

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

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

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

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

Distribution of loans by five categories of loan classification

(in millions of RMB unless otherwise stated)

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

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Distribution of special mention loans and overdue loans by business type*(in millions of RMB unless otherwise stated)*

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

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

Distribution of loans and non-performing loans by business type*(in millions of RMB unless otherwise stated)*

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

Distribution of loans and non-performing loans by industry*(in millions of RMB unless otherwise stated)*

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

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

RISK MANAGEMENT

Distribution of loans and non-performing loans by region*(in millions of RMB unless otherwise stated)*

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

Note: Head Office included the Pacific Credit Card Centre.

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

Overdue loans and advances*(in millions of RMB unless otherwise stated)*

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

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

Restructured loans*(in millions of RMB unless otherwise stated)*

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

Loan migration rates

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

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

Credit risk concentration

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

(in millions of RMB unless otherwise stated)

	30 June 2022		Percentage of total loans
	Industry	Amount	
Customer A	Production and supply of electric power, heat, gas and water	36,700	0.52
Customer B	Transportation, storage and postal services	35,705	0.50
Customer C	Production and supply of electric power, heat, gas and water	29,000	0.41
Customer D	Manufacturing	16,500	0.23
Customer E	Manufacturing	15,436	0.22
Customer F	Transportation, storage and postal services	14,055	0.20
Customer G	Transportation, storage and postal services	13,714	0.19
Customer H	Real estate	13,248	0.19
Customer I	Transportation, storage and postal services	13,177	0.19
Customer J	Transportation, storage and postal services	12,864	0.18
Total of Top 10 Customers		200,399	2.83

RISK MANAGEMENT

(IV) Market Risk Management

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

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

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

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

(V) Liquidity Risk Management

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

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

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

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

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

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

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

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

RISK MANAGEMENT

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

For the liquidity coverage rate in the second quarter of 2022 and the average value of each detailed item, the proportion of net stable capital in the first and second quarters of 2022 and each detailed item, please refer to the chapter "Supplementary information on capital adequacy ratio, leverage ratio, liquidity coverage rate and net stable capital ratio" in the appendix.

(VI) Operational Risk Management

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

(VII) Legal Compliance and Anti-money Laundering

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

(VIII) Reputation Risk Management

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

(IX) Cross-Industry, Cross-Border and By-Country Risk Management

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

(X) Management of Large Exposure Risk

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

(XI) Climate and Environmental Risk Management

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

IV. OUTLOOK

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

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

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

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

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

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

CHANGES IN SHARES AND SHAREHOLDERS

I. CHANGES IN ORDINARY SHARES

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

	30 June 2022		Increase or decrease during the Reporting Period	31 December 2021	
	Amount (share)	Percentage (%)		Amount (share)	Percentage (%)
I. Shares subject to sales restrictions	–	–	–	–	–
II. Shares not subject to sales restrictions	74,262,726,645	100.00	–	74,262,726,645	100.00
1. RMB ordinary shares	39,250,864,015	52.85	–	39,250,864,015	52.85
2. Domestic listed foreign shares	–	–	–	–	–
3. Foreign shares listed overseas	35,011,862,630	47.15	–	35,011,862,630	47.15
III. Total number of shares	74,262,726,645	100.00	–	74,262,726,645	100.00

II. ORDINARY SHAREHOLDERS

As at the end of the reporting period, the total number of ordinary shareholders of the Bank was 367,441, of which 335,806 were holders of A shares and 31,635 were holders of H shares.

(I) Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period¹

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

Notes:

1. The relevant data and information are based on the Bank's register of members at the Share Registrar and Transfer Office.
2. The aggregate number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained account with it as at the end of the Reporting Period. The data included 249,218,915 and 7,644,877,777 H shares indirectly held by the Hongkong and Shanghai Banking Corporation Limited ("HSBC") and the National Council for Social Security Fund ("SSF") respectively, which were registered under HKSCC Nominees Limited. The data did not include 13,886,417,698 and 1,405,555,555 H shares of the Bank directly held by the aforementioned two shareholders respectively, which were registered in the Bank's register of members.
3. According to the disclosure forms of interests filed with the Hong Kong Stock Exchange by HSBC Holdings plc, **HSBC beneficially held 14,135,636,613 H shares of the Bank as at the end of the Reporting Period, representing 19.03% of the Bank's total ordinary shares issued.** HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy was due to a purchase of H shares by HSBC from the secondary market in 2007 and thereafter receiving bonus shares issued by the Bank and participating in the rights issue of the Bank. Those extra shares have been registered under HKSCC Nominees Limited.
4. This included the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the SSF. Other than the above shareholdings, the SSF held additional 7,644,877,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 617,100,000 H shares were indirectly held by certain asset managers (including Hong Kong Stock Connect). **As at the end of the Reporting Period, the SSF held a total of 12,155,588,900 A shares and H shares of the Bank, representing 16.37% of the Bank's total ordinary shares issued.**
5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under Provisional Measures on Shareholdings Administration of Commercial Banks (CBRC Order No. 1 of 2018). 7 subordinate enterprises of China National Tobacco Corporation including Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. authorised and entrusted China National Tobacco Corporation to represent at the Shareholders' General Meeting of the Bank and to exercise the right to vote. HKSCC Nominees Limited is a wholly-owned subsidiary of HKSCC. Apart from this, the Bank is not aware of the existence of any related relationship among the other Top 10 shareholders, or whether they are parties acting in concert as defined in the Provisional Measures on Shareholdings Administration of Commercial Banks.

(II) Controlling Shareholders/Actual Controllers

There was no controlling shareholder or actual controller of the Bank.

(III) Substantial Shareholders

In accordance with the Provisional Measures on the Shareholdings Administration of Commercial Banks issued by the CBIRC, as at the date of disclosing this Report, the Bank's substantial shareholders including the Ministry of Finance, HSBC, SSF, Shanghai Haiyan Investment Management Co., Ltd., Capital Airports Holdings Company Limited and Daqing Petroleum Administration Bureau are detailed as follows:

1. **Substantial shareholders holding 5% or more shares of the Bank⁸**

- (1) The Ministry of Finance is the largest shareholder of the Bank, which was incorporated in October 1949 as a division of the State Council, in charge of national financial revenue and expenditure as well as fiscal and taxation policies. Its person in charge is Liu Kun, its registered address is No. 3 South Lane, San Li He, Xicheng District, Beijing and its unified social credit code is 1110000000013186G. As at the end of the Reporting Period, the Ministry of Finance held a total of 17,732,424,445 A shares and H shares of the Bank, representing a shareholding of 23.88% of the Bank. To the knowledge of the Bank, this shareholder did not pledge any shares of the Bank.

⁸ Excluding Hong Kong Central Clearing (agent) Co., Ltd

CHANGES IN SHARES AND SHAREHOLDERS

- (2) HSBC is the second largest shareholder of the Bank, which was incorporated in 1866, primarily providing comprehensive local and international banking services and related financial services in the Asia-Pacific region. Its Co-chief Executive Officers are Liao, Yi Chien David and Surendra Rosha, and its registered address is No. 1 Queen's Road Central, Central, Hong Kong. As at the end of the Reporting Period, the ordinary share capital issued by HSBC is HKD123.9585 billion and USD7.198 billion, which was divided into 49.5794 billion ordinary shares. Its business registration certificate number is 00173611-000, its controlling shareholder is HSBC Asia Holdings Limited, its actual controller is HSBC Holdings plc and its ultimate beneficiary is HSBC Holdings plc. As at the end of the Reporting Period, HSBC beneficially held 14,135,636,613 H shares of the Bank, representing a shareholding of 19.03% of the Bank. This shareholder has no parties acting in concert. To the knowledge of the Bank, this shareholder did not pledge any shares of the Bank.
- (3) The SSF is the third largest shareholder of the Bank, which was incorporated in August 2000. It is an independent legal entity under the management of the Ministry of Finance, responsible for managing and operating national social security fund. Its legal representative is Liu Wei, its registered capital is RMB8.00 million, its registered address is South Wing, Fortune Time Building, No. 11 Fenghuiyuan, Xicheng District, Beijing and its unified social credit code is 12100000717800822N. Pursuant to the regulations of the Ministry of Finance and the Ministry of Human Resources and Social Security, the SSF is entrusted to manage the following funds: national social security fund, central government subsidy for personal accounts, part of basic pension insurance funds for enterprise employees, basic pension insurance fund and part of state-owned capital transferred. To the knowledge of the Bank, this shareholder did not pledge any shares of the Bank.

Details of connected transactions between the Bank and the Ministry of Finance, HSBC and the SSF are disclosed in Note 47 to the Consolidated Financial Statements.

2. Other substantial shareholders under regulatory standards

Pursuant to the *Provisional Measures on the Shareholdings Administration of Commercial Banks* (CBRC Decree [2018] No. 1), the Bank's other substantial shareholders included:

- (1) Capital Airports Holdings Company Limited. As at the end of the Reporting Period, Capital Airports Holdings Company Limited held 1.68% shares of the Bank, and did not pledge any shares of the Bank. Capital Airports Holdings Company Limited was established on 13 June 1988 with a registered capital of 53.7 billion and its legal representative is Wang Changyi. Capital Airports Holdings Company Limited is a large cross-regional state-owned enterprise group with the core of airport business. The shareholder's sole controlling shareholder is Civil Aviation Administration of China, with no parties acting in concert.

- (2) Shanghai Haiyan Investment Management Co., Ltd. As at the end of the Reporting Period, Shanghai Haiyan Investment Management Co., Ltd. held 1.09% of shares of the Bank, and did not pledge any shares of the Bank. Shanghai Haiyan Investment Management Co., Ltd. was established on 15 October 2009 with a registered capital of 9.0 billion. Its legal representative is Zhou Donghui, and its main business scope include industrial investment and investment management, etc. Its sole controlling shareholder is Shanghai Tobacco Group Co., Ltd. This shareholder with Yunnan Hehe (Group) Co., Ltd. and other companies totalling 7 subordinate enterprises (holding 3.00% of the Bank's shares in total) of China National Tobacco Corporation authorised and entrusted China National Tobacco Corporation to present at the Shareholders' General Meeting of the Bank and to exercise their voting right on behalf, constituting a relationship of acting in concert.
- (3) Daqing Petroleum Administration Bureau. As at the end of the Reporting Period, Daqing Petroleum Administration Bureau held 0.4% of the Bank's shares, and did not pledge any shares of the Bank. Daqing Petroleum Administration Bureau was established on 14 September 1991 with a registered capital of RMB46.5 billion and its legal representative is Zhu Guowen. Its main business scope includes onshore oil and gas exploration and mineral resource exploration. The shareholder's sole controlling shareholder is China National Petroleum Corporation, and it has no parties acting in concert.

As at the end of the Reporting Period, the Bank was involved in connected transactions including loans, debt investment and other on-balance sheet credit with the related parties of the aforesaid substantial shareholders⁹ under the Measures for the Administration of Related Party Transactions of Banking and Insurance Institutions. As at the end of the Reporting Period, the on- and off-balance sheet net credit amount was 37.433 billion. The transactions between the Bank and substantial shareholders and related parties were conducted in accordance with normal commercial terms which were fair and reasonable.

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

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

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

⁹ Substantial shareholders and their related parties refer to the substantial shareholders, the controlling shareholders, the de facto controllers, the parties acting in concert, the ultimate beneficiaries and the legal or unincorporated entities controlled or exercised significant influence by the above, same applies hereinafter.

CHANGES IN SHARES AND SHAREHOLDERS

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

Notes:

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

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

III. INFORMATION OF PREFERENCE SHARES

(I) Preference Shareholders

As at the end of the Reporting Period, the total number of preference shareholders of the Bank was 78.

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

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen	Nature of shareholders
China Mobile Communications Corporation	-	100,000,000	22.22	Domestic preference share	Nil	State-owned legal entity
Hwabao Trust Co., Ltd. – Hwabao Trust- Baofu Investment No. 1 Collective Capital Trust Plan	-	48,910,000	10.87	Domestic preference share	Nil	Others
CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" open-ended wealth management single fund trust	-	20,000,000	4.44	Domestic preference share	Nil	Others

CHANGES IN SHARES AND SHAREHOLDERS

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

Notes:

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

CHANGES IN SHARES AND SHAREHOLDERS

(II). Dividends Distribution of Preference Shares

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

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

(III) Restoration of Voting Rights

During the Reporting Period, the Bank did not restore any voting rights of preference shares.

(IV) Accounting Policy for Preference Shares and its Rationale

According to the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments* issued by the Ministry of Finance, the *International Financial Report Standards 9 – Financial Instruments* and the *International Accounting Standards 32 – Financial Instruments: Presentation* issued by the International Accounting Standards Board as well as substantial terms and conditions of the preference shares issued by the Bank, the preference shares of the Bank were classified as equity instruments.

IV. ISSUANCE, LISTING, TRADING AND REDEMPTION OF SECURITIES

During the Reporting Period, the Bank issued neither ordinary shares and convertible bonds, nor corporate bonds that were required to be disclosed in accordance with the *Standards on the Content and Format of Information Disclosure of Publicly Listed Company No.3 – Content and Format of the Annual Report (2021 Revision)* and the *Administrative Measures for Information Disclosure of Enterprise Credit Bonds*. During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Bank.

The Bank did not issue preference shares during the past three years. During the Reporting Period, there was no redemption or conversion of preference shares.

The Bank has no employee stock.

(I) Issuance of Bonds

According to the resolution of the 2021 First Extraordinary General Meeting, and with the approvals by the CBIRC and the PBOC, the Bank issued a 30.0 billion tier-2 capital bond in China's National Interbank Bond Market in February 2022 with a fixed coupon rate of 3.45% and a fixed term of 10 years. The issuer is entitled to the right of redemption with pre-conditions at the end of the 5th year. The net proceeds after deducting offering related expenses were all used to replenish the tier-2 capital of the Bank.

According to the 24th meeting of the 9th session of the Board of Directors of the Bank, and with the approvals by the CBIRC and the PBOC, the Bank issued a 30.0 billion special financial bond for loans to small and micro enterprises in China's National Interbank Bond Market in June 2022 with a term of 3 years and a coupon rate of 2.75%. The proceeds were all used for loans to small and micro enterprises.

According to the 24th meeting of the 9th session of the Board of Directors of the Bank, and with the approvals by the CBIRC and the PBOC, the Bank issued a 20.0 billion green bonds in China's National Interbank Bond Market in August 2022 with a term of 3 years and a coupon rate of 2.42%. The proceeds were all used for projects of green industry stipulated in *Green Bond Endorsed Projects Catalogue (2021 Edition)*.

(II) Redemption of Bonds

With the approval by the CBIRC, the Bank fully redeemed the 30.0 billion tier-2 capital bond issued in April 2017 in China's National Interbank Bond Market in advance in April 2022. The bond had a term of 10 years and the issuer is entitled to the right of redemption with pre-conditions at the end of the 5th year.

Please refer to Note 32 to the Consolidated Financial Statements for other bonds issued and still in existence.

(III) Equity Linked Agreement

The Bank privately issued 450 million domestic preference shares in September 2016. Assuming that the Bank triggers a mandatory share conversion event and all preference shares are mandatorily required to be converted into ordinary shares at the initial share conversion price, the number of the above domestic preference shares being converted into ordinary A shares will not exceed 7.2 billion shares. Please refer to Note 35 to the Consolidated Financial Statements for other details of domestic preference shares.

CORPORATE GOVERNANCE

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

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

I. SHAREHOLDERS' GENERAL MEETING

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

II. PROFIT DISTRIBUTION

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

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

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

Notes:

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

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

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

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

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

CORPORATE GOVERNANCE

Changes in Directors, Supervisors and Senior Management

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

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

Changes in the information of Directors, Supervisors and Senior Management

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

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

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

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

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

Ms. Po Ying, an employee supervisor, ceased to be a non-executive director of Bank of Communications Financial Leasing Co., Ltd., and ceased to be a non-executive director of Bank of Communications (Brazil) Co., Ltd.

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

Shareholdings of Directors, Supervisors and Senior Management

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

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

CORPORATE GOVERNANCE

IV. HUMAN RESOURCE MANAGEMENT

(I) Basic Information of Employees

As at the end of the Reporting Period, the Group had a total of 90,654 employees, of whom 84,350 employees were based in domestic banking institutions and 2,519 were local employees in overseas branches. The number of employees of the Bank's subsidiaries was 3,785, excluding staff dispatched from the Head Office and branches.

As at the end of the Reporting Period, the Bank's assets, entities and employees were presented by regions as follows:

	Assets		Entities		Employees	
	Amount (in millions of RMB)	Proportion (%)	Number of entities	Proportion (%)	Number of employees	Proportion (%)
Yangtze River Delta	3,072,103	24.42	710	24.17	26,103	30.05
Pearl River Delta	1,191,446	9.47	319	10.86	9,003	10.36
Bohai Rim Economic Zone	1,867,793	14.85	487	16.58	13,182	15.17
Central China	1,407,670	11.19	530	18.05	13,478	15.52
Western China	933,375	7.42	478	16.28	10,680	12.29
North Eastern China	444,167	3.53	343	11.68	8,465	9.75
Overseas	1,179,441	9.38	69	2.35	2,519	2.90
Head Office	4,684,466	37.24	1	0.03	3,439	3.96
Eliminated and unallocated assets	(2,199,885)	(17.50)	–	–	–	–
Total	12,580,576	100.00	2,937	100.00	86,869	100.00

Note: The number of employees in the Head Office excluded the employees in the Pacific Credit Card Centre, the financial service centres/business department and the staff dispatched from the Head Office.

(II) Employees' Remuneration Policy

Under the Group's strategic goals and reform and development requirements, the Bank consistently optimised the performance appraisal and remuneration system of "salary determined by post and bonus granted upon performance" and highlighted the assessment criteria of value creation and performance orientation. The Bank also motivated staff incentives and enhanced input and output efficiency of resources.

(III) Employee's Training Management

During the Reporting Period, the Bank fully implemented the spirit of the 19th National Congress and all previous 19th plenary sessions of the Communist Party of China under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Based on the "14th Five-Year Plan", the Bank focused on political theory education, Party spirit education and professional ability training to promote the training of various cadres and talents and provide intellectual support and secure talents for the high-quality development of the Bank. We overcame the impact of the COVID-19 pandemic and carried out online training focused on the spirit of the Sixth Plenary Session of the 19th Central Committee of the Communist Party of China and achieved full coverage of management cadres above the division level. A total of 6,131 people participated in the training (including assistants to the President, outstanding employee representatives etc.).

The Bank implemented the Party's organisational roadmap in the New Era and contributed to the construction of the cadre echelon. We have formulated training programs for the young and middle-aged cadres and the elite class for outstanding young cadres. The Bank served the country's most fundamental interests and supported the green notion of "carbon peak and carbon neutrality". The Bank strengthened risk prevention and control, improved the digital mindset of leading cadres and formulated off-the-job training programs on digital transformation and high-quality development for the person-in-charge of directly affiliated institutions and some outstanding young cadres. We continued to promote the training of scientific and technological talents and other professional talents, while organising professional training for more than 30,000 digital talents. The Bank strengthened the basic construction of education and training, improved the database of teachers, courses, teaching materials, and case studies, and consolidated the fundamental protection of education and training. During the Reporting Period, a total of 2,505 online and offline training courses were held, providing training for approximately 396,000 employees.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Bank integrated the fulfillment of social responsibility into business development, improved the mechanism of stakeholder's communication and rights protection and created common value together with stakeholders. During the Reporting Period, by actively participating in practices in perspectives of corporate governance, green finance, green operation, inclusive finance, rural revitalisation and human capital development, the Bank constantly improved its activities in governance and duty fulfilment and enhances ESG risk management.

I. ENVIRONMENTAL PROTECTION

(I) Green Finance

The Bank actively served the national strategy of “carbon peak and carbon neutrality” and continued to improve its green finance governance system.

In term of governance structure, the Bank's Board of Directors has integrated the ESG management concept and work elements into the whole process of governance and operation management of group companies, so as to promote the practice of green development philosophy from the strategic level. The Social Responsibility (ESG) and Consumer Protection Committee under the Board of Directors was responsible of reviewing policies and mechanisms related to environmental and sustainable development, and guiding and supervising senior management to support fields related to energy-efficient, eco-friendly, low-carbon and circular economy, which are in compliance with the national policy guidance, clear in management and control standards, compliant and feasible in business models with relatively strong technical skills and market advantages. During the Reporting Period, the Board of Directors approved the issuance of green financial bonds, carbon neutral bonds and other varieties to provide financial support for the development of green finance, approved the Action Plan of Bank of Communications Co., Ltd. to Serve the Target of “Carbon Peak and Carbon Neutrality”, for the purpose of improving the quality and efficiency of the Bank's green and low-carbon development and the service level of “carbon peak and carbon neutrality”. The Bank's Green Finance Development Committee was responsible for formulating the Bank's objectives, work initiatives and promoting the implementation of the development of green finance and the achievement of “carbon peak and carbon neutrality”. During the Reporting Period, the Bank clearly set green finance as an important direction for business expansion, focused on serving key areas and major projects supported by the country, made good use of the support tools of the People's Bank of China and proactively built up the advantages of green finance.

In term of policy system, with the distribution of the Action Plan of Bank of Communications Co., Ltd. to Serve the Target of “Carbon Peak and Carbon Neutrality”, the Bank closely followed the target requirements and implementation process of national “carbon peak and carbon neutrality” strategy, clarifies the specific objectives and key tasks, and accelerates the formation of positive interaction between high-quality development of green finance and high-level service of carbon peak, carbon neutral. The Bank also formulated the Green Finance Policy Package of BoCom (2022 version) to drive the development of green finance business. Furthermore, the Bank has improved credit policies, and formulated specific policy guidelines for clean energy industry chain and new energy vehicle industry chain, including the clarification of specific business strategies for the energy sector to help achieve the target of “carbon peak and carbon neutrality”.

During the Reporting Period, the Bank maintained rapid growth in green credit business. At the end of the Reporting Period, the Bank's balance of green finance increased by 20.42% over the end of the previous year to 574.137 billion¹⁰. The balance of clean energy loans increased by 29.76% over the end of the previous year to 113.681 billion. During the Reporting Period, the main underwriting of green bonds (including carbon neutral bonds) amounted to 4.165 billion, up 47.23% year-on-year. As at the end of June 2022, with the support of the PBOC carbon-reduction supporting tool, a total of 9.991 billion of carbon-reduction loans were issued to 193 projects, resulting in a carbon reduction amount equivalent to 1.7431 million tons of carbon dioxide.

The Bank's subsidiaries actively carried out green finance business, among which Bank of Communications Financial Leasing Co., Ltd. had a balance of 69.596 billion in green leasing assets at the end of the Reporting Period, accounting for 22.88% of its total leasing assets; Bank of Communications International Trust Co., Ltd. participated in the green asset securitisation business totalling 2.405 billion during the Reporting Period; BOCOM Wealth Management Co., Ltd. issued the Yangtze River Delta ESG-themed products; China BOCOM Insurance Co., Ltd. actively promoted the sale of green innovative insurance product - "Zhujiale (住家樂)" Home Insurance Plan, achieving a year-on-year increase of 224% in gross premium income.

(II) Climate and Environmental Risk Management

The Bank took active measures to identify and respond to financial risks arising from climate change, and explicitly incorporated climate and environmental risks into its comprehensive risk management system and medium- and long-term planning to serve the national strategy of "carbon peak and carbon neutral". The Bank makes full use of the "carbon peak and carbon neutrality" work team within the framework of the Green Finance Development Committee to continuously optimise climate governance, strengthen institutional construction, consolidate the carbon data base, enhance risk identification and assessment, and promote the low-carbon transformation of our own operation and investment and financing activities.

During the Reporting Period, the Bank improved the Green Credit Implementation Measures of BoCom, and strengthened and standardised the management of customers' environmental, social and governance (ESG) risks in terms of systems, processes and tools; considered the ESG risks and the relevant regulations of the industry to which it belonged as an important part of pre-lending due diligence and credit risk assessment; focused on enterprises with ESG risks within its stock business and dynamically assessed their ESG performance and management of related risks.

(III) Green Service

With the active application of digital technology tools, the Bank developed various online financial service channels to provide green, low-carbon, high-quality and convenient financial services. During the Reporting Period, the channel diversion rate of the Bank's electronic banking services was 97.94%.

	January-June 2022	2021	2020
E-banking business diversion ratio (%)	97.94	97.90	98.04

¹⁰ According to the Green Loan Special Statistics from the People's Bank of China (A3327).

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

(IV) Green Operation

The Bank proactively practiced the green development philosophy by advocating a green and low-carbon way of working and living, adhering to responsible green procurement, encouraging green travel and promoting a paperless office. With multiple measures such as management enhancement, technology upgrading and equipment modification, the Bank cut down energy consumption during daily operations and reduced the emission of harmful pollutants. During the Reporting Period, the Bank had no environmental violation.

II SOCIAL RESPONSIBILITY

(I) Consumer Right Protection Service

The Bank thoroughly acted out the philosophy of financial services for the people, implemented various arrangements and requirements on the protection of financial consumer rights and interests, and effectively manages complaints from financial consumers. During the Reporting Period, the Bank continued to improve the consumer rights protection system and business process, strengthened the management of complaints in all aspects, and improved customer experience. Backed by the multi-dimensional publicity, the Bank played the model role of a financial education base, focusing on guiding farmers, migrant workers, teenagers, the elderly, the disabled and other special groups to learn and master the financial knowledge they need urgently, and improve the literacy and risk prevention capabilities of financial consumers.

During the Reporting Period, the Bank processed 77 thousand complaints from financial consumers, which decreased by 12.5% on a month-on-month basis. All the complaints were properly handled. The complaints from financial customers mainly involved businesses related to credit cards, debit cards and loans and were filed from areas like Shanghai, Guangdong Province, Hubei Province, Jiangsu Province and Shandong Province. The Bank was engaged in resolution of 1,158 financial disputes in total, of which 583 dispute resolutions were at Shanghai Financial Consumer Dispute Resolution Centre, ranking 1st in cases submitted, and 574 dispute resolutions were at Shanghai Banking Industry Disputes Resolution Centre. During the Reporting Period, the Bank was awarded A+ in the People's Bank of China Consumer Protection Rating in 2021. The Bank was awarded the "Outstanding Bank for Event Organisation" by the Consumer Right Protection Bureau of CBIRC in the '3•15' Education Awareness Week.

(II) Services for Inclusive Small and Micro Enterprises

Please refer to the section of "Business Review".

III RURAL REVITALISATION

(I) Financial support for rural revitalisation

As a proactive response to the national call of “giving priority to the development of agricultural and rural areas and comprehensively promoting rural revitalisation”, the Bank strived to improve its capability and competence in providing financial services for rural revitalisation through digital transformation. Focusing on the construction of the credit system for new rural entities, the Bank provided access to multi-dimensional general data and data with local characteristics to enrich the agricultural vertical database, and integrated the “Xingnong e-Loan” with the credit system construction achievements and the credit express activities of the MARA to launch a number of customised products for rural revitalisation scenarios, such as “Jungu Loans” launched out in Gansu (for mushroom planting industry in Tianzhu County, Gansu Province, which is the key county to be assisted by the Bank), “Nonghu Loans” in Xinjiang (for farmers of Xinjiang Construction Corps), “Suanhuang Loans” in Hebei (for farmers planting blanched garlic leaves), “Lenglian Loans” in Hunan (for cold chain food merchants in agricultural products wholesale market) and “Pangxie Loans” in Jiangsu (for crab breeders), etc. The Bank vigorously promoted the issuance of debit cards themed with rural revitalisation. As at the end of the Reporting Period, the total number of issued debit cards themed with rural revitalisation was 848,800.

(II) Paired Assistance

In compliance with the requirements of “abstaining from avoiding responsibilities, repealing policies, ceasing assistance, and neglecting regulation” after poverty alleviation, the Bank continued to intensify the effort of offering assistance and created innovative financial assistance models to firmly protect the achievements of poverty alleviation by providing financial support to the sectors of industry, finance, consumption, employment and training, etc. The Bank assisted Tianzhu, Litang and Hunyuan counties in unlocking their capability of self motivation by digging out the industrial needs for edible fungi, yaks and astragalus in these three counties respectively. We improved the level of industrial development through multi-dimensional assistance such as donations, credit, and agricultural insurance. With a focus on constructing beautiful countryside, facilitating the revitalisation in terms of industry, talent, culture, ecology and organisation, and consolidating the achievements in the key areas such as meeting the basic needs of food and clothing and guaranteeing compulsory education, basic medical care and housing, the Bank raised assistance funds to consolidate the achievements of poverty alleviation and promote rural revitalisation, with a view to improving the service capacity of county institutions in facilitating rural revitalisation. As at the end of the Reporting Period, the full balance of agriculture-related loans was 747.994 billion, with a net increase of 102.065 billion¹¹ over the beginning of the year, representing a growth of 15.8%.

¹¹ The opening balance and the changes are comparative figures stated under the existing standards of the year.

SIGNIFICANT EVENTS

I. COMMITMENT

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

II. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not involved in any material litigation or arbitration that had significant impact¹² on its operating activities. As at the end of the Reporting Period, the Group was involved in certain outstanding litigations and arbitrations as a defendant or third party with an amount of approximately 2.602 billion.

III. PUNISHMENT

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

IV. INTEGRITY

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

V. RELATED PARTY TRANSACTIONS

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

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

¹² "Significant impact" is based on Article 19 of CSRC's *Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 26 – Special Provisions on Information Disclosure by Commercial Banks*, which stipulates that "if the amount of a single litigation matter involved in a commercial bank exceeds 1% of the net assets attributable to the shareholders of the Bank in the audited consolidated financial statements of the previous year, the company shall make a timely announcement".

VI. MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATIONS THEREUNDER

(I) Material Trust, Sub-contract and Lease

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

(II) Material Guarantees

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

VII. AUDIT COMMITTEE

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

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

VIII. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

SIGNIFICANT EVENTS

IX. APPOINTMENT OF ACCOUNTING FIRM

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

X. OTHER SIGNIFICANT EVENTS

1. The Bank intended to inject capital of 5.0 billion to BOCOM Financial Asset Investment Co., Ltd., a wholly-owned subsidiary of the Bank, which had been approved by relevant regulatory authorities. For related details, please refer to the announcement the Bank published on 24 January 2022.

2. The Bank issued 30 billion of tier-2 capital bonds in the national interbank bond market. For related details, please refer to the announcement the Bank published on 25 February 2022.

3. The Bank fully redeemed 30 billion 10-year tier-2 capital bonds issued in April 2017. For related details, please refer to the announcement the Bank published on 19 April 2022.

4. The Bank intended to amend the Articles of Association, the Procedural Rules of the Shareholders' General Meeting and the Procedural Rules of the Board of Directors and the Procedural Rules of the Board of Supervisors of the Bank, and the relevant proposals have been considered and approved at the General Meeting of Shareholders and the Class Meeting of Shareholders of the Bank. The revised Articles of Association will become effective upon approval by the CBIRC and the revised Procedural Rules of the Shareholders' General Meeting and the Procedural Rules of the Board of Directors and the Procedural Rules of the Board of Supervisors will also become effective at the same time. For related details, please refer to the announcements the Bank published on 7 July 2022 and 25 August 2022.

5. Bank of Communications Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, intended to transfer 6 billion of undistributed profits to increase its registered capital (without providing cash option to shareholders). After the transfer, the registered capital of Bank of Communications Financial Leasing Co., Ltd. will be 20 billion, and the Bank will continue to maintain its wholly-owned control over the company. For related details, please refer to the announcement the Bank published on 26 August 2022.

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

LIST OF INSTITUTIONS

LIST OF DOMESTIC PROVINCIAL BRANCHES AND DIRECTLY MANAGED BRANCHES OF HEAD OFFICE

Region Division	Name	Address
Yangtze River Delta	Shanghai Branch	No. 200 Jiangxi Middle Road, Huangpu District, Shanghai
	Jiangsu Provincial Branch	No. 218 Lushan Road, Jianye District, Nanjing City, Jiangsu Province
	Suzhou Branch	No. 28 Suhui Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province
	Wuxi Branch	No. 8 Second Jinrong Street, Binhu District, Wuxi City, Jiangsu Province
	Zhejiang Provincial Branch	No. 1-39 Juyuan Road, Jianggan District, Hangzhou City, Zhejiang Province
	Ningbo Branch	No. 455 Haiyan North Road, Yinzhou District, Ningbo City, Zhejiang Province
	Anhui Provincial Branch	Intersection of Huizhou Avenue and Jialingjiang Road, Baohe District, Hefei City, Anhui Province
Pearl River Delta	Fujian Provincial Branch	No. 116 Hudong Road, Gulou District, Fuzhou City, Fujian Province
	Xiamen Branch	No. 9-1 Hubin Middle Road, Siming District, Xiamen City, Fujian Province
	Guangdong Provincial Branch	No. 11 Xiancun Road, Tianhe District, Guangzhou City, Guangdong Province
	Shenzhen Branch	No. 3018 Shennan Middle Road, Futian District, Shenzhen City, Guangdong Province
Bohai Rim Economic Zone	Beijing Branch	No. 22 Jinrong Street, Xicheng District, Beijing
	Tianjin Branch	No. 7 Youyi Road, Hexi District, Tianjin City
	Hebei Provincial Branch	No. 26 Ziqiang Road, Qiaoxi District, Shijiazhuang City, Hebei Province
	Shandong Provincial Branch	No. 98 Gongqingtuan Road, Shizhong District, Jinan City, Shandong Province
	Qingdao Branch	No. 6 Zhongshan Road, Shinan District, Qingdao City, Shandong Province
Central China	Shanxi Provincial Branch	No. 5 Qingnian Road, Yingze District, Taiyuan City, Shanxi Province
	Jiangxi Provincial Branch	No. 199 Huizhan Road, Honggutan New District, Nanchang City, Jiangxi Province
	Henan Provincial Branch	No. 11 Zhenghua Road, Jinshui District, Zhengzhou City, Henan Province
	Hubei Provincial Branch	No. 847 Jianshe Avenue, Jiangnan District, Wuhan City, Hubei Province
	Hunan Provincial Branch	No. 447 Wuyi Avenue, Furong District, Changsha City, Hunan Province
	Guangxi Zhuang Autonomous Region Branch	No. 228 Renmin East Road, Xingning District, Nanning City, Guangxi Zhuang Autonomous Region
	Hainan Provincial Branch	No. 45 Guomao Avenue, Longhua District, Haikou City, Hainan Province

LIST OF INSTITUTIONS

Region Division	Name	Address
Western China	Inner Mongolia Autonomous Region Branch	No. 18 Xinhua East Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region
	Chongqing Branch	No. 3 Jiangbei City West Street, Jiangbei District, Chongqing City
	Sichuan Provincial Branch	No. 211 West Yulong Street, Qingyang District, Chengdu City, Sichuan Province
	Guizhou Provincial Branch	East Third Tower, Financial City, Guanshanhu District, Guiyang City, Guizhou Province
	Yunnan Provincial Branch	No. 397 Baita Road, Panlong District, Kunming City, Yunnan Province
	Shaanxi Provincial Branch	No. 88 Xixin Street, Xincheng District, Xi'an City, Shaanxi Province
	Gansu Provincial Branch	No. 129 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province
	Ningxia Hui Autonomous Region Branch	No. 64 Ning'an Street, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region
	Xinjiang Uygur Autonomous Region Branch	No. 16 Dongfeng Road, Tianshan District, Urumqi, Xinjiang Uygur Autonomous Region
	Qinghai Provincial Branch	No. 67 Wusi West Road, Chengxi District, Xining City, Qinghai Province
North Eastern China	Liaoning Provincial Branch	No. 258-1 Shifu Road, Shenhe District, Shenyang City, Liaoning Province
	Dalian Branch	No. 6 Zhongshan Square, Zhongshan District, Dalian City, Liaoning Province
	Jilin Provincial Branch	No. 3535 Renmin Street, Chaoyang District, Changchun City, Jilin Province
	Heilongjiang Provincial Branch	No. 428 Youyi Road, Daoli District, Harbin City, Heilongjiang Province

Note: For the address and contact information of the business outlets of the Bank, please visit the Bank's official website (www.bankcomm.com) and click on "Branch Inquiry" for relevant information.

LIST OF OVERSEAS BANKING INSTITUTIONS

Name	Address
Hong Kong Branch/Bank of Communications (Hong Kong) Limited	Unit B B/F & G/F, Unit C G/F, 1 – 3/F, 16/F Room 01 & 18/F, Wheelock House, 20 Pedder Street, Central, Hong Kong
New York Branch	ONE EXCHANGE PLAZA 55 BROADWAY, 31ST & 32ND FLOOR, NEW YORK NY 10006-3008, U.S.A.
San Francisco Branch	575 MARKET STREET, 38th FLOOR, SAN FRANCISCO, CA 94105, U.S.A.
Tokyo Branch	SANYO Group Building, 1-3-5 Nihombashi, Chuo-ku, Tokyo, Japan
Singapore Branch	50 Raffles Place #18-01 Singapore Land Tower, Singapore 048623
Seoul Branch	6th DouZone Tower. #29, Eulji-ro, Jung-Gu, Seoul, 04523, Korea
Frankfurt Branch	Neue Mainzer Strasse 52-58, 60311 Frankfurt am Main, Germany
Macau Branch	16th Floor, AIA Tower, No. 251A-301, Avenida Commercial De Macau
Ho Chi Minh City Branch	17th floor, Vincom Center, 72 Le Thanh Ton, Dist.1, HCMC, VN

Name	Address
Sydney Branch	Level 23, 60 Martin Place, Sydney NSW2000, Australia
Brisbane Branch	Level 35, 71 Eagle Street, Brisbane QLD4000, Australia
Melbourne Branch	Level 34 Rialto South Tower, 525 Collins Street, Melbourne VIC, 3000, Australia
Taipei Branch	A Wing, 29th Floor, No. 7, Section 5, Xinyi Road, Taipei (101 Tower), Taiwan
London Branch	4th Floor, 1 Bartholomew Lane, London EC2N 2AX UK
Luxemburg Branch/Bank of Communications (Luxembourg) Co., Ltd.	7 Rue de la Chapelle, L-1325 Luxembourg, Luxembourg
Bank of Communications (Luxembourg) S.A. Paris Branch	90, Avenue des Champs-Elysees, 75008, Paris, France
Bank of Communications (Luxembourg) S.A. Rome Branch	3rd floor, Piazza Barberini 52, Rome. 00187, Italy
Bank of Communications (Brazil) Co., Ltd	Av Barão de Tefé, 34-20th, Rio de Janeiro, Brazil, 20220-460
Prague Branch	7th floor, RUSTONKA R2, Rohanske nabrezi 693/10, Prague 8, 186 00, Czech Republic
Johannesburg Branch	140 West St, Sandown, Sandton, 2196, Johannesburg, South Africa
Toronto Representative Office	Suite 2460, 22 Adelaide Street West, Toronto, ON M5H 4E3, Canada

LIST OF MAJOR SUBSIDIARIES

Name	Address
Bank of Communications Schroder Fund Management Co., Ltd.	No. 8 Century Avenue, Pudong New District, Shanghai
Bank of Communications International Trust Co., Ltd.	No. 847 Jianshe Avenue, Wuhan
Bank of Communications Financial Leasing Co., Ltd.	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
BOCOM MSIG Life Insurance Company Limited	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
BOCOM International Holdings Company Limited	No. 68 Des Voeux Road Central, Central, Hong Kong
China BoCom Insurance Co., Ltd.	No. 8 Cotton Tree Drive, Central, Hong Kong
BoCom Financial Asset Investment Co., Ltd.	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
BoCom Wealth Management Co., Ltd.	8-9/F, No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
Dayi BoCom Xingmin Rural Bank Co., Ltd.	No. 168-170 Central Fumin Road, Dayi County, Chengdu City, Sichuan Province
Zhejiang Anji BoCom Rural Bank Co., Ltd.	Tower 1, Changshuo Square, Changshuo Street, Anji County, Huzhou City, Zhejiang Province
Xinjiang Shihezi BoCom Rural Bank Co., Ltd.	No. 127 Dongyi Road, Shihezi, Xinjiang Uygur Autonomous Region
Qingdao Laoshan BoCom Rural Bank Co., Ltd.	Room 101, Building 1, No. 156 Shenzhen Road, Laoshan District, Qingdao, Shandong

APPENDIX – REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION AND THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Bank of Communications Co., Ltd.

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

INTRODUCTION

We have reviewed the accompanying interim financial information, which comprises the interim condensed consolidated statement of financial position of Bank of Communications Co., Ltd. as at 30 June 2022, and the interim condensed consolidated statement of profit or loss and other 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 explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial information in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

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

KPMG

Certified Public Accountants

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

26 August 2022

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

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

	Note	Six months ended 30 June	
		2022	2021
Interest income		202,568	183,952
Interest expense		(117,475)	(105,466)
Net interest income	4	85,093	78,486
Fee and commission income	5	27,072	27,299
Fee and commission expense	6	(2,418)	(2,333)
Net fee and commission income		24,654	24,966
Net gains arising from trading activities	7	9,954	10,169
Net gains arising from financial investments		660	772
<i>Including: Net (loss) or gains on derecognition of financial assets measured at amortised cost</i>		<i>(13)</i>	<i>40</i>
Share of profits of associates and joint ventures		70	114
Insurance business income	8	13,519	11,022
Other operating income	9	9,618	8,522
Net operating income		143,568	134,051
Credit impairment losses	10	(36,827)	(33,082)
Other assets impairment losses	11	(690)	(418)
Insurance business expense	12	(13,790)	(10,925)
Other operating expenses	13	(46,644)	(43,038)
Profit before tax		45,617	46,588
Income tax expense	16	(1,485)	(3,715)
Net profit for the period		44,132	42,873

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2022

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

		Six months ended 30 June	
	Note	2022	2021
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments measured at fair value through other comprehensive income			
		(7,739)	708
		630	(335)
Expected credit losses of debt instruments measured at fair value through other comprehensive income			
		296	(179)
		-	-
Effective portion of gains or losses on hedging instruments in cash flow hedges			
		709	972
		(97)	(740)
Translation differences for foreign operations			
Others			
		4,122	(1,344)
		131	5
Subtotal			
		(1,948)	(913)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on pension benefits			
		(20)	58
Changes in fair value of equity investments designated at fair value through other comprehensive income			
		(192)	(455)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss			
		46	(36)
Others			
		1	7
Subtotal			
		(165)	(426)
Other comprehensive income, net of tax			
	42	(2,113)	(1,339)
Total comprehensive income for the period			
		42,019	41,534
Net profit attributable to:			
Shareholders of the parent company			
		44,040	42,019
Non-controlling interests			
		92	854
		44,132	42,873
Total comprehensive income attributable to:			
Shareholders of the parent company			
		41,776	40,799
Non-controlling interests			
		243	735
		42,019	41,534
Basic and diluted earnings per share for profit attributable to the shareholders of the parent company (in RMB yuan)			
	17	0.55	0.54

The accompanying notes form a part of these condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

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

	Note	As at 30 June 2022	As at 31 December 2021
ASSETS			
Cash and balances with central banks	18	746,660	734,728
Due from and placements with banks and other financial institutions	19	799,743	632,708
Derivative financial assets	20	56,150	39,220
Loans and advances to customers	21	6,923,521	6,412,201
Financial investments at fair value through profit or loss	22	666,260	638,483
Financial investments at amortised cost	22	2,375,762	2,203,037
Financial investments at fair value through other comprehensive income	22	650,592	681,729
Investments in associates and joint ventures	24	7,389	5,779
Property and equipment	25	179,238	171,194
Deferred tax assets	26	38,856	32,061
Other assets	27	136,405	114,617
Total assets		12,580,576	11,665,757
LIABILITIES AND EQUITY			
LIABILITIES			
Due to and placements from banks and other financial institutions	28	1,898,934	1,947,768
Financial liabilities at fair value through profit or loss	29	59,887	50,048
Derivative financial liabilities	20	39,488	36,074
Deposits from customers	30	7,811,363	7,039,777
Certificates of deposits issued	31	982,520	892,020
Income taxes payable		4,953	4,725
Debt securities issued	32	518,676	503,525
Deferred tax liabilities	26	1,508	1,889
Other liabilities	33	274,311	212,695
Total liabilities		11,591,640	10,688,521
EQUITY			
Share capital	34	74,263	74,263
Other equity instruments	35	174,790	174,790
<i>Including: Preference shares</i>		<i>44,952</i>	<i>44,952</i>
<i>Perpetual bonds</i>		<i>129,838</i>	<i>129,838</i>
Capital surplus	34	111,428	111,428
Other reserves	36	364,948	346,092
Retained earnings	36	251,114	258,074
Equity attributable to shareholders of the parent company		976,543	964,647
Equity attributable to non-controlling interests of ordinary shares		9,082	9,424
Equity attributable to non-controlling interests of other equity instruments		3,311	3,165
Non-controlling interests	38	12,393	12,589
Total equity		988,936	977,236
Total equity and liabilities		12,580,576	11,665,757

The condensed consolidated financial statements were approved and authorised for issuance by the Board of Directors on 26 August 2022 and signed on its behalf by:

Chairman and Executive Director: Ren Deqi

Vice Chairman, Executive Director and President: Liu Jun

The accompanying notes form a part of these condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

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

	Equity attributable to shareholders of the parent company													Attributable to Non-controlling interests		Total		
	Other equity instruments				Other reserves									Attributable to the shareholders of the parent company	Non-controlling interests of ordinary shares		Non-controlling interests of other equity instruments	
	Share capital	Preference Share	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary surplus reserve	Statutory general reserve	Revaluation reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others			Retained earnings		
	Note 34	Note 35	Note 35	Note 34	Note 36	Note 36	Note 36							Note 36, 37	Note 35	Note 35		
As at 1 January 2022	74,263	44,952	129,838	111,428	79,967	140,022	130,280	1,531	(24)	(104)	(6,884)	(87)	1,391	258,074	964,647	9,424	3,165	977,236
Total comprehensive income	-	-	-	-	-	-	-	(6,874)	46	618	3,834	(20)	132	44,040	41,776	38	205	42,019
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(26,363)	(26,363)	(380)	-	(26,743)
Dividends paid to preference shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,832)	(1,832)	-	-	(1,832)
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,685)	(1,685)	-	-	(1,685)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(59)	(59)
Transferred to reserves	-	-	-	-	7,784	-	13,328	-	-	-	-	-	-	(21,112)	-	-	-	-
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	8	-	-	-	-	-	(8)	-	-	-	-
As at 30 June 2022	74,263	44,952	129,838	111,428	87,751	140,022	143,608	(5,335)	22	514	(3,050)	(107)	1,523	251,114	976,543	9,082	3,311	988,936
As at 1 January 2021	74,263	44,952	88,340	111,428	72,431	139,930	123,163	456	12	(532)	(3,517)	(142)	1,375	214,448	866,607	8,763	3,258	878,628
Total comprehensive income	-	-	-	-	-	-	-	(144)	(36)	231	(1,341)	58	12	42,019	40,799	711	24	41,534
Capital contribution to holders of other equity instruments	-	-	41,498	-	-	-	-	-	-	-	-	-	-	-	41,498	-	-	41,498
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,541)	(23,541)	(388)	-	(23,929)
Dividends paid to preference shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,755)	(1,755)	-	-	(1,755)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(61)	(61)
Transferred to reserves	-	-	-	-	7,100	-	6,715	-	-	-	-	-	-	(13,815)	-	-	-	-
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	(1)	-	-	-	-	-	1	-	-	-	-
As at 30 June 2021	74,263	44,952	129,838	111,428	79,531	139,930	129,878	311	(24)	(301)	(4,858)	(84)	1,367	217,357	923,608	9,086	3,221	935,915

The accompanying notes form a part of these condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

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

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2022

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

	Note	Six months ended 30 June	
		2022	2021
Cash flows from investing activities:			
Cash payment for investment in subsidiaries, associated ventures and joint ventures		(1,588)	(750)
Cash payments for financial investments		(551,750)	(539,963)
Proceeds from disposal or redemption of financial investments		407,104	510,961
Dividends received		2,301	1,838
Interest received from financial investments		43,493	42,023
Acquisition of intangible assets and other assets		(621)	(622)
Cash received from the sale of intangible assets and other assets		258	336
Acquisition of property, equipment		(11,486)	(7,549)
Cash received from disposal of property, equipment		4,011	2,690
Net cash flows (used)/generated in investing activities		(108,278)	8,964
Cash flows from financing activities:			
Proceeds from issue of other equity instruments		–	41,498
Proceeds from issue of debt securities		66,892	54,988
Repayment of principal and interest of lease liabilities		(1,234)	(1,182)
Repayment of principals of debt securities issued		(56,324)	(13,240)
Payment of interest on debt securities		(5,481)	(3,829)
Dividends paid		(1,685)	–
Dividends paid to non-controlling interests		(59)	(112)
Net cash flows generated from financing activities		2,109	78,123
Effect of exchange rate fluctuations on cash and cash equivalents held		1,895	(2,835)
Net decrease in cash and cash equivalents		(15,165)	(28,491)
Cash and cash equivalents at the beginning of the period		194,308	307,120
Cash and cash equivalents at the end of the period	43	179,143	278,629
Net cash flows from operating activities include:			
Interest received		155,132	143,138
Interest paid		(95,563)	(86,764)

The accompanying notes form a part of these condensed consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

1 GENERAL

Bank of Communications Co., Ltd. (the “Bank”) is a national state-owned joint-stock commercial bank, headquartered in Shanghai, which was reorganised upon the approval of Notice Guo Fa (1986) No. 81 issued by the State Council of the PRC and Notice Yin Fa (1987) No. 40 issued by the People’s Bank of China (the “PBOC”).

The Bank possesses the Finance Permit No. B0005H131000001 issued by the China Banking and Insurance Regulatory Commission (the “CBIRC”) of the PRC with the registration number of 9131000010000595XD.

The Bank’s A Shares are listed on the Shanghai Stock Exchange (the “SSE”) and H Shares are listed on the Hong Kong Stock Exchange, with the stock codes of 601328 and 03328 respectively.

The principal activities of the Bank and its subsidiaries (the “Group”) include corporate and personal banking services, interbank and financial market business, financial leasing, fund management, wealth management, trustees, insurance, overseas securities, debt-to-equity swap and other related financial services.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation

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

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

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

(2) Changes in accounting policies

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

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

			Effective for annual periods beginning on or after	Notes
(1)	Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022	(i)
(2)	Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	(i)
(3)	Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022	(i)
(4)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018 – 2020 cycle	1 January 2022	(i)

(i) Description of this standard and amendment was disclosed in the Group’s consolidated financial statements for the year ended 31 December 2021. The adoption of this standard and amendment does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Changes in accounting policies (Continued)

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

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

			Effective for annual periods beginning on or after	Notes
(1)	Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023	(i)
(2)	IFRS 17	Insurance Contracts	1 January 2023	(ii)
(3)	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023	(i)
(4)	Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023	(i)
(5)	Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	(i)
(6)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred.	(i)

(i) Descriptions of these standards and amendments were disclosed in the Group’s consolidated financial statements for the year ended 31 December 2021. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group’s financial information.

(ii) Amendments to IFRS 17: Insurance Contracts

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

Overview

The Group’s operating activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of a certain degree of risks or a portfolio of risks. The Group’s aim is to achieve an appropriate balance between risks and returns and minimise potential adverse effects on the Group’s financial performance. The main types of financial risks are credit risk, liquidity risk, market risk, operational risk, etc.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Overview *(Continued)*

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, monitor the risks and to control the risk limits through reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets and products and the latest best practice.

Risk management framework

The Board of Directors sets out risk management strategies, overall risk preference and risk tolerance level. The senior management establishes risk management policies and procedures according to the strategies set by the Board of Directors. The Risk Management Department/Internal Control and Crime Prevention Office at Head Office serves as the chief department for the Group's risk management and leads the overall risk management duties, of which the crucial ones would be further designated to specific leading departments. The risk management division in each operation department at Head Office, in each domestic and overseas branch and in each subsidiary undertakes specific risk management function. Internal Audit Department is responsible for independent review of risk management and control environment.

(1) Credit risk

Credit risk is the risk of loss that a borrower or counterparty fails to or is unwilling to meet its obligations. Credit risk arises principally from loans and advances to customers, financial investments, derivative instruments and due from and placements with banks and other financial institutions. There is also credit risk in off-balance sheet items such as loan commitments, financial guarantees, acceptances and letters of credit. Credit risk is a major risk to which the Group is exposed. Therefore, the Group manages and controls the overall credit risk, integrated into the comprehensive risk management, in a prudent manner, and reports regularly to the Senior Management and the Board of Directors of the Group.

(a) **Credit risk management**

The Group's credit risk management is assumed by major functions such as Corporate Business Department, Inclusive Finance Department, Retail Credit Business Department, Pacific Credit Card Centre, International Banking Department, Credit Management Department, Credit Authorisation Department, Risk Management Department/Internal Control and Crime Prevention Office, Asset Preservation Department, Financial institution Department and Financial Market Department. They are responsible for the standardised management of corporate and retail credit businesses in terms of guidance on credit investment, credit investigation and report, credit approval, loan granting, post-loan management and non-performing loan management.

(i) *Loans and advances to customers*

As for corporate loans, the Group's relationship managers are responsible for receiving application files submitted by the applicants, conducting pre-loan investigation, assessing the credit risk, and raising the proposed rating. The Group adopts the hierarchical approval system at the branch and Head Office level based on the credit approval authority. Credit line is determined by taking into account the credit record, financial position, collaterals and guarantees of the applicant, overall credit risk of the credit portfolio, macroeconomic regulation and control policies and relevant laws and regulations. The Group keeps a close eye on the economic and financial trend and credit risk profile in the industry, provides more guidance on credit investment, formulate guidance for different industries, strengthens daily risk pre-warning, monitoring and specific risk investigation, identify customers under major risks and material potential risk points, enhances the refinement of post-loan management and centers on customer credit risk management to carry out post-loan management. The independent loan granting centre shall review the compliance, completeness and effectiveness of relevant credit files before loan granting according to the applications for drawdown of credit line. The Group's relationship managers are primarily responsible for post-loan management. The Group adopts a series of tools and approaches, such as risk filtering, list management, risk warning and risk investigation, in daily risk monitoring of corporate loans. The Group manages non-performing loans mainly through (1) collection; (2) restructuring; (3) disposal of collaterals or recourse to the guarantors; (4) litigation or arbitration; (5) disposal.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(a) Credit risk management *(Continued)*

(i) Loans and advances to customers (Continued)

For retail credit assets, the Group manages the overall risk profile of retail credit business through on-site review and adoption of reporting system on material matters, strengthens daily risk monitoring and pre-warning through optimising management system, standardises operation process of retail credit business through formulating business management system and combining relevant system function control, identifies and reveals material potential risks on a timely manner through strengthening risk monitoring and early-warning, and understands and forecasts the quality trends so as to adopt targeted risk control measures in advance by using stress testing and quality migration analysis. In addition, the Group continues to carry out fast response mechanism to address emergencies properly and maintains a list to manage those key risk projects through risk monitoring, guidance, collection and mitigation.

The Group adopts categorised management for retail credit assets on the basis of overdue ageing and guarantee type. With regard to retail credit customers with overdue loans, different approaches are adopted to collect such loans based on their overdue days.

Credit Card Centre of the Group is in charge of the operation and management of credit card business. Credit Card Centre of the Group adopts various supervisory and preventive measures. It reinforces data cross-validation to enhance risk prevention in the approval process, reduces risk exposure to high risk customers through subsequent credit investigation and enters into the intervention process earlier than scheduled, effectively improves collection result through reasonable allocation of available resources, and optimises data analytic system to further enhance the management of credit card business.

(ii) Treasury business

For treasury business (including debt investments), the Group chooses banks and other financial institutions prudently and balances the credit risk and return rate of investments. By making reference to internal and external credit rating information, the Group approves credits of different levels and uses an appropriate credit limit management system to review and adjust credit lines, aiming to manage the credit risk exposed to the treasury business.

For debt securities, internal and external ratings (such as Standard and Poor's) are used by the Group when available for managing the credit risk exposed to debt securities and bills. The investment in those debts and bills is to have better credit quality assets while maintaining readily available liquidity resource. The bond issuers involved with the Group are subject to the credit granting review and approval of the Head Office and credit limits are placed on such issuers.

Debt investments other than debt securities include investments in fund trust schemes, asset management plans and wealth management products set up by banking financial institutions. The Group implements a rating system for accepting trust companies, securities companies and fund companies, sets credit limits for repurchase parties of trust beneficiary right, ultimate borrowers of targeted asset management plans, and issuers of inter-bank wealth management products, and carries out follow-up risk management on a regular basis.

As for derivative instruments, the Group maintains strict limits on net open derivative investment positions (i.e., the difference between long and short contracts), by both amount and maturity. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., assets where their fair value is positive), which, in relation to derivative instruments, is only a fraction of the contract's notional amount used to express the amount outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market fluctuations. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except when the Group requires margin deposits from counterparties. The management has set limits of these contracts according to counterparty, and regularly monitor and control the actual credit risk when the Group concludes foreign exchange and interest rate contracts with other financial institutions and clients.

The Group manages the credit quality of due from and placements with banks and other financial institutions, and balances arising from transactions for precious metals, by considering the size, financial position, the internal and external credit rating of the banks and other financial institutions. The Head Office monitors and reviews the credit risk of due from and placements with banks and other financial institutions by counterparties regularly. Limits are placed on different counterparties.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(a) **Credit risk management** *(Continued)*

(iii) *Credit-related commitments*

Credit risk exposures to financial guarantees are the same as that of loans. However, commercial letters of credit are usually pledged by the relevant shipped goods, and therefore are subject to lower risk compared with direct loans. Credit-related commitments are included in the management of overall credit line granted to the applicant. For customers with transactions beyond the credit limit or infrequent transactions, the applicant shall be requested to provide relevant margin deposits in order to reduce credit risk exposures.

(iv) *Credit risk quality*

In accordance with the Guideline for Loan Credit Risk Classification issued by the CBIRC, the Group measures and manages the quality of corporate and personal loans and advances by classifying loans into the following five categories: normal, special-mention, substandard, doubtful and loss, of which substandard, doubtful and loss loans are regarded as non-performing loans.

The five categories of loan classification into which the Group classifies its loans and advances to customers are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special-mention:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collaterals or guarantees are invoked.
Loss:	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

(b) **Expected credit loss ("ECL")**

The Group measures the ECL of financial instruments at amortised cost or debt investments at fair value through other comprehensive income ("FVOCI"). The Group divides them into 3 stages by assessing whether there has been a significant increase in credit risk since initial recognition to recognise ECL.

The Group measures the ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Stage classification

The Group divides them into 3 stages. Stage 1 is "financial assets without significant increase in credit risk since initial recognition", at which the Group only needs to measure ECL in the next 12 months. Stage 2 is "financial assets with significant increase in credit risk" and stage 3 is "credit-impaired financial assets", at both of which the Group needs to measure lifetime ECL.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(b) Expected credit loss (“ECL”) *(Continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information, including forward-looking information. In particular, the following information is taken into account:

- Principal or interest of the instrument is more than 30 days past due;
- Credit rating of obligor changes significantly. Credit rating is based on both internal and external rating results, and the criteria are as follow:
 - (i) The changed internal and external ratings are worse than the Group’s credit access standards;
 - (ii) The non-retail assets’ internal ratings are downgraded by 3 ranks or above upon initial recognition;
 - (iii) Significant adverse issues have negative impacts on obligator’s repayment ability;
 - (iv) Other circumstances of significant increase in credit risk. For example, appearance of other risk alarm indicators which imply growing potential risk, and could cause losses of financial assets to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Definition of credit-impaired and default

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instrument, in addition to consideration of quantitative and qualitative indicators. In general, the Group considers a financial instrument to be credit-impaired or otherwise in default when one or more of the following criteria have been met:

- Principal or interest of the asset is more than 90 days past due;
- The issuer or obligor is in significant financial difficulty, or has already become insolvent;
- It is becoming probable that the obligor will enter bankruptcy;
- An active market for that financial asset has disappeared because of financial difficulties of issuers;
- Other objective evidence indicating impairment of the financial asset.

The financial assets are moveable between stages. For instance, financial instruments originally classified at stage 1 should be downgraded to stage 2 if events occur such as a significant increase in credit risk. Financial instruments at stage 2 could be upgraded to stage 1 if credit risk decreases and the criteria for the determination of “a significant increase in credit risk” are no longer met.

After the outbreak of the pandemic of COVID-19, the Group strictly followed the regulatory policies and requirements and prudently evaluates the repayment ability of the clients who apply for payment holiday. On the premise that the subsequent risks will not be enlarged and subsequent settlement will not be affected, the Group provided relief measures to those clients meeting specific criteria by extending the maturity and so on. The Group has assessed whether the relief measures would cause a significant increase in credit risks and has adjusted the stage classification as appropriate.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(b) Expected credit loss (“ECL”) *(Continued)*

Description of parameters, assumptions and estimation techniques

The Group recognises a loss allowance to different financial instruments at an amount equal to 12-month or lifetime expected credit loss based on whether there has been a significant increase in credit risk and whether the financial instrument is credit-impaired. ECL is the result of discounted product of the weighted average of “probability of default (PD)”, “loss given default (LGD)”, “exposure at default (EAD)” under the three scenarios, which are defined as follows:

Probability of default (PD) is the probability of default occurring of a client and its assets in a given period of time in the future.

Exposure at default (EAD) represents the total amount of on-balance sheet and off-balance sheet exposure at the time of default by debtor, reflecting the total amount of possible losses likely to be incurred. In general, this includes the utilised credit limit, interest receivable, the anticipated usage of unused credit facilities as well as the related expenses to be incurred.

Loss given default (LGD) represents the percentage of amount of loss to be incurred in the event of default to the total risk exposure. It typically varies by nature of debtor, type and seniority of claim and the availability of collaterals or other credit risk mitigation.

Definition of default has been consistently applied to model establishment of probability of default (PD), exposure at default (EAD), loss given default (LGD) in ECL calculation throughout the Group.

Estimation of ECL: the impairment models

The impairment models adopt a top down approach. Through grouping, the models cover the risk exposures of financial institutions, corporates and retailers. The Group has established a macro-economic forecast model driven by the year-on-year Gross Domestic Product (GDP) growth rate to forecast values of macro-economic indicators in multiple categories, including national accounts, price index, foreign trades, fixed asset investments, currency and interest rates, under three scenarios, namely “Basic Scenario”, “Optimistic Scenario” and “Pessimistic Scenario”. The forecasts, after evaluation and confirmation by economic experts and senior management of the Bank, are used in asset impairment model. The macro scenario settings and the rationality of the weightings are reviewed and adjusted semiannually, based on changes in the internal and external economic environment.

As at June 30 2022, The Group forecasts the 2022 year-on-year growth rate of GDP to be around 5.0% in the Basic Scenario. The Group fully considered the macroeconomic forecast for 2022 when evaluating the forecast information used in the impairment models, and made prudential adjustments to the macro scenario settings.

The Group determined the weightings of “Basic Scenario”, “Optimistic Scenario” and “Pessimistic Scenario” with macro data analysis and expert’s judgement and maintain relative stability.

Where impairment models could not be established due to lack of data support, the Group endeavoured to select appropriate methods in order to make prospective estimation. The Group made prospective adjustments to impairment calculation of overseas branches regularly based on macro-forecast data from authoritative institutions (such as IMF and the World Bank). For asset portfolios not covered by impairment models, expected loss rate was set by referring to that of similar asset portfolios with impairment models available. When the management believed that the forecast model could not fully reflect recent credit or economic events, management overlay adjustments could be used to supplement ECL allowances.

Grouping of instruments with similar credit risk characteristics

To calculate the relevance between ECL allowance and macro-economic indicators, a grouping of exposure is performed for assets with similar credit risk characteristics. In performing this grouping, the Group has obtained sufficient information to ensure the data reliability for statistical purposes. Where sufficient information is not available internally, the Group has leveraged supplementary data from both internal and external environments to help establish impairment model. Non-retail assets of the Group are mainly grouped according to industries, while retail assets are mainly grouped based on product types and so on.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(b) Expected credit loss (“ECL”) (Continued)

Sensitivity analysis

The Group measures sensitivity analysis on the macro-economic indicators used in prospective estimation. As at 30 June 2022, if the optimistic/pessimistic scenario weighting increases or decreases by 10%, and the prediction of economic indicators changed correspondingly, the change of the impairment allowance does not exceed 5%.

(c) Maximum exposure to credit risk

(i) financial instruments included in impairment assessment

The Group classified the credit risk levels of financial assets measured by ECL into “Low” (credit risk in good condition), “Medium” (increased credit risk), and “High” (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the group’s internal credit risk management. “Low” refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. “Medium” refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. “High” refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts or having significant impact on the repayment of debt according to contract terms.

The table below analyses exposure to credit risk of major financial instruments included in expected credit losses assessment. The balance of financial instruments below is the maximum exposure to credit risk of these instruments in the Group.

As at 30 June 2022	Low risk	Medium risk	High risk	Domestic branches	Overseas and subsidiaries	Group total	Allowance for Impairment losses	Group Carrying amount
On-balance sheet item								
Cash and balances with central banks (Stage 1)	692,553	-	-	692,553	42,123	734,676	-	734,676
Loans and advances to customers – Corporate (Excluding accrued interest)								
at amortised cost	3,831,463	73,914	71,027	3,976,404	518,388	4,494,792	(134,933)	4,359,859
Stage 1	3,758,624	-	-	3,758,624	478,682	4,237,306	(50,856)	4,186,450
Stage 2	72,839	73,914	-	146,753	29,699	176,452	(33,329)	143,123
Stage 3	-	-	71,027	71,027	10,007	81,034	(50,748)	30,286
at FVOCI	241,199	1	79	241,279	2,742	244,021	-	244,021
Stage 1	236,870	-	-	236,870	2,742	239,612	-	239,612
Stage 2	4,329	1	-	4,330	-	4,330	-	4,330
Stage 3	-	-	79	79	-	79	-	79
Loans and advances to customers – Personal (Excluding accrued interest)								
at amortised cost	2,249,395	17,118	21,819	2,288,332	60,558	2,348,890	(42,501)	2,306,389
Stage 1	2,249,395	2,769	-	2,252,164	59,942	2,312,106	(20,211)	2,291,895
Stage 2	-	14,349	-	14,349	343	14,692	(5,415)	9,277
Stage 3	-	-	21,819	21,819	273	22,092	(16,875)	5,217
Due from and placements with banks and other financial institutions								
Stage 1	444,674	-	-	444,674	357,240	801,914	(2,171)	799,743
Stage 2	444,674	-	-	444,674	353,423	798,097	(2,169)	795,928
Stage 3	-	-	-	-	3,817	3,817	(2)	3,815
Financial investments at amortised cost	2,255,745	1,213	1,101	2,258,059	120,678	2,378,737	(2,975)	2,375,762
Stage 1	2,250,337	152	-	2,250,489	118,292	2,368,781	(1,499)	2,367,282
Stage 2	5,408	1,061	-	6,469	1,026	7,495	(571)	6,924
Stage 3	-	-	1,101	1,101	1,360	2,461	(905)	1,556
Debt investments at FVOCI	229,977	-	-	229,977	403,040	633,017	-	633,017
Stage 1	229,977	-	-	229,977	397,891	627,868	-	627,868
Stage 2	-	-	-	-	4,899	4,899	-	4,899
Stage 3	-	-	-	-	250	250	-	250
On-balance sheet total	9,945,006	92,246	94,026	10,131,278	1,504,769	11,636,047	(182,580)	11,453,467

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(c) Maximum exposure to credit risk (Continued)

(i) financial instruments included in impairment assessment (Continued)

As at 30 June 2022	Domestic branches	Overseas and subsidiaries	Group total	Allowance for Impairment losses	Group Carrying amount
Credit related commitments and financial guarantees					
Stage 1	1,988,504	57,449	2,045,953	(9,831)	2,036,122
Stage 2	10,710	672	11,382	(1,014)	10,368
Off-balance sheet total	1,999,214	58,121	2,057,335	(10,845)	2,046,490

As at 31 December 2021	Low risk	Medium risk	High risk	Domestic branches	Overseas and subsidiaries	Group total	Allowance for Impairment losses	Group Carrying amount
On-balance sheet item								
Cash and balances with central banks (Stage 1)	667,440	-	-	667,440	53,990	721,430	-	721,430
Loans and advances to customers - Corporate								
(Excluding accrued interest)								
at amortised cost	3,449,747	66,771	69,992	3,586,510	504,061	4,090,571	(121,252)	3,969,319
Stage 1	3,364,303	-	-	3,364,303	479,277	3,843,580	(37,786)	3,805,794
Stage 2	85,444	66,771	-	152,215	17,158	169,373	(34,382)	134,991
Stage 3	-	-	69,992	69,992	7,626	77,618	(49,084)	28,534
at FVOCI	182,148	34	10	182,192	2,514	184,706	-	184,706
Stage 1	178,511	-	-	178,511	2,514	181,025	-	181,025
Stage 2	3,637	34	-	3,671	-	3,671	-	3,671
Stage 3	-	-	10	10	-	10	-	10
Loans and advances to customers - Personal								
(Excluding accrued interest)								
at amortised cost	2,198,737	14,554	18,932	2,232,223	52,873	2,285,096	(38,837)	2,246,259
Stage 1	2,198,737	3,375	-	2,202,112	52,329	2,254,441	(19,617)	2,234,824
Stage 2	-	11,179	-	11,179	308	11,487	(4,510)	6,977
Stage 3	-	-	18,932	18,932	236	19,168	(14,710)	4,458
Due from and placements with banks and other financial institutions	411,963	-	-	411,963	223,051	635,014	(2,306)	632,708
Stage 1	411,963	-	-	411,963	219,552	631,515	(2,304)	629,211
Stage 2	-	-	-	-	3,499	3,499	(2)	3,497
Financial investments at amortised cost	2,124,848	-	1,088	2,125,936	80,059	2,205,995	(2,958)	2,203,037
Stage 1	2,121,126	-	-	2,121,126	77,343	2,198,469	(1,695)	2,196,774
Stage 2	3,722	-	-	3,722	515	4,237	(371)	3,866
Stage 3	-	-	1,088	1,088	2,201	3,289	(892)	2,397
Debt investments at FVOCI	250,966	-	-	250,966	414,501	665,467	-	665,467
Stage 1	250,966	-	-	250,966	410,700	661,666	-	661,666
Stage 2	-	-	-	-	3,772	3,772	-	3,772
Stage 3	-	-	-	-	29	29	-	29
On-balance sheet total	9,285,849	81,359	90,022	9,457,230	1,331,049	10,788,279	(165,353)	10,622,926

As at 31 December 2021	Domestic branches	Overseas and subsidiaries	Group total	Allowance for Impairment losses	Group Carrying amount
Credit related commitments and financial guarantees					
Stage 1	1,814,432	45,815	1,860,247	(8,736)	1,851,511
Stage 2	6,916	732	7,648	(506)	7,142
Off-balance sheet total	1,821,348	46,547	1,867,895	(9,242)	1,858,653

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) **Maximum exposure to credit risk** *(Continued)*

(ii) *financial instruments not included in impairment assessment*

The analysis of credit risk exposure of those financial assets which are not included in the impairment assessment are as follows:

	As at 30 June 2022	As at 31 December 2021
Financial assets at fair value through profit or loss		
Derivative financial instruments	56,150	39,220
Loans and advances to customers	27	27
Debt securities	265,848	247,934
Funds, trusts and debt investments	173,150	166,710
Precious metal contracts	19,381	21,924
Other investments	145,214	138,466
Total	659,770	614,281

(iii) *Collaterals and other credit enhancements*

The Group manages, limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparty, groups, industry segments and geographical regions.

The Group optimises its credit risk structure by placing limits in relation to one borrower, or group of borrowers. Such risks are monitored by the Group on a regular basis and subject to annual or more frequent review, whenever necessary.

The exposure to any single borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. The Group monitors the actual credit risk exposure and credit limits on a daily basis.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet principal and interest repayment obligations. The Group will change their lending limits when appropriate based on the analysis.

Some other specific control and risk mitigation measures are outlined below.

Collaterals

The Group employs a range of policies and practices to mitigate credit risk. The most common practice is to accept collaterals or pledges. The Group implements guidelines on the acceptability of specific classes of collaterals and pledges. The principal types of collaterals and pledges for loans and advances to customers are:

- Residential properties;
- Business assets such as premises, inventory and receivables;
- Financial instruments such as debt securities and stocks.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(c) Maximum exposure to credit risk (Continued)

(iii) Collaterals and other credit enhancements (Continued)

Collaterals (Continued)

The value of collaterals at the time of loan origination is subject to loan-to-value ratio limits based on collateral types. The principal types of collaterals for corporate loans and personal loans are as follows:

Collaterals	Maximum loan-to-value ratio
Cash deposits with the Group	90%
PRC treasury bonds	90%
Financial institution bonds	90%
Publicly traded stocks	60%
Rights to collect fees or right of management	65%
Properties	70%
Land use rights	70%
Vehicles	50%

Long-term loans and advances to corporate and personal customers are generally secured. In addition, in order to minimise the credit loss the Group will strengthen collection through short message reminders, telephone calls, letters, judicial proceedings and other means as soon as impairment indicators are noted for the personal loans and advances.

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

Collaterals and pledges held as security for financial assets other than loans and advances to customers are determined by the nature of the instrument. Debt securities, PRC treasury bonds and the PBOC bills are generally unsecured, with the exception of asset-backed securities, which are secured by portfolios of financial instruments.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

30 June 2022	Gross exposure	Impairment allowance	Carrying amount	Exposure covered by collateral
Credit impaired assets				
Loans and advances to customers				
Loans and advances to customers at amortised cost	103,126	(67,623)	35,503	55,309
Loans and advances to customers at fair value through other comprehensive income	79	-	79	79
Financial investments				
Financial investments at amortised cost	2,461	(905)	1,556	1,263
Financial investments at fair value through other comprehensive income	250	-	250	-

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(c) Maximum exposure to credit risk (Continued)

(iii) Collaterals and other credit enhancements (Continued)

Collaterals (Continued)

31 December 2021	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit impaired assets				
Loans and advances to customers				
Loans and advances to customers at amortised cost	96,786	(63,794)	32,992	46,184
Loans and advances to customers at fair value through other comprehensive income	10	–	10	10
Financial investments				
Financial investments at amortised cost	3,289	(892)	2,397	4,876
Financial investments at fair value through other comprehensive income	29	–	29	–

Master netting arrangements

The Group may enter into master netting arrangements or similar agreements with the counterparties to reduce credit risk furtherly. The related credit risk of contracts will reduce when settled on a net basis. Each party to the master netting arrangements or similar agreements will settle all such amounts on a net basis in the event of default of the other party.

(d) Derivative instruments

The Group undertakes its transactions in foreign exchange, commodity, interest rate and other derivative contracts with other financial institutions and customers. The management has established limits for these contracts based on counterparties, industry sectors and countries. Actual credit risk exposures are regularly monitored and controlled by the management.

Credit risk-weighted amounts

	As at 30 June 2022	As at 31 December 2021
Counterparty credit risk-weighted amount	50,572	53,789

The credit risk-weighted amounts are the amounts calculated with reference to the guidelines issued by the CBIRC and are dependent on the creditworthiness of the counterparty and the maturity of each type of contract. The credit risk-weighted amounts stated above have not taken the effects of netting arrangements into account.

(e) Foreclosed assets

	As at 30 June 2022	As at 31 December 2021
Buildings	1,408	1,424
Land use rights	8	8
Others	5	5
Gross	1,421	1,437
Less: Impairment allowances	(411)	(407)
Net	1,010	1,030

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not generally occupy foreclosed assets for its own business use. Foreclosed assets are classified as other assets in the statement of financial position.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(f) Concentration risk analysis for financial assets with credit risk exposure

The Group mainly manages concentration risk for loans and advances to customers by industry sectors and also manages concentration risk for financial assets by geographical sectors.

Concentration risk for geographical sectors

As at 30 June 2022	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with central banks	695,274	3,055	36,347	734,676
Due from and placements with banks and other financial institutions	504,129	98,045	197,569	799,743
Derivative financial assets	39,141	9,529	7,480	56,150
Loans and advances to customers	6,561,519	225,734	136,268	6,923,521
Financial investments at FVTPL	535,964	14,678	52,951	603,593
Debt investments at FVOCI	294,059	100,095	238,863	633,017
Financial investments at amortised cost	2,303,378	32,555	39,829	2,375,762
Other financial assets	70,086	9,718	391	80,195
Total	11,003,550	493,409	709,698	12,206,657
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	1,012,155	8,317	11,090	1,031,562
Loan commitments and other credit related commitments	988,940	24,500	12,333	1,025,773
Total	2,001,095	32,817	23,423	2,057,335
As at 31 December 2021	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with central banks	670,925	28,814	21,387	721,126
Due from and placements with banks and other financial institutions	463,774	68,572	100,362	632,708
Derivative financial assets	26,989	9,284	2,947	39,220
Loans and advances to customers	6,065,792	206,433	139,976	6,412,201
Financial investments at FVTPL	511,854	6,511	56,669	575,034
Debt investments at FVOCI	394,613	58,562	212,292	665,467
Financial investments at amortised cost	2,161,046	6,621	35,370	2,203,037
Other financial assets	52,737	11,201	3,567	67,505
Total	10,347,730	395,998	572,570	11,316,298
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	879,413	6,458	12,073	897,944
Loan commitments and other credit related commitments	943,804	23,598	2,549	969,951
Total	1,823,217	30,056	14,622	1,867,895

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(f) Concentration risk analysis for financial assets with credit risk exposure (Continued)

Geographical risk concentration for loans and advances to customers

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

Note: The definitions of geographical operating segments are set out in Note 48.

Industry analysis for loans and advances to customers

	As at 30 June 2022		As at 31 December 2021	
		%		%
Corporate loans				
Transportation, storage and postal service	789,077	11.13	763,419	11.64
Manufacturing	783,050	11.05	732,565	11.16
– Electronics	203,453	2.87	168,825	2.57
– Petroleum and chemical	139,085	1.96	126,354	1.93
– Machinery	113,668	1.60	102,338	1.56
– Steel	42,988	0.61	40,781	0.62
– Textile and clothing	29,190	0.41	26,817	0.41
– Other manufacturing	254,666	3.60	267,450	4.07
Leasing and commercial services	698,520	9.86	650,742	9.92
Real estate	493,963	6.97	419,820	6.40
Water conservancy, environmental and other public services	420,070	5.93	382,201	5.83
Production and supply of power, heat, gas and water	297,323	4.19	268,772	4.10
Wholesale and retail	263,263	3.71	215,554	3.29
Construction	190,257	2.68	157,729	2.40
Education, science, culture and public health	126,047	1.78	122,196	1.86
Mining	125,254	1.77	120,216	1.83
Finance	123,723	1.75	132,633	2.02
Information transmission, software and IT services	65,933	0.93	60,718	0.93
Accommodation and catering	38,778	0.55	34,133	0.52
Others	138,590	1.96	77,884	1.19
Discounted bills	184,992	2.61	136,722	2.08
Total corporate loans	4,738,840	66.87	4,275,304	65.17
Personal loans				
Mortgages	1,528,420	21.56	1,489,517	22.70
Credit cards	480,853	6.78	492,580	7.51
Others	339,617	4.79	302,999	4.62
Total personal loans	2,348,890	33.13	2,285,096	34.83
Gross amount of loans and advances before impairment allowances	7,087,730	100.00	6,560,400	100.00

Note: The classification of industries is consistent with the latest national standards for industry classification (Industrial classification for national economic activities (GB/T 4754-2017) issued by SAC and AQSIQ in 2017).

The industry risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk

Overview

Market risk is risk of loss on the Group's on balance sheet and off balance sheet businesses, which is originated from the unfavourable changes and fluctuations in interest rates, foreign exchange rates, commodity price and equity product price. Market risk consists of interest rate risk, foreign exchange rate risk, equity product price risk and commodity price risk. The market risk of the Group mainly comprises interest rate risk and foreign exchange rate risk.

The Group established an integrated market risk management system, formed a market risk management structure with the separation of front and middle-end platforms and specified the responsibilities, the division of labor and the reporting route of the Board of Directors, Board of Supervisors, Senior Management, Special Committees and other relevant departments to ensure the compliance and effectiveness of market risk management.

In accordance with the requirements of the CBIRC, the Group's financial instrument positions are divided into trading book and banking book. The trading book consists of financial instruments held either for trading intent or economic hedging against risks of the trading book. The banking book consists of all financial instruments other than those included in trading book. The Group recognises, measures, monitors and controls the market risks in trading book and banking book according to their nature and characteristics.

With regard to the exchange rate risk and the interest rate risk of trading book, the Group established an effective limit management system by implementing Net Position, Risk Sensitivity, Value at Risk ("VaR") and other indicators. Meanwhile, with regard to the interest risk of banking book, net interest income simulation and gap analysis are the major tools used by the Group to monitor the interest risk of its overall businesses. In addition, through adequate repricing management and structure adjustment of assets and liabilities, the Group strives to maximise its rate of return while keeping its risks under control.

The Group has continuously improved the management system of market risk. The Group conducted stress tests on historical scenarios and hypothetical scenarios in the consideration of the Group's major market risk factors. The Group has realised daily automatic collection of trading data and market data in the system. The Group conducted the management of risk capital and VaR quota, and formulated the quota allocation plans.

The Group also applies sensitivity analysis to assess and measure the market risk of trading book and banking book. Sensitivity analysis indicates the impact on the relevant market risk assuming that only a single variable changes. As any risk variable rarely changes isolatedly, and the correlation between variables will have a significant effect on the final impact amount of the change of a risk variable, the results of sensitivity analysis can only provide limited market risk information.

The major measurement techniques used to measure and control market risk are outlined below:

(a) VaR

VaR refers to the maximum loss that an investment portfolio may incur at a given confidence level and holding period caused by the changes in market price factors such as interest rates and exchange rates etc. The Group adopted the historical simulation method to calculate daily VaR (99% confidence interval, the holding period of one day).

A summary of VaR by risk type including foreign exchange rate risk and interest rate risk of the trading book of the Group's portfolios is as follows:

Items	Six months ended 30 June 2022			
	30 June 2022	Average	Maximum	Minimum
VaR	529	498	671	298
Including: Interest rate risk	552	496	676	282
Foreign exchange risk	82	79	130	51

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) VaR (Continued)

Items	Six months ended 30 June 2021			
	30 June 2021	Average	Maximum	Minimum
VaR	336	454	746	336
Including: Interest rate risk	290	362	453	263
Foreign exchange risk	255	226	743	100

(b) Sensitivity analysis

Interest rate sensitivity analysis

The table below illustrates the impact on net profit of the Group for the following year based on the structure of financial assets and liabilities as at the date of statement of financial position, resulting from a parallel upward or downward shift of 100 basis points in related yield curves.

	Changes in net profit	
	As at 30 June 2022	As at 31 December 2021
+100 basis points parallel shift in yield curves	5,718	10,562
- 100 basis points parallel shift in yield curves	(5,718)	(10,562)

The table below illustrates the impact on other comprehensive income of the Group for the following year based on the structure of financial assets and liabilities as at the date of statement of financial position, resulting from a parallel upward or downward shift of 100 basis points in related yield curves.

	Changes in other comprehensive income	
	As at 30 June 2022	As at 31 December 2021
+100 basis points parallel shift in yield curves	(13,836)	(12,995)
- 100 basis points parallel shift in yield curves	15,013	14,012

The above-mentioned impact on other comprehensive income arises from the changes in the fair value of fixed-interest-rate bonds at fair value through other comprehensive income, and loans and advances to customers at fair value through other comprehensive income.

The results of the interest rate sensitivity analysis set out in the table above are illustrative only and are based on simplified scenarios. The figures represent the projected impact to the net profit and other comprehensive income caused by the projected movement of current interest risk structure yield curves. This effect, however, does not take into account actions that would be taken by the Group to mitigate the impact of interest rate changes.

The projections above also assume that interest rates of all maturities excluding demand deposits move by the same amount and, therefore, do not reflect the potential impact on net profit due to changes in certain rates while others remain unchanged. The projections are based on other simplified assumptions as well, including that all positions are to be held to maturity. There will be changes to the projection if positions are not held to maturity but it is not expected that the changes would be material.

The Group believes the assumption does not represent the Group's policy on use of funds and interest rate risk management. As a result, the above impact may differ from the actual situation.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(b) **Sensitivity analysis** *(Continued)*

Foreign exchange sensitivity analysis

The table below illustrates the impact of a concurrent appreciation or depreciation of RMB spot and forward rates against USD and HKD by 5% on the Group's net profit:

	Changes in net profit	
	As at 30 June 2022	As at 31 December 2021
5% appreciation of RMB	(607)	(1,803)
5% depreciation of RMB	607	1,803

The table below illustrates the impact of a concurrent appreciation or depreciation of RMB spot and forward rates against USD and HKD by 5% on the Group's other comprehensive income:

	Changes in other comprehensive income	
	As at 30 June 2022	As at 31 December 2021
5% appreciation of RMB	(1,226)	(1,403)
5% depreciation of RMB	1,226	1,403

The impact on net profit arises from the influences of RMB exchange rate fluctuation on the net position of monetary assets (excluding other book value other than amortised cost of monetary assets at fair value through other comprehensive income) and liabilities denominated in foreign currencies, the net position of non-monetary financial assets (excluding non-monetary items denominated in foreign currencies measured at fair value through other comprehensive income) and liabilities denominated in foreign currencies measured at fair value, and the fair value of currency derivatives denominated in RMB.

The impact on other comprehensive income arises from the influences of RMB exchange rate fluctuation on the differences on translation of foreign currency financial statements of foreign operators, the overseas investment portion of monetary assets denominated in foreign currencies, other book value other than amortised cost of the non-monetary items denominated in foreign currencies measured at fair value through other comprehensive income (such as stock) and monetary items at fair value through other comprehensive income.

The above impact on net profit is based on the assumption that the sensitive position of the Group's year-end exchange rate and currency derivatives denominated in RMB remain unchanged around the year. While in practice, the Group will, based on its judgement on the trend of exchange rate, actively adjust the foreign currency position and use appropriate derivative instruments to mitigate the impact of the foreign currency risk. Therefore, the above impact might differ from the actual situation.

(c) **Interest rate risk**

The Group's interest rate risk mainly arises from interest rate repricing and maturity mismatching of assets and liabilities, and the fluctuation of market interest rates, as well as from the adjustments in the interest rate policies made by the PBOC. On 20 July 2013, the PBOC cancelled the lower limit of benchmark interest rates of loans dominated in RMB, allowing financial institutions to determine the loan interest rates independently based on commercial principles. The PBOC cancelled the upper limit of the benchmark interest rates for deposits on 24 October 2015 and established RMB Loan Prime Rate (LPR) as a new pricing benchmark of new loans in 2019. The Group conducts most of its domestic deposit businesses at benchmark interest rates for deposits and conducts most of its domestic loan businesses at LPR published by the PBOC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(c) Interest rate risk (Continued)

The Group pays high attention to the transition of interest rate benchmark and has established a task force to speed up the launch and implementation of interest rate benchmark reform project. At the current stage, the progress of this reform is basically on schedule. The first batch exited the market on 1 January 2022 have already complete transition successfully, and the remaining transition of USD libor is ready on schedule, and the impact of the methods of benchmark transition on interest rate risk is generally under control, which has a relatively limited substantial impact on the operations.

The Group has initially established a relatively complete interest rate risk monitoring system. By using the gap analysis system, the Group regularly monitors the repricing maturity gap of interest rate-sensitive assets and liabilities throughout the Group, takes the initiative to adjust the proportion of interest-bearing assets at floating interest rates and fixed interest rates, and adjusts the repricing term structure of interest rate and manages interest rate risk by applying appropriate derivatives such as interest rate swaps based on allocation strategy of assets and liabilities. Consequently, the Group is less vulnerable to interest rate risk.

During the reporting period, the Group closely monitored the interest rate trend for RMB and foreign currencies, conducted specific management of risk limits, and strengthened comprehensive operations and limit monitoring. In addition, the Group, by rationally adjusting the loan repricing strategies, reinforced the specific management of price negotiation to maximise its rate of return while keeping its risks under control.

At the date of statement of financial position, the Group's assets and liabilities categorised by the repricing date or maturity date (whichever is earlier) are as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
As at 30 June 2022							
Assets							
Cash and balances with central banks	731,562	-	-	-	-	15,098	746,660
Due from and placements with banks and other financial institutions	409,157	138,181	201,391	42,127	3,863	5,024	799,743
Derivative financial assets	-	-	-	-	-	56,150	56,150
Loans and advances to customers	719,624	892,299	4,271,212	446,626	233,724	360,036	6,923,521
Financial investments at FVTPL	19,363	45,420	96,597	88,918	39,490	376,472	666,260
Financial investments at amortised cost	49,628	83,035	221,691	980,277	1,010,823	30,308	2,375,762
Financial investments at FVOCI	55,992	95,722	37,701	259,278	178,548	23,351	650,592
Other assets	489	-	-	-	-	361,399	361,888
Total assets	1,985,815	1,254,657	4,828,592	1,817,226	1,466,448	1,227,838	12,580,576
Liabilities							
Due to and placements from banks and other financial institutions	(1,069,729)	(280,887)	(513,999)	(20,659)	(3,465)	(10,195)	(1,898,934)
Financial liabilities at FVTPL	(3,579)	(8,381)	(4,278)	(9,435)	-	(34,214)	(59,887)
Derivative financial liabilities	-	-	-	-	-	(39,488)	(39,488)
Deposits from customers	(3,941,979)	(671,244)	(1,369,601)	(1,719,900)	(23)	(108,616)	(7,811,363)
Other liabilities	(135,174)	(141,015)	(845,883)	(247,314)	(222,674)	(189,908)	(1,781,968)
Total liabilities	(5,150,461)	(1,101,527)	(2,733,761)	(1,997,308)	(226,162)	(382,421)	(11,591,640)
Total interest sensitivity gap	(3,164,646)	153,130	2,094,831	(180,082)	1,240,286	845,417	988,936

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (Continued)**(2) Market risk** (Continued)**(c) Interest rate risk** (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
As at 31 December 2021							
Assets							
Cash and balances with central banks	714,689	–	–	–	–	20,039	734,728
Due from and placements with banks and other financial institutions	274,884	105,476	212,107	28,423	7,950	3,868	632,708
Derivative financial assets	–	–	–	–	–	39,220	39,220
Loans and advances to customers	1,752,819	740,873	2,904,431	442,783	259,155	312,140	6,412,201
Financial investments at FVTPL	32,659	52,942	90,657	35,428	45,306	381,491	638,483
Financial investments at amortised cost	18,908	35,803	262,899	1,009,017	846,114	30,296	2,203,037
Financial investments at FVOCI	49,415	109,842	91,364	227,236	181,312	22,560	681,729
Other assets	458	–	–	–	–	323,193	323,651
Total assets	2,843,832	1,044,936	3,561,458	1,742,887	1,339,837	1,132,807	11,665,757
Liabilities							
Due to and placements from banks and other financial institutions	(1,167,169)	(261,570)	(486,143)	(20,848)	(2,889)	(9,149)	(1,947,768)
Financial liabilities at FVTPL	(24,954)	(1,995)	(10,196)	(1,266)	–	(11,637)	(50,048)
Derivative financial liabilities	–	–	–	–	–	(36,074)	(36,074)
Deposits from customers	(3,787,796)	(534,784)	(1,020,946)	(1,607,059)	(39)	(89,153)	(7,039,777)
Other liabilities	(125,188)	(183,613)	(722,988)	(224,408)	(216,154)	(142,503)	(1,614,854)
Total liabilities	(5,105,107)	(981,962)	(2,240,273)	(1,853,581)	(219,082)	(288,516)	(10,688,521)
Total interest sensitivity gap	(2,261,275)	62,974	1,321,185	(110,694)	1,120,755	844,291	977,236

(d) Foreign exchange risk

The Group conducts the majority of its businesses in RMB, and the recording currency is RMB. Certain foreign transactions are conducted in USD, HKD and other currencies. The exchange rate of RMB to USD, HKD or other currencies is subject to the trading rules of China Foreign Exchange Trade System. Exchange rate risk mainly results from currency mismatch between foreign currency assets and liabilities and between off balance sheet currency exposure. The Group has formulated management measures for exchange rate risks, defining the functional division and scope of work of the exchange rate risk management department, risk identification, measurement, monitoring and control methods, and specific measures. Moreover, the Group controls exchange rate risk by setting relevant limits, taking the initiative to adjust the structure of foreign currency assets for a proper matching of currency structure of assets and liabilities, and applying appropriate exchange rate financial derivatives for transfers and hedging based on its own risk tolerance and operating level.

As at 30 June 2022, the exchange rates for US dollar and HK dollar are 1 US dollar to RMB6.7114 (31 December 2021: RMB6.3757) and 1 HK dollar to RMB0.8552 (31 December 2021: RMB0.8176), respectively.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(d) Foreign exchange risk (Continued)

Carrying amounts of the Group's total assets and liabilities categorised by the original currency as at the date of statement of financial position are as follows:

	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
As at 30 June 2022					
Assets					
Cash and balances with central banks	682,250	34,804	3,968	25,638	746,660
Due from and placements with banks and other financial institutions	406,614	354,332	18,063	20,734	799,743
Derivative financial assets	29,941	19,619	4,233	2,357	56,150
Loans and advances to customers	6,349,268	306,213	189,603	78,437	6,923,521
Financial investments at FVTPL	568,163	67,287	4,904	25,906	666,260
Financial investments at amortised cost	2,306,193	42,942	18,375	8,252	2,375,762
Financial investments at FVOCI	281,108	295,041	21,523	52,920	650,592
Other assets	195,699	151,024	9,639	5,526	361,888
Total assets	10,819,236	1,271,262	270,308	219,770	12,580,576
Liabilities					
Due to and placements from banks and other financial institutions	(1,493,044)	(333,432)	(17,278)	(55,180)	(1,898,934)
Financial liabilities at FVTPL	(37,976)	(4,079)	(37)	(17,795)	(59,887)
Derivative financial liabilities	(29,054)	(5,384)	(3,688)	(1,362)	(39,488)
Deposits from customers	(6,994,430)	(474,376)	(288,731)	(53,826)	(7,811,363)
Other liabilities	(1,575,809)	(168,494)	(13,714)	(23,951)	(1,781,968)
Total liabilities	(10,130,313)	(985,765)	(323,448)	(152,114)	(11,591,640)
Net position	688,923	285,497	(53,140)	67,656	988,936
Credit related commitments and financial guarantees	1,861,116	146,338	20,753	29,128	2,057,335

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (Continued)**(2) Market risk** (Continued)**(d) Foreign exchange risk** (Continued)

	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
As at 31 December 2021					
Assets					
Cash and balances with central banks	659,377	32,034	30,113	13,204	734,728
Due from and placements with banks and other financial institutions	316,755	276,807	19,944	19,202	632,708
Derivative financial assets	32,268	5,982	482	488	39,220
Loans and advances to customers	5,882,592	294,495	164,923	70,191	6,412,201
Financial investments at FVTPL	539,513	79,414	727	18,829	638,483
Financial investments at amortised cost	2,169,831	29,760	812	2,634	2,203,037
Financial investments at FVOCI	309,518	283,663	37,699	50,849	681,729
Other assets	173,258	137,483	7,292	5,618	323,651
Total assets	10,083,112	1,139,638	261,992	181,015	11,665,757
Liabilities					
Due to and placements from banks and other financial institutions	(1,496,464)	(389,507)	(22,857)	(38,940)	(1,947,768)
Financial liabilities at FVTPL	(34,217)	(3,196)	(41)	(12,594)	(50,048)
Derivative financial liabilities	(27,910)	(7,021)	(614)	(529)	(36,074)
Deposits from customers	(6,341,729)	(387,816)	(262,148)	(48,084)	(7,039,777)
Other liabilities	(1,392,157)	(176,573)	(20,418)	(25,706)	(1,614,854)
Total liabilities	(9,292,477)	(964,113)	(306,078)	(125,853)	(10,688,521)
Net position	790,635	175,525	(44,086)	55,162	977,236
Credit related commitments and financial guarantees	1,683,043	137,706	19,797	27,349	1,867,895

(e) Other price risk

The Group is exposed to other price risk arising from financial assets such as equity investments and derivatives linked to commodity price. The equity investments arise from the proprietary trading of the Group's subsidiaries which hold the qualification of securities dealing and brokerage as well. As for the proprietary trading exposure, the Group enforces strict management of the risk exposure limit and the balance is insignificant to the Group's financial assets. The Group considers the exposure to the other price risk to be insignificant.

(3) Liquidity risk**Overview**

Liquidity risk is the risk that occurs when the Group cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfill other payment obligations, or meet other funding needs in the normal course of business. The Group's liquidity risk mainly comes from depositors' early or centralised withdrawals, borrowers' deferred repayment of loans, the amount of assets and liabilities and maturity mismatches.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Liquidity risk management

The Group implements centralised management of liquidity risk and, on the basis of forecasting liquidity requirements, formulates corresponding liquidity management plans and actively manages the liquidity of the Bank. The specific measures mainly include:

- Pay close attention to changes in the macroeconomic situation, central bank monetary policy, capital market dynamics, etc.
- Enhance weighting of core deposits as a percentage of liabilities, so as to improve the stability of liabilities;
- Monitor and manage liquidity position bank-wide by implementing a series of indicators and restrictions;
- Liquidity position management and cash utilisation functions are centralised by the Head offices;
- Maintain an appropriate level of central bank reserves, overnight inter-bank transactions, highly liquid debt investment, actively involve in capital management through open market, monetary market and bond market in order to ensure optimal financing capability at market places;
- Minimise liquidity risk by proper management of asset maturity structures and multi-level liquidity portfolios.

(b) Non-derivative financial instruments cash flows

The table below presents the structural analysis by contracted maturities on non-derivative financial assets and liabilities of the Group at the balance sheet date. The amount of financial assets and liabilities for each period is the amount of undiscounted cash flows. The Group's expected cash flows on these 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.

	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
As at 30 June 2022									
Assets									
Cash and balances with central banks	-	677,931	68,425	-	304	-	-	-	746,660
Due from and placements with banks and other financial institutions	-	-	107,436	279,261	131,893	220,059	65,418	9,592	813,659
Loans and advances to customers	34,696	-	-	542,591	388,957	1,729,148	2,028,425	3,260,836	7,984,653
Financial investments at FVTPL	310	62,667	242,053	30,146	64,215	126,736	111,848	48,686	686,661
Financial investments at amortised cost	1,198	-	-	51,607	91,606	284,709	1,181,505	1,194,848	2,805,473
Financial investments at FVOCI	281	17,575	-	23,101	35,083	81,124	364,862	224,087	746,113
Other financial assets	4,165	-	80,792	-	-	-	-	-	84,957
Assets held for managing liquidity risk (contractual maturity dates)	40,650	758,173	498,706	926,706	712,058	2,441,776	3,752,058	4,738,049	13,868,176
Liabilities									
Due to and placements from banks and other financial institutions	-	(27)	(764,542)	(302,015)	(264,633)	(531,155)	(46,732)	(9,588)	(1,918,692)
Financial liabilities at FVTPL	-	-	(26,628)	(5,699)	(11,221)	(6,941)	(9,512)	-	(60,001)
Deposits from customers	-	-	(3,089,158)	(927,093)	(624,417)	(1,409,956)	(1,820,827)	(24)	(7,871,475)
Certificates of deposit issued	-	-	-	(110,545)	(125,414)	(745,600)	(13,424)	(35)	(995,018)
Debt securities issued	-	-	-	(5,468)	(588)	(136,402)	(238,698)	(197,025)	(578,181)
Other financial liabilities	-	-	(96,781)	(2,609)	(125)	(2,541)	(7,622)	(18,049)	(127,727)
Total liabilities (contractual maturity dates)	-	(27)	(3,977,109)	(1,353,429)	(1,026,398)	(2,832,595)	(2,136,815)	(224,721)	(11,551,094)
Net position	40,650	758,146	(3,478,403)	(426,723)	(314,340)	(390,819)	1,615,243	4,513,328	2,317,082

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (Continued)**(3) Liquidity risk** (Continued)**(b) Non-derivative financial instruments cash flows** (Continued)

	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
As at 31 December 2021									
Assets									
Cash and balances with central banks	-	630,776	103,648	-	304	-	-	-	734,728
Due from and placements with banks and other financial institutions	-	-	88,993	171,571	89,939	229,521	47,273	11,908	639,205
Loans and advances to customers	50,266	-	-	526,302	331,408	1,600,584	1,962,475	4,708,281	9,179,316
Financial investments at FVTPL	-	376,060	2,697	25,865	47,830	96,235	53,221	56,240	658,148
Financial investments at amortised cost	2,397	-	-	18,705	41,124	328,799	1,216,983	983,448	2,591,456
Financial investments at FVOCI	29	16,262	-	17,767	57,326	129,941	327,239	205,699	754,263
Other financial assets	4,198	-	63,307	-	-	-	-	-	67,505
Assets held for managing liquidity risk (contractual maturity dates)	56,890	1,023,098	258,645	760,210	567,931	2,385,080	3,607,191	5,965,576	14,624,621
Liabilities									
Due to and placements from banks and other financial institutions	-	-	(816,423)	(339,984)	(249,157)	(500,344)	(47,994)	(8,049)	(1,961,951)
Financial liabilities at FVTPL	-	-	(11,631)	(24,958)	(1,999)	(10,248)	(1,287)	-	(50,123)
Deposits from customers	-	-	(2,917,674)	(896,297)	(548,993)	(1,062,886)	(1,719,819)	(40)	(7,145,709)
Certificates of deposit issued	-	-	-	(102,215)	(159,431)	(627,356)	(15,167)	(29)	(904,198)
Debt securities issued	-	-	-	(8,495)	(12,810)	(125,943)	(243,207)	(177,668)	(568,123)
Other financial liabilities	-	-	(47,545)	(157)	(719)	(1,547)	(27,187)	(64,710)	(141,865)
Total liabilities (contractual maturity dates)	-	-	(3,793,273)	(1,372,106)	(973,109)	(2,328,324)	(2,054,661)	(250,496)	(10,771,969)
Net position	56,890	1,023,098	(3,534,628)	(611,896)	(405,178)	56,756	1,552,530	5,715,080	3,852,652

Assets available to repay all of the liabilities and fulfill loan commitments include cash, balances with central banks, due from and placements with banks and other financial institutions, financial investment at fair value through profit or loss, etc. In the normal course of business, a majority of matured deposits will not be withdrawn immediately on the maturity date but will continue to be kept by the Group. In addition, financial investments at fair value through other comprehensive income can also be disposed of when necessary to obtain funds for repayment of matured debts.

(c) Derivative financial instruments cash flows

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

(i) Derivative settled on a net basis

The Group's derivative financial instruments that will be settled on a net basis include foreign exchange contracts, commodity contracts, interest rate contracts and others.

The table below analyses the undiscounted cash flows of the Group's derivative financial instruments which will be settled on a net basis and are classified based on the remaining contractual period from the balance sheet date to maturity date.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(c) Derivative financial instruments cash flows (Continued)

(i) Derivative settled on a net basis (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at 30 June 2022						
Assets						
Derivative financial instruments						
– Foreign exchange and commodity contracts	1	1	18	–	–	20
– Interest rate contracts and others	669	1,285	5,642	20,628	9,307	37,531
Total	670	1,286	5,660	20,628	9,307	37,551
Liabilities						
Derivative financial instruments						
– Foreign exchange and commodity contracts	(17)	(55)	(88)	–	–	(160)
– Interest rate contracts and others	(484)	(1,014)	(4,572)	(11,652)	(2,398)	(20,120)
Total	(501)	(1,069)	(4,660)	(11,652)	(2,398)	(20,280)
As at 31 December 2021						
Assets						
Derivative financial instruments						
– Foreign exchange and commodity contracts	10	1	23	–	–	34
– Interest rate contracts and others	416	823	2,880	7,044	647	11,810
Total	426	824	2,903	7,044	647	11,844
Liabilities						
Derivative financial instruments						
– Foreign exchange and commodity contracts	–	(34)	(27)	–	–	(61)
– Interest rate contracts and others	(408)	(900)	(3,096)	(6,989)	(381)	(11,774)
Total	(408)	(934)	(3,123)	(6,989)	(381)	(11,835)

(ii) Derivative settled on a gross basis

The Group's derivative financial instruments that will be settled on a gross basis mainly include foreign exchange and commodity derivatives. The table below analyses the undiscounted cash flows of the Group's derivative financial instruments which will be settled on a gross basis and are classified based on the remaining contractual period from the balance sheet date to maturity date.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(c) Derivative financial instruments cash flows (Continued)

(ii) Derivative settled on a gross basis (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at 30 June 2022						
Derivative financial instruments settled on						
– Cash inflow	1,211,489	814,886	1,675,547	186,256	41,924	3,930,102
– Cash outflow	(1,210,904)	(814,629)	(1,675,106)	(186,965)	(42,568)	(3,930,172)
Total	585	257	441	(709)	(644)	(70)
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at 31 December 2021						
Derivative financial instruments settled on						
– Cash inflow	1,095,392	879,647	1,404,576	111,697	14,918	3,506,230
– Cash outflow	(1,094,721)	(879,191)	(1,402,398)	(109,071)	(15,480)	(3,500,861)
Total	671	456	2,178	2,626	(562)	5,369

(d) Maturity analysis

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

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(d) Maturity analysis (Continued)

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

(e) Off-balance sheet items

The off-balance sheet items of the Group primarily comprise loan commitments, credit card commitments, letter of credit commitments, guarantee and letters of guarantee issued, acceptance notes, etc. The table below lists the liquidity analysis of the off-balance sheet items of the Group, and financial guarantees are included at notional amounts and based on the earliest contractual maturity date.

	Up to 1 year	1 - 5 years	Over 5 years	Total
As at 30 June 2022				
Loan commitments and other credit related commitments	970,928	29,169	25,676	1,025,773
Guarantees, acceptances and letters of credit	892,692	136,703	2,167	1,031,562
Total	1,863,620	165,872	27,843	2,057,335

	Up to 1 year	1-5 years	Over 5 Years	Total
As at 31 December 2021				
Loan commitments and other credit related commitments	924,244	30,785	14,922	969,951
Guarantees, acceptances and letters of credit	757,497	138,818	1,629	897,944
Total	1,681,741	169,603	16,551	1,867,895

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities

(a) Determination of fair value and valuation techniques

Certain financial assets and liabilities of the Group are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed by the Board of Directors periodically.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (2) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- (3) Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial instruments with unadjusted quoted prices for identical instruments in active markets is determined by the open market quotations. These instruments are classified as level 1.

The Group uses valuation techniques to determine the fair value of financial instruments when an open market quotation in active markets is not obtainable.

If the key parameters used in valuation techniques for financial instruments are substantially observable and obtainable from active open market, the instruments are classified as level 2. The second hierarchy of financial instruments held by the Group mainly includes derivatives, debt securities, certificates of deposit without quotations from active market, loans and advances to customers carried at FVOCI, precious metals and debt securities issued. The fair value of RMB denominated bonds is mainly valued based on the yield curves of the bonds from China Central Depository & Clearing Co., Ltd., while the fair value of the foreign currency denominated bonds is determined based on the valuation results published by Bloomberg. The fair value of foreign currency forwards, swaps, interest rate swaps, foreign currency options is estimated by the discounted cash flow method and Black-Scholes model; the fair value of precious metal contract is mainly determined in accordance with the closing prices of the Shanghai Gold Exchange or the settlement prices of the Shanghai Futures Exchange. The main parameters used in discounted cash flow model include recent market prices, the relevant yield curve, exchange rates and counterparty's credit spread. Main parameters used in Black-Scholes model include the relevant yield curve, exchange rate, level of volatilities and counterparty's credit spread, etc. All parameters used in valuation techniques are substantially observable and obtainable from active open market.

For trust and asset management plan at fair value through profit or loss, loans and advances to customers at fair value through other comprehensive income, the fair value is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk. These financial instruments are classified as level 3.

For convertible bonds, unlisted funds, unlisted equities and equity derivatives held by the Group, the fair value of these financial instruments are determined with reference to certain unobservable inputs, and therefore the instruments have been classified by the Group as level 3. The management determines the fair value of these financial instruments using a variety of techniques, including using valuation models that incorporate and take into account unobservable inputs such as Discount for Lack of Marketability (DLOM). The Group has established internal control procedures to monitor the Group's exposure to such financial instruments.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities *(Continued)*

(b) Financial instruments not measured at fair value

The table below summarises the carrying amount and fair value of those financial assets and liabilities that are not presented at fair value as at the date of statement of financial position. Financial assets and liabilities with carrying amount approximate to fair value, such as cash and balances with central banks, due from and placements with banks and other financial institutions, loans and advances to customers at amortised cost, due to and placements from banks and other financial institutions, and deposits from customers, are not included in the table below.

	As at 30 June 2022		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial investments at amortised cost	2,375,762	2,386,385	2,203,037	2,234,814
Financial liabilities				
Debt securities issued	(507,221)	(515,572)	(491,372)	(496,082)

Fair value hierarchy of financial instruments not measured at fair value

As at 30 June 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments at amortised cost	26,947	2,273,486	85,952	2,386,385
Financial liabilities				
Debt securities issued	–	(515,572)	–	(515,572)
As at 31 December 2021				
Financial assets				
Financial investments at amortised cost	7,757	2,138,742	88,315	2,234,814
Financial liabilities				
Debt securities issued	–	(496,082)	–	(496,082)

The carrying amounts and fair values of other financial assets and liabilities (including loans and advances to customers at amortised cost, due from and placements with banks and other financial institutions, due to and placements from banks and other financial institutions) are approximately the same, because the interest rates of most of these assets and liabilities are adjusted following the changes in interest rates determined by the PBOC, other regulatory bodies or market.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(4) Fair value of financial assets and liabilities (Continued)

(c) **Financial assets and financial liabilities measured at fair value on a recurring basis**

The financial assets and liabilities measured at fair value on a recurring basis by the three levels are analysed below:

As at 30 June 2022	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Debt securities	4,407	258,382	3,059	265,848
Fund investments and other asset management products	143,479	152,654	22,231	318,364
Equity securities and others	8,075	3,295	51,297	62,667
Precious metal contracts	–	19,381	–	19,381
Derivative financial instruments	–	54,999	1,151	56,150
Loans and advances to customers	–	27	–	27
Subtotal	155,961	488,738	77,738	722,437
At fair value through other comprehensive income				
Debt Investments at FVOCI	160,009	472,576	432	633,017
Investments in equity instruments designated at FVOCI	8,654	1,922	6,999	17,575
Loans and advances to customers at FVOCI	–	243,942	79	244,021
Subtotal	168,663	718,440	7,510	894,613
Total assets	324,624	1,207,178	85,248	1,617,050
Financial liabilities at FVTPL	–	(59,887)	–	(59,887)
Derivative financial instruments	–	(39,488)	–	(39,488)
Debt securities issued	–	(11,455)	–	(11,455)
Total liabilities	–	(110,830)	–	(110,830)
As at 31 December 2021				
At fair value through profit or loss				
Debt securities	13,308	231,473	3,153	247,934
Fund investments and other asset management products	685	287,847	16,644	305,176
Equity securities and others	7,826	5,081	50,542	63,449
Precious metal contracts	–	21,924	–	21,924
Derivative financial instruments	–	38,183	1,037	39,220
Loans and advances to customers	–	27	–	27
Subtotal	21,819	584,535	71,376	677,730
At fair value through other comprehensive income				
Debt Investments at FVOCI	239,205	425,966	296	665,467
Investments in equity instruments designated at FVOCI	7,357	1,636	7,269	16,262
Loans and advances to customers at FVOCI	–	184,696	10	184,706
Subtotal	246,562	612,298	7,575	866,435
Total assets	268,381	1,196,833	78,951	1,544,165
Financial liabilities at FVTPL	–	(50,048)	–	(50,048)
Derivative financial instruments	–	(36,074)	–	(36,074)
Debt securities issued	–	(12,153)	–	(12,153)
Total liabilities	–	(98,275)	–	(98,275)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(4) Fair value of financial assets and liabilities (Continued)

(c) Financial assets and financial liabilities measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 items

	Financial assets at FVTPL	Financial assets at FVOCI
Balance at 1 January 2022	71,376	7,575
Total gains or losses		
– Net (losses)/gains arising from trading activities	(174)	653
– Other comprehensive income	–	(1,008)
Additions	7,498	295
Disposals and settlement	(962)	(3)
Transfer to other levels	–	(2)
Balance at 30 June 2022	77,738	7,510
Total gains/(losses) generated by financial assets held by the Group as at 30 June 2022		
– Realised gains	1,573	649
– Unrealised losses	(1,747)	(1,004)
	Financial assets at FVTPL	Financial assets at FVOCI
Balance at 1 January 2021	65,024	8,166
Total gains or losses		
– Net gains arising from trading activities	4,951	48
– Other comprehensive income	–	(1,233)
Additions	10,723	975
Disposals and settlement	(9,286)	(381)
Transfer to other levels	(36)	–
Balance at 31 December 2021	71,376	7,575
Total gains/(losses) generated by financial assets held by the Group as at 31 December 2021		
– Realised gains	1,998	46
– Unrealised losses	2,000	(1,231)

These financial instruments with fair values determined based on unobservable inputs are primarily convertible bonds, unlisted equities, unlisted funds, part of the trust and asset management plan, equity derivatives and part of loans and advances to customers. The fair value of these financial instruments is determined primarily using discounted cash flow method and market comparison method. These valuation methods involve inputs from various unobservable assumptions such as cash flow, risk-adjusted discount rate, price to book value ratio, price to earnings ratio and liquidity discounts.

(5) Offsetting financial assets and liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such a mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRSs.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(6) Capital management

The “capital” in capital management is a broader concept than “shareholders’ equity” on the statement of financial position. The Group’s objectives in capital management are:

- To comply with the capital requirements set by the regulators of the markets where the Group operates;
- To ensure the Group’s ability to maintain a stable operation so as to continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group management adopts administrative measures issued by the CBIRC, which was developed based on guideline issued by the Basel Committee, in monitoring its capital adequacy ratio and the usage of regulatory capital on a quarterly basis. The quarterly monitored information is then submitted to CBIRC.

The Administrative Measures for the Capital of Commercial Banks (Provisional) specified the regulatory requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

- Minimum regulatory requirements for core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio are 5%, 6% and 8%, respectively;
- Capital conservation buffer requires additional 2.5% on core tier-1 capital adequacy ratio;
- Additional capital surcharge for systemically important banks requires additional 0.75% on core tier-1 capital adequacy ratio;
- Should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

The Group’s capital as monitored by its Planning and Finance Department consists of the following:

- Core tier-1 capital, including ordinary shares, eligible portion of capital surplus, statutory reserve, statutory general reserve, retained earnings, eligible portion of non-controlling interests and others;
- Additional tier-1 capital, including Additional tier-1 capital instruments issued and related premium and eligible portion of non-controlling interests;
- Tier-2 capital, including tier-2 capital instruments issued and related premium, excess loan loss provisions and eligible portion of non-controlling interests.

The Group’s deductible items from core tier-1 capital include: Goodwill, other intangible assets (except land use rights), investments in core tier-1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(6) Capital management *(Continued)*

In April 2014, the CBIRC officially approved the implementation of the advanced approach of capital management, and the Group has steadily promoted the implementation and deepened application of advanced methods in accordance with regulatory requirements. The Group expanded the implementation scope of advanced methods and ended the transition period with the approval of CBRC in 2018. According to the implementation scope of the advanced methods of capital management approved by the CBRC, the Group elected to use elementary internal rating based (“IRB”) approach for credit risk exposures, internal model approach for market risk exposures and standardised approach for operational risk exposures which is compliant with regulatory requirements. For credit risk exposures not covered by IRB, the corresponding portion shall be calculated by the weight method. For market risk exposures not covered by internal model approach, the corresponding portion shall be calculated by the standardised method. For operational risk exposures not covered by standardised approach, the corresponding portion shall be calculated by basic index method.

The capital ratios calculated based on Administrative Measures for the Capital of Commercial Banks (Provisional) are as follows:

Item	As at 30 June 2022	As at 31 December 2021
Core tier-1 capital adequacy ratio (%)	9.99	10.62
Tier-1 capital adequacy ratio (%)	12.20	13.01
Capital adequacy ratio (%)	14.49	15.45
Core tier-1 capital	801,102	789,887
Core tier-1 capital deductions	(6,615)	(6,010)
Net core tier-1 capital	794,487	783,877
Additional tier-1 capital	176,386	176,348
Net tier-1 capital	970,873	960,225
Tier-2 capital	182,022	179,732
Net capital	1,152,895	1,139,957
Risk-weighted assets	7,956,077	7,379,912

4 NET INTEREST INCOME

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

5 FEE AND COMMISSION INCOME

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

6 FEE AND COMMISSION EXPENSE

	Six months ended 30 June	
	2022	2021
Bank card business	1,252	1,240
Settlement and agency services	947	868
Others	219	225
Total	2,418	2,333

7 NET GAINS ARISING FROM TRADING ACTIVITIES

	Six months ended 30 June	
	2022	2021
Foreign exchange	4,391	1,446
Financial instruments at FVTPL	2,542	8,445
Interest rate instruments and others	3,021	278
Total	9,954	10,169

Net gains or losses on foreign exchange include trading gains or losses and fair value changes of derivative instruments such as spot and forward contracts, currency swaps, cross currency interest rate swaps, currency options and the translation of foreign currency monetary assets and liabilities into RMB.

Net gains or losses on interest rate instruments and others include trading gains or losses and fair value changes of interest rate swaps, interest rate options, commodity and other derivatives.

Net gains arising from trading activities for the six months ended 30 June 2022 included a net gain of RMB59 million (for the six months ended 30 June 2021: a net gain of RMB38 million) in relation to changes in the fair value of financial liabilities designated at fair value through profit or loss.

8 INSURANCE BUSINESS INCOME

	Six months ended 30 June	
	2022	2021
Premiums earned	13,678	11,489
Less: Premiums ceded	(159)	(467)
Total	13,519	11,022

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

9 OTHER OPERATING INCOME

	Six months ended 30 June	
	2022	2021
Leasing income	6,849	6,279
Income from sales of precious metal merchandise	709	903
Net gain on the disposal of fixed and foreclosed assets	246	302
Revaluation of investment properties	–	(96)
Other miscellaneous income	1,814	1,134
Total	9,618	8,522

Other miscellaneous income mainly includes income arising from miscellaneous banking services provided to the Group's customers.

10 CREDIT IMPAIRMENT LOSSES

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

11 OTHER ASSETS IMPAIRMENT LOSSES

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

12 INSURANCE BUSINESS EXPENSE

	Six months ended 30 June	
	2022	2021
Change in insurance reserves	9,630	10,167
Less: Change in insurance reserves recovered from reinsurers	(7)	963
Surrenders	3,450	586
Others	717	(791)
Total	13,790	10,925

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

13 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2022	2021
Staff costs and benefits (Note 14)	14,797	14,160
General operating and administrative expenses	19,916	17,400
Costs of operating lease business	4,460	4,569
Depreciation and amortisation	4,210	3,977
Tax and surcharges	1,607	1,474
Provision/(reversal) for outstanding litigations	103	(54)
Others	1,551	1,512
Total	46,644	43,038

14 STAFF COSTS AND BENEFITS

	Note	Six months ended 30 June	
		2022	2021
Salaries, bonuses, allowances and subsidies		9,776	9,321
Post-employment benefit	(1)	1,971	1,867
Other social security and benefit costs		3,050	2,972
Total		14,797	14,160

(1) Post-employment benefit

Defined contribution plans

The Group participates in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China, under which it is required to make monthly contributions to these plans at rates ranging from 10% to 27% of the employees' basic salary for the year. The Group's contributions to these pension plans are charged to profit or loss and other comprehensive income in the year to which they relate.

Employees who retire at or after 1 January 2009 can voluntarily participate in an Annuity Plan. The Group contributes to the Annuity Plan based on certain percentage of the employees' gross salary which is recognised in profit or loss as incurred.

As at 30 June 2022, there are no forfeited contributions under the Group's retirement benefit plans which can be used to deduct contributions payable for future years.

The amount recognised in profit or loss is as follows:

	Six months ended 30 June	
	2022	2021
Expenses incurred for retirement benefit plans and unemployment insurance	1,198	1,140
Expenses incurred for annuity plan	762	718
Total	1,960	1,858

The amount payable at the end of the period or year is as follows:

	As at	As at
	30 June 2022	31 December 2021
Payable for retirement benefit plans and unemployment insurance	66	105
Payable for annuity plan	32	50
Total	98	155

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

14 STAFF COSTS AND BENEFITS (Continued)

(1) Post-employment benefit (Continued)

Defined benefit plans

The Group pays supplementary retirement benefits to employees in Mainland China, who retired at or before 31 December 2008. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits, which are estimated by using key parameters such as inflation rate and mortality ratio, are discounted to their present values. The discount rate is the yield on government bonds at the end of reporting date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains or losses and changes in actuarial assumptions are recognised in other comprehensive income, and amendments to pension plan are recognised in profit or loss in the period of a plan amendment. The amounts recognised in the statement of financial position represent the present value of unfunded obligations.

The Group's retirement benefit obligations in locations other than Mainland China are immaterial and are made in accordance with the relevant local policies and regulations.

	As at 30 June 2022	As at 31 December 2021
Statement of financial position		
– Net obligations for pension benefits	391	385

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	Six months ended 30 June	
	2022	2021
Components of defined benefit costs recognised in profit or loss	11	9
Components of defined benefit costs recognised in other comprehensive income	20	(58)
Total	31	(49)

Past service cost and interest expense are recognised in other operating expenses in the income statement. The average duration of the supplementary retirement benefits plan at 30 June 2022 is 11.88 years (31 December 2021: 12.31 years).

The Group expects to make a contribution of RMB39 million (2021: RMB39 million) to the defined benefit plan during the next financial year.

The supplementary retirement benefits plan exposes the Group to actuarial risks such as interest risk, longevity risk and inflation risk. A decrease in the government bond yield will increase the present value of unfunded obligations. The present value of unfunded obligations is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability. The present value of unfunded obligations is also measured by future payment standards, which are determined by inflation rate. Hence, an increase in inflation rate will increase the present value of the unfunded obligations.

The principal actuarial assumptions used by the Group are government bond yield, inflation rate and future mortality rate. The government bond yield and inflation rate were 2.91% (31 December 2021: 3.07%) and 1.37% (31 December 2021: 0.81%) respectively as at 30 June 2022. In the meantime, assumptions regarding future mortality rate are set based on published statistics by the CBIRC. As at 30 June 2022, an average longevity of a pensioner after retirement at age 60 for male is 23.13 years (31 December 2021: 23.13 years) while a pensioner after retirement at age 55 for female is 33.13 years (31 December 2021: 33.13 years).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

15 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

	Six months ended 30 June	
	2022	2021
Remuneration	7	6

No director or supervisor waived or agreed to waive any emoluments during the above periods.

For the six months ended 30 June 2022, RMB0.63 million was accrued for independent non-executive directors' emolument (For the six months ended 30 June 2021, RMB0.32 million).

16 INCOME TAX

	Six months ended 30 June	
	2022	2021
Current income tax		
– Enterprise income tax	5,618	4,067
– Hong Kong profits tax	1,055	340
– Other countries or regions	246	259
Subtotal	6,919	4,666
Deferred income tax (Note 26)	(5,434)	(951)
Total	1,485	3,715

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

17 BASIC AND DILUTED EARNINGS PER SHARE

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

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

For the calculation of basic earnings per share, a cash dividend of RMB1,832 million on preference shares declared for the period was deducted from the amounts attributable to shareholders of the parent company. The conversion feature of preference shares may lead to the possible existence of contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2022, and therefore the conversion feature of preference shares has no effect on the calculation of the basic and diluted earnings per share.

18 CASH AND BALANCES WITH CENTRAL BANKS

	As at 30 June 2022	As at 31 December 2021
Cash	11,984	13,298
Mandatory reserve deposits	675,121	624,340
Excess reserve deposits	56,441	90,350
Fiscal deposits and others	2,810	6,436
Accrued interest	304	304
Total	746,660	734,728

The Group places mandatory reserves with the PBOC and several other central banks of overseas countries and regions. Such mandatory reserves are not available for use by the Group in its day-to-day operations.

The Bank's domestic mandatory deposit reserve rates as at the balance sheet date are as follows:

	As at 30 June 2022	As at 31 December 2021
Domestic mandatory reserve rate for deposits denominated in RMB	9.75	10.00
Domestic mandatory reserve rate for deposits denominated in foreign currencies	8.00	9.00

Reserve rate for deposits denominated in RMB of the Group's subsidiaries in Mainland China is subject to relevant regulations of the PBOC.

Mandatory reserve rate for deposits with central banks of overseas countries and regions is subject to regulations of local regulatory bodies.

Excess reserve deposits with central banks are mainly used for capital settlement, financial institution transfer, etc.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

19 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022	As at 31 December 2021
Due from banks and other financial institutions		
– Banks and other financial institutions operating in Mainland China	95,312	83,372
– Banks and other financial institutions operating outside Mainland China	35,085	36,422
Accrued interest	292	298
Less: Allowance for impairment losses	(176)	(202)
Financial assets purchased under repurchase agreements		
– Securities	128,190	59,964
– Bills	7,586	13,512
Accrued interest	9	33
Less: Allowance for impairment losses	(215)	(141)
Placements with and loans to banks		
– Banks operating in Mainland China	120,411	111,677
– Banks operating outside Mainland China	145,874	77,490
Placements with and loans to other financial institutions		
– Placements with and loans to other financial institutions in Mainland China	186,174	194,502
– Placements with and loans to other financial institutions outside Mainland China	78,228	54,176
Accrued interest	4,753	3,568
Less: Allowance for impairment losses	(1,780)	(1,963)
Total	799,743	632,708

As at 30 June 2022 and 31 December 2021, due from banks and other financial institutions of the Group included pledged deposits, risk reserves and other deposits. The use of these deposits is restricted.

20 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

20 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Hedge accounting

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

As at 30 June 2022	Contractual/Notional Amount	Fair values Assets	Amount
Derivative financial instruments designated as hedging instruments in fair value hedges	169,677	11,534	(29)
Derivative financial instruments designated as hedging instruments in cash flow hedges	59,978	1,174	(720)
Total	229,655	12,708	(749)

As at 31 December 2021	Contractual/Notional Amount	Fair values Assets	Amount
Derivative financial instruments designated as hedging instruments in fair value hedges	141,731	1,871	(1,274)
Derivative financial instruments designated as hedging instruments in cash flow hedges	71,805	519	(973)
Total	213,536	2,390	(2,247)

(1) Fair value hedge

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

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

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

(2) Cash flow hedge

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

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

21 LOANS AND ADVANCES TO CUSTOMERS

(1) Loans and advances to customers

	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers		
– Carried at amortised cost	6,843,682	6,375,667
– Carried at FVOCI	244,021	184,706
– Carried at FVTPL	27	27
Less: Allowance for impairment losses	(177,434)	(160,089)
Accrued interest	15,256	13,985
Less: Allowance for impairment losses of accrued interest	(2,031)	(2,095)
	6,923,521	6,412,201

(2) Loans and advances to customers analysed by security type

	As at 30 June 2022	As at 31 December 2021
Unsecured loans	2,315,087	2,085,835
Guaranteed loans	1,152,964	1,056,138
Loans secured by collateral	2,579,849	2,488,276
Pledged loans	1,039,830	930,151
Total	7,087,730	6,560,400

(3) Movements of ECL allowance

Movements of ECL allowance – Loans and advances to customers at amortised cost:

	For the six months ended 30 June 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	57,403	38,892	63,794	160,089
Transfers:				
<i>Transfer to Stage 1</i>	2,735	(2,512)	(223)	–
<i>Transfer to Stage 2</i>	(2,324)	2,639	(315)	–
<i>Transfer to Stage 3</i>	(201)	(8,727)	8,928	–
Provision	13,340	8,379	12,669	34,388
Written-offs and disposals	–	–	(20,355)	(20,355)
Recovery of loans and advances written off in previous years	–	–	3,523	3,523
Others	114	73	(398)	(211)
As at 30 June 2022	71,067	38,744	67,623	177,434

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(3) Movements of ECL allowance (Continued)

Movements of ECL allowance – Loans and advances to customers at amortised cost: (Continued)

	For the year ended 31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2021	43,426	32,870	62,978	139,274
Transfers:				
<i>Transfer between Stage 1 and Stage 2, net</i>	(142)	142	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	(391)	–	391	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	(7,598)	7,598	–
Provision	14,593	13,243	34,951	62,787
Written-offs and disposals	–	–	(47,151)	(47,151)
Recovery of loans and advances written off in previous years	–	–	6,324	6,324
Others	(83)	235	(1,297)	(1,145)
As at 31 December 2021	57,403	38,892	63,794	160,089

Movements of ECL allowance – Loans and advances to customers at fair value through other comprehensive income:

	For the six months ended 30 June 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	937	48	88	1,073
Transfers:				
<i>Transfer to Stage 1</i>	–	–	–	–
<i>Transfer to Stage 2</i>	(4)	4	–	–
<i>Transfer to Stage 3</i>	–	(22)	22	–
Provision/(reversal)	130	79	(5)	204
Written-offs and disposals	–	–	(20)	(20)
As at 30 June 2022	1,063	109	85	1,257

	For the year ended 31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2021	878	47	362	1,287
Transfers:				
<i>Transfer between Stage 1 and Stage 2, net</i>	(64)	64	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	(20)	–	20	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	–	–	–
Provision/(reversal)	143	(63)	78	158
Written-offs and disposals	–	–	(368)	(368)
Others	–	–	(4)	(4)
As at 31 December 2021	937	48	88	1,073

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Overdue loans analysed by security type

	As at 30 June 2022				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	11,921	12,499	4,342	1,043	29,805
Guaranteed loans	4,641	4,946	4,356	1,489	15,432
Loans secured by collateral	11,160	9,157	9,674	3,579	33,570
Pledged loans	4,176	4,645	1,422	571	10,814
Total	31,898	31,247	19,794	6,682	89,621

	As at 31 December 2021				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	10,351	10,096	5,215	1,035	26,697
Guaranteed loans	3,315	7,693	6,853	2,364	20,225
Loans secured by collateral	7,729	8,925	12,324	3,419	32,397
Pledged loans	1,769	2,719	2,772	583	7,843
Total	23,164	29,433	27,164	7,401	87,162

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

22 FINANCIAL INVESTMENTS

	As at 30 June 2022	As at 31 December 2021
Financial investments at FVTPL		
– Listed in Hong Kong	46,995	45,482
– Listed outside Hong Kong	230,795	200,197
– Unlisted	388,470	392,804
Total	666,260	638,483
Financial investments at amortised cost		
– Listed in Hong Kong	20,795	13,474
– Listed outside Hong Kong	2,210,569	2,044,176
– Unlisted	117,065	120,387
Accrued interest	30,308	27,958
Less: Allowance for impairment losses	(2,975)	(2,958)
Total	2,375,762	2,203,037
Financial investments at FVOCI		
Debt investments at FVOCI		
– Listed in Hong Kong	177,231	168,690
– Listed outside Hong Kong	348,134	417,119
– Unlisted	101,876	73,382
Accrued interest	5,776	6,276
Subtotal	633,017	665,467
Equity investments at FVOCI		
– Listed in Hong Kong	5,976	3,238
– Listed outside Hong Kong	4,603	5,755
– Unlisted	6,996	7,269
Subtotal	17,575	16,262
Total	650,592	681,729

Debt securities traded in the China domestic inter-bank bond market are included in “Listed outside Hong Kong”.

The financial investments at fair value through profit or loss include financial assets held for trading and financial assets that cannot pass the Solely Payments of Principal and Interest Test (“SPPI test”).

The Group designates part of non-trading equity investments as financial investments measured at FVOCI.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

22 FINANCIAL INVESTMENTS (Continued)

For the six months ended 30 June 2022, the Group's cash dividends received from equity investments at FVOCI was RMB650 million (for the six months ended 30 June 2021: RMB477 million).

Debt securities analysed by issuer are as follows:

	As at 30 June 2022	As at 31 December 2021
Financial investments at FVTPL		
– Governments and central banks	125,543	99,079
– Banks and other financial institutions	85,914	100,898
– Corporate entities	54,041	46,655
– Public sector entities	350	1,302
Total	265,848	247,934
Bond investments at amortised cost		
– Governments and central banks	2,109,489	1,922,479
– Banks and other financial institutions	106,258	117,156
– Corporate entities	42,794	47,035
– Public sector entities	31,270	21,201
Total	2,289,811	2,107,871
Debt investments at FVOCI		
– Governments and central banks	258,610	304,365
– Banks and other financial institutions	266,366	254,601
– Corporate entities	89,408	101,931
– Public sector entities	18,633	4,570
Total	633,017	665,467

The movements in allowance for impairment losses of financial investments at amortised cost are summarised as follows:

	For the six months ended 30 June 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	1,695	371	892	2,958
Transfers:				
– Transfer to Stage 1	(15)	15	–	–
– Transfer to Stage 2	–	–	–	–
– Transfer to Stage 3	–	–	–	–
(Reversal)/provision	(162)	184	(6)	16
Others	(19)	1	19	1
As at 30 June 2022	1,499	571	905	2,975

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

22 FINANCIAL INVESTMENTS (Continued)

	For the year ended 31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2021	1,844	682	524	3,050
Transfers:				
<i>Transfer between Stage 1 and Stage 2, net</i>	274	(274)	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	–	–	–	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	(399)	399	–
(Reversal)/provision	(420)	104	192	(124)
Others	(3)	258	(223)	32
As at 31 December 2021	1,695	371	892	2,958

The movements in allowance for impairment losses of debt investments at FVOCI are summarised as follows:

	For the six months ended 30 June 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	555	10	456	1,021
Transfers:				
<i>Transfer to Stage 1</i>	(1)	1	–	–
<i>Transfer to Stage 2</i>	–	(15)	15	–
<i>Transfer to Stage 3</i>	–	–	–	–
(Reversal)/provision	(61)	32	146	117
Others	(35)	5	17	(13)
As at 30 June 2022	458	33	634	1,125

	For the year ended 31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2021	670	11	563	1,244
Transfers:				
<i>Transfer between Stage 1 and Stage 2, net</i>	(9)	9	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	–	–	–	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	–	–	–
(Reversal)/provision	(115)	1	27	(87)
Others	9	(11)	(134)	(136)
As at 31 December 2021	555	10	456	1,021

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

23 PRINCIPAL SUBSIDIARIES

Name of subsidiaries	Legal representative/ Principal	Registered capital	Nature of entity	Place of operation	Place of registration	Nature of business	Principal business	Proportion of shares held		Means of acquisition
								Direct	Indirect	
Bank of Communications Financial Leasing Co., Ltd.	Zhao Jiong	RMB14,000,000,000	Limited liability company	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai	Mainland China	Financial industry	Financial leasing	100.00	-	Establishment
Bank of Communications International Trust Co., Ltd.	Tong Xuewei	RMB5,764,705,882	Limited liability company	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai	Mainland China	Financial industry	Trust investment	85.00	-	Investment
Bank of Communications Schroder Fund Management Co., Ltd.	Ruan Hong	RMB200,000,000	Limited liability company	No. 8 Century Avenue, Pudong New District, Shanghai	Mainland	Financial industry	Fund management	65.00	-	Establishment
BOCOM Wealth Management Tu Hong Co., Ltd.	Tu Hong	RMB8,000,000,000	Limited liability company	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai	Mainland China	Financial industry	Financial products issuing and financial consulting	100.00	-	Establishment
BOCOM MSIG Life Insurance Company Limited	Zhang Hongliang	RMB5,100,000,000	Limited liability company	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai	Mainland China	Financial industry	Life Insurance	62.50	-	Investment
Bank of Communications Financial Assets Investment Co., Ltd.	Zheng Zhiyang	RMB10,000,000,000	Limited liability company	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai	Mainland China	Financial industry	Debt-to-equity swaps	100.00	-	Establishment
BoCom International Holdings Company Limited (formerly known as BoCom Securities Company Limited)	Tan Yueheng	HKD2,734,392,000	Foreign legal entity	No. 68 Des Voeux Road Central, Central, Hong Kong	Hong Kong China	Financial industry	Securities dealing and brokerage	73.14	-	Establishment
China BoCom Insurance Co., Ltd.	Zhang Jian	HKD400,000,000	Foreign legal entity	No. 8 Cotton Tree Drive,	Hong Kong China	Financial industry	General insurance and	100.00	-	Establishment
Dayi BoCom Xingmin Rural Bank Ltd.	Liu Yike	RMB230,000,000	Limited liability company	No. 168-170 Central Fumin Road, Dayi County, Chengdu City, Sichuan Province	Mainland China	Financial industry	Commercial banking	97.29	-	Establishment
Zhejiang Anji BoCom Rural Bank Ltd.	Xu Tong	RMB180,000,000	Joint stock company	Tower 1, Changshuo Square, Changshuo Street, Anji County, Huzhou City, Zhejiang Province	Mainland China	Financial industry	Commercial banking	51.00	-	Establishment
Xinjiang Shihezi BoCom Rural Bank Company Ltd.	Fang Linhai	RMB150,000,000	Joint stock company	No. 127 Dongyi Road, Shihezi, Xinjiang Uygur Autonomous Region	Mainland China	Financial industry	Commercial banking	51.00	-	Establishment
Qingdao Laoshan BoCom Rural Bank Company Ltd.	Sheng Liang	RMB150,000,000	Joint stock company	No. 156 Shenzhen Road, Laoshan District, Qingdao, Shandong	Mainland China	Financial industry	Commercial banking	100.00	-	Establishment
Bank of Communications (Hong Kong) Limited	Wu Ye	HKD37,900,000,000	Foreign legal entity	20 Pedder Street, Central, Hong Kong	Hong Kong China	Financial industry	Commercial banking	100.00	-	Establishment
Bank of Communications (Luxemburg) Limited	Zhang Shuren	EUR350,000,000	Foreign legal entity	7 Rue de la Chapelle, L-1325 Luxembourg, Luxembourg	Luxembourg	Financial industry	Commercial banking	100.00	-	Establishment
BoCom Brazil Holding Company Ltda	Sun Xu	BRL700,000,000	Foreign legal entity	Avenida Barão de Tefé, 34, salas 1701, 1702, 1801 e 1802, Saúde, Rio de Janeiro, Brazil	Brazil	Non-financial industry	Investment	100.00	-	Establishment
BANCO BoCom BBM S.A.	Alexandre Lowenkron	BRL469,300,389	Foreign legal entity	Av Barão de Tefé, 34-20th, Rio de Janeiro Brazil, 20220-460	Brazil	Financial industry	Commercial banking	-	80.00	Investment

As at 30 June 2022, the amount of non-controlling interests of these subsidiaries is insignificant to the Group.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

24 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2022	As at 31 December 2021
Investments in associates		
Investment cost	5,552	4,062
Share of net profit of associates	1,669	1,599
Share of other equity changes of associates	112	93
Dividend income	(275)	(204)
Subtotal	7,058	5,550
Investments in joint ventures	331	229
Total	7,389	5,779

The Group's investments in associates mainly include the investments in Jiangsu Changshu Rural Commercial Bank Co., Ltd. and Bank of Tibet Co., Ltd.

Jiangsu Changshu Rural Commercial Bank Co., Ltd. was incorporated in Changshu City, Jiangsu Province on 3 December 2001. The registered capital of the entity is RMB2,741 million, and the principal activities of the entity are banking activities. The Group held 9.01% of equity interest in this associate as at 30 June 2022 (31 December 2021: 9.01%).

Bank of Tibet Co., Ltd. was incorporated in Tibet Autonomous Region, PRC on 30 December 2011. The registered capital of the entity is RMB3,320 million, and the principal activities of the entity are banking activities. The Group held 10.60% of equity interest in this associate as at 30 June 2022 (31 December 2021: 10.60%).

25 PROPERTY AND EQUIPMENT

	Buildings	Construction in progress	Equipment And Transportation equipment	Aircraft and vessels	Total
Cost					
As at 1 January 2022	74,687	2,963	27,454	143,867	248,971
Additions	64	356	358	20,409	21,187
Decreases	(67)	(9)	(592)	(6,738)	(7,406)
Transfer into investment properties	(28)	-	-	-	(28)
Construction in progress transfer in/(out)	17	(17)	-	-	-
As at 30 June 2022	74,673	3,293	27,220	157,538	262,724
Accumulated depreciation					
As at 1 January 2022	(29,395)	-	(20,329)	(25,549)	(75,273)
Charge for the period	(1,447)	-	(1,215)	(4,898)	(7,560)
Decreases	24	-	537	1,701	2,262
Transfer into investment properties	16	-	-	-	16
As at 30 June 2022	(30,802)	-	(21,007)	(28,746)	(80,555)
Allowance for impairment losses					
As at 1 January 2022	-	(16)	-	(2,488)	(2,504)
Provision for impairment	-	-	-	(672)	(672)
Decreases	-	-	-	245	245
As at 30 June 2022	-	(16)	-	(2,915)	(2,931)
Net book value					
As at 30 June 2022	43,871	3,277	6,213	125,877	179,238

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

25 PROPERTY AND EQUIPMENT *(Continued)*

	Buildings	Construction in progress	Equipment And Transportation equipment	Aircraft and vessels	Total
Cost					
As at 1 January 2021	72,397	3,369	26,655	136,705	239,126
Additions	236	1,351	3,486	16,758	21,831
Decreases	(572)	–	(2,687)	(9,596)	(12,855)
Construction in progress transfer in/(out)	1,727	(1,727)	–	–	–
Transfer in from investment properties	899	–	–	–	899
Other transfers out	–	(30)	–	–	(30)
As at 31 December 2021	74,687	2,963	27,454	143,867	248,971
Accumulated depreciation					
As at 1 January 2021	(26,944)	–	(20,679)	(21,241)	(68,864)
Charge for the year	(2,738)	–	(2,242)	(6,738)	(11,718)
Decreases	287	–	2,592	2,430	5,309
As at 31 December 2021	(29,395)	–	(20,329)	(25,549)	(75,273)
Allowance for impairment losses					
As at 1 January 2021	–	(16)	–	(775)	(791)
Provision for impairment	–	–	–	(1,981)	(1,981)
Decreases	–	–	–	268	268
As at 31 December 2021	–	(16)	–	(2,488)	(2,504)
Net book value					
As at 31 December 2021	45,292	2,947	7,125	115,830	171,194

As at 30 June 2022, the net book value of the aircrafts and vessels used as collateral for borrowings was RMB58,364 million (31 December 2021: RMB57,988 million).

As at 30 June 2022, the property and equipment with re-registration procedure not completed amounted to RMB198 million (31 December 2021: RMB198 million). However, this registration process does not affect the rights of the Group to these assets.

26 DEFERRED INCOME TAX

Deferred income taxes for transactions in PRC are calculated on all temporary differences using an effective tax rate of 25% for the six months ended 30 June 2022 (for the year ended 31 December 2021: 25%). Deferred income taxes for transactions in Hong Kong are calculated on all temporary differences using an effective tax rate of 16.5% (for the year ended 31 December 2021: 16.5%).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

26 DEFERRED INCOME TAX (Continued)

Deferred income tax assets and liabilities are attributable to the following items:

	As at 30 June 2022		As at 31 December 2021	
	Deductible/ (Taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (Taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
Allowance for impairment of assets	136,160	34,040	119,972	29,993
Changes in fair value of derivative instruments	46,432	11,608	36,074	9,250
Provisions	11,404	2,851	9,672	2,418
Changes in fair value of financial assets at FVOCI	8,152	2,038	5,132	1,283
Changes in fair value of financial assets at FVTPL	7,668	1,917	–	–
Changes in fair value of financial liabilities at FVTPL	340	85	–	–
Others	6,951	1,738	7,067	1,767
Subtotal	217,107	54,277	177,917	44,711
Deferred income tax liabilities				
Changes in fair value of derivative instruments	(54,760)	(13,690)	(39,220)	(9,667)
Changes in fair value of investment properties	(3,052)	(763)	(3,020)	(755)
Changes in fair value of financial assets at FVTPL	(2,487)	(622)	(3,464)	(866)
Changes in fair value of financial assets at FVOCI	(876)	(219)	(6,240)	(1,560)
Changes in fair value of financial liabilities at FVTPL	(176)	(44)	–	–
Others	(6,364)	(1,591)	(6,764)	(1,691)
Subtotal	(67,715)	(16,929)	(58,708)	(14,539)
Net deferred income tax assets	149,392	37,348	119,209	30,172

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities and entities:

	As at 30 June 2022	As at 31 December 2021
Deferred income tax assets	38,856	32,061
Deferred income tax liabilities	(1,508)	(1,889)
	Six months ended 30 June 2022	2021
Net opening balance	30,172	26,705
Net change in deferred income tax recognised in income tax expense in the current period/year	5,434	3,863
Net changes in deferred income tax recognised in other comprehensive income in the current period/year	1,742	(396)
Net ending balance	37,348	30,172

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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27 OTHER ASSETS

	Note	As at 30 June 2022	As at 31 December 2021
Accounts receivable and temporary payments		78,728	66,062
Less: Allowance for impairment losses	(1)	(3,187)	(3,265)
Advance payments		22,704	16,328
Right-of-use assets	(2)	6,813	6,777
Investment properties	(3)	6,508	6,340
Precious metal		5,175	4,878
Interest receivable	(4)	4,165	4,250
Land use rights and others		2,040	2,077
Intangible assets	(5)	1,768	1,797
Foreclosed assets		1,010	1,030
Long-term deferred expenses		680	721
Refundable deposits		489	458
Goodwill	(6)	413	395
Unsettled assets		31	31
Others		9,068	6,738
Total		136,405	114,617

(1) Allowance for impairment losses

	As at 1 January 2022	Amounts accrued	Reversal	Written-offs	Transfers in	Recoveries after written-offs	Exchange differences	As at 30 June 2022
Other receivables and prepayments	(3,265)	(1,831)	1,262	689	(2)	(43)	3	(3,187)

	As at 1 January 2021	Amounts accrued	Reversal	Written-offs	Transfers in	Recoveries after written-offs	Exchange differences	As at 31 December 2021
Other receivables and prepayments	(2,764)	(2,137)	1,020	1,111	(356)	(140)	1	(3,265)

(2) Right-of-use assets

	As at 30 June 2022	As at 31 December 2021
Cost		
Opening balance	13,980	13,693
Additions	1,314	2,946
Decreases	(1,642)	(2,659)
As at the end of the period/year	13,652	13,980
Accumulated depreciation:		
Opening balance	(7,203)	(7,024)
Additions	(1,200)	(2,416)
Decreases	1,564	2,237
As at the end of the period/year	(6,839)	(7,203)
Net book value	6,813	6,777
Lease liabilities	6,733	6,640

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

27 OTHER ASSETS (Continued)

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

As at 30 June 2022, committed by leases but not yet commenced amount to RMB132 million (as at 31 December 2021: RMB158 million).

The Group's right-of-use assets include the above assets and land use rights.

(3) Investment properties

	As at 1 January 2022	Increases of the period	Gains on property revaluation	Exchange differences	As at 30 June 2022
Investment properties	6,340	133	–	35	6,508

	As at 1 January 2021	Decreases of the year	Gains on property revaluation	Exchange differences	As at 31 December 2021
Investment properties	7,353	(899)	183	(297)	6,340

The Group's investment properties are located in active real estate markets. The external appraisers make reasonable estimation of fair value using market prices of the similar properties.

As at 30 June 2022, fair value hierarchies of the investment properties of the Group are as follows:

	Level 1	Level 2	Level 3	As at 30 June 2022
Commercial property units located in Hong Kong	–	–	938	938
Commercial property units located outside Hong Kong	–	–	5,570	5,570

The valuation of investment properties was performed by independent qualified professional valuers not connected to the Group. Valuation methodologies include "Rental Income Approach" and "Market Approach". The inputs to these models mainly include growth rate of rental, vacancy rate, future rent income years, capitalisation rate and unit price.

(4) The interest receivable account only reflects the interest for relevant financial instruments which is due but not received on balance sheet date.

(5) Intangible assets

	Software
Cost	
As at 1 January 2022	4,504
Additions	193
Disposals	(4)
As at 30 June 2022	4,693
Accumulated amortization	
As at 1 January 2022	(2,707)
Amortisation expense	(222)
Disposals	4
As at 30 June 2022	(2,925)
Net book value	1,768

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

27 OTHER ASSETS (Continued)

(5) Intangible assets (Continued)

	Software
Cost	
As at 1 January 2021	3,888
Additions	633
Disposals	(17)
As at 31 December 2021	4,504
Accumulated amortization	
As at 1 January 2021	(2,338)
Amortisation expense	(376)
Disposals	7
As at 31 December 2021	(2,707)
Net book value	1,797

(6) Goodwill

	For the six months ended 30 June 2022				As at 30 June 2022
	As at 1 January 2022	Addition during the period	Decrease during the period	Exchange differences	
Bank of Communications International Trust Co., Ltd.	200	-	-	-	200
BOCOM MSIG Life Insurance Company Limited	122	-	-	-	122
BANCO Bocom BBM S.A.	73	-	-	18	91
Total	395	-	-	18	413

	For the year ended 31 December 2021				As at 31 December 2021
	As at 1 January 2021	Addition during the year	Decrease during the year	Exchange differences	
Bank of Communications International Trust Co., Ltd.	200	-	-	-	200
BOCOM MSIG Life Insurance Company Limited	122	-	-	-	122
BANCO Bocom BBM S.A.	79	-	-	(6)	73
Total	401	-	-	(6)	395

At each end of year, the Group performed impairment tests on goodwill. In the test, the Group compares the book value of cash-generating unit (CGU) or CGUs (including goodwill) with the recoverable amount. If the recoverable amount is less than the book value, the related difference is recognised in profit or loss.

The Group calculates the recoverable amount of CGU and CGUs using cash flow models based on the management's approved financial forecasts and fixed growth rates afterwards.

As indicated by the impairment tests, goodwill arising from business combinations is not impaired and therefore, no impairment loss is recognised.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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28 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022	As at 31 December 2021
Borrowing from central banks	337,957	334,794
Accrued interest	4,800	4,564
Due to banks		
– Banks operating in Mainland China	221,041	242,492
– Banks operating outside Mainland China	11,404	11,871
Due to other financial institutions		
– Other financial institutions operating in Mainland China	805,143	831,784
– Other financial institutions operating outside Mainland China	5,655	6,810
Accrued interest	4,002	3,683
Placements from banks		
– Banks operating in Mainland China	275,434	284,232
– Banks operating outside Mainland China	169,454	170,980
Placements from other financial institutions		
– Other financial institutions operating in Mainland China	1,250	2,364
– Other financial institutions operating outside Mainland China	9,645	8,583
Accrued interest	1,273	860
Financial assets sold under repurchase agreements		
Securities	51,783	44,710
Loans	1	–
Accrued interest	92	41
Total	1,898,934	1,947,768

29 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022	As at 31 December 2021
Short position of securities held for trading	8	134
Certificates of deposit issued	7,618	1,400
Financial liabilities related to precious metal contracts	17,800	15,247
Notes issued	2,367	1,385
Others (1)	32,094	31,882
Total	59,887	50,048

(1) As at 30 June 2022, others mainly are liabilities of consolidated structured entities and shares held by other parties rather than the Group.

Except for certificates of deposit issued by branch in Hong Kong, notes issued by BoCom International Holdings Company Limited, and shares of consolidated structured entities held by other parties rather than the Group which are designated at fair value through profit or loss, financial liabilities at fair value through profit or loss are financial liabilities held for trading.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

29 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Financial liabilities designated at fair value through profit or loss

	As at 30 June 2022	As at 31 December 2021
Difference between carrying amount and maturity amount		
Fair values	42,079	34,667
Amount payable at maturity	(42,239)	(34,709)
Total	(160)	(42)

For the six months ended 30 June 2022 and the year ended 31 December 2021, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss that were attributable to the changes in credit risk.

30 DEPOSITS FROM CUSTOMERS

	As at 30 June 2022	As at 31 December 2021
Corporate demand deposits	2,106,968	2,061,672
Corporate time deposits	2,875,207	2,488,348
Personal demand deposits	826,457	850,831
Personal time deposits	1,901,603	1,551,981
Other deposits	4,415	3,359
Subtotal	7,714,650	6,956,191
Accrued interest	96,713	83,586
Total	7,811,363	7,039,777

As at 30 June 2022, deposits from customers comprised deposits pledged as collateral of RMB268,541 million (as at 31 December 2021: RMB220,878 million).

31 CERTIFICATES OF DEPOSITS ISSUED

Certificates of deposits at year end were issued by Head office, the Bank's overseas branches and subsidiaries are measured at amortised cost.

32 DEBT SECURITIES ISSUED

	Note	As at 30 June 2022	As at 31 December 2021
Carried at amortised cost:			
Bonds	(1)	345,390	332,072
Tier-2 capital bonds	(2)	148,696	148,342
Subordinated bonds	(3)	4,800	4,800
Accrued interest		8,335	6,158
Subtotal		507,221	491,372
Carried at fair value:			
Bonds	(1)	11,455	12,153
Total		518,676	503,525

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
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32 DEBT SECURITIES ISSUED (Continued)

(1) Bonds

Detailed information of bonds held at amortised cost is as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Ending balance	Opening balance
The Bank								
19 Bocomm 01	RMB	Mainland China	3.35	50,000	2019/11/25	3 years	50,000	50,000
19 Bocomm 02	RMB	Mainland China	3.35	40,000	2019/12/11	3 years	40,000	40,000
20 Bocomm 01	RMB	Mainland China	3.18	50,000	2020/08/05	3 years	50,000	50,000
20 Bocomm 02	RMB	Mainland China	3.50	40,000	2020/11/11	3 years	40,000	40,000
21 Bocom Micro Small Enterprises Bond	RMB	Mainland China	3.40	40,000	2021/04/06	3 years	40,000	40,000
22 Bocom Micro Small Enterprises Bond 01	RMB	Mainland China	2.75	30,000	2022/06/15	3 years	29,999	-
17 medium-term notes 02	USD	Hong Kong China	3MLibor+0.88	300	2017/05/15	5 years	-	1,912
17 medium-term notes 04	USD	Hong Kong China	3MLibor+0.90	600	2017/12/04	5 years	4,025	3,825
18 medium-term notes 02	USD	Hong Kong China	3MLibor+0.85	700	2018/05/17	5 years	4,696	4,462
20 Hong Kong medium-term notes 01	HKD	Hong Kong China	2.25	2,800	2020/01/22	2 years	-	2,289
20 Hong Kong medium-term notes 02	USD	Hong Kong China	3MLibor+0.58	1,300	2020/01/22	3 years	8,722	8,287
20 Hong Kong medium-term notes 04	USD	Hong Kong China	3MLibor+0.75	100	2020/06/05	3 years	670	637
20 Hong Kong medium-term notes 05	USD	Hong Kong China	3MLibor+0.80	650	2020/07/20	3 years	4,361	4,143
20 Hong Kong medium-term notes 06	USD	Hong Kong China	3MLibor+0.90	400	2020/07/20	5 years	2,684	2,550
20 Hong Kong medium-term notes 07	USD	Hong Kong China	1.20	800	2020/09/10	5 years	5,353	5,084
20 Hong Kong medium-term notes 08	USD	Hong Kong China	3MLibor+0.80	350	2020/09/10	3 years	2,348	2,231
21 Macau PA-medium-term notes	MOP	Macau China	0.85	1,200	2021/12/15	2 years	995	951
P14JHTP1D	RMB	Taiwan China	4.00	200	2014/12/04	10 years	205	200
Subtotal							284,058	256,571
Subsidiaries								
19 Leasing 01	RMB	Mainland China	3.68	5,000	2019/05/20	3 years	-	4,998
19 Leasing 02	RMB	Mainland China	3.65	5,000	2019/07/08	3 years	5,000	4,998
19 Leasing 03	RMB	Mainland China	3.49	3,500	2019/10/21	3 years	3,499	3,498
20 Leasing 01	RMB	Mainland China	3.65	3,000	2020/11/05	3 years	2,997	2,996
21 Leasing 01	RMB	Mainland China	3.62	4,000	2021/03/01	3 years	3,995	3,993
21 Leasing 02	RMB	Mainland China	3.45	3,000	2021/04/22	3 years	2,626	2,625
19 USD medium-term notes 01	USD	Hong Kong China	4.00	800	2019/01/22	3 years	-	3,693
19 USD medium-term notes 02	USD	Hong Kong China	4.375	700	2019/01/22	5 years	2,903	2,766
19 USD medium-term notes 03	USD	Hong Kong China	3MLibor+1.20	120	2019/04/12	3 years	-	765
19 USD medium-term notes 04	USD	Hong Kong China	3MLibor+1.175	400	2019/09/05	5 years	1,180	1,129
19 USD medium-term notes 05	USD	Hong Kong China	2.625	200	2019/09/05	5 years	761	723
19 USD medium-term notes 06	USD	Hong Kong China	3MLibor+1.05	180	2019/10/25	3 years	1,207	1,148
19 USD medium-term notes 07	USD	Hong Kong China	3MLibor+1.075	600	2019/12/10	5 years	1,656	1,585
20 USD medium-term notes 01	USD	Hong Kong China	3MLibor+0.95	500	2020/03/02	5 years	1,793	1,710
20 USD medium-term notes 02	USD	Hong Kong China	3MLibor+0.83	300	2020/03/02	3 years	1,566	1,492
20 USD medium-term notes 03	USD	Hong Kong China	1.75	350	2020/07/14	3 years	1,591	1,515
20 USD medium-term notes 04	USD	Hong Kong China	3MLibor+1.70	450	2020/07/14	5 years	1,407	1,348
21 USD medium-term notes 01	USD	Hong Kong China	1.125	500	2021/06/18	3 years	1,965	1,865
21 HKD medium-term notes 02	HKD	Hong Kong China	1.07	775	2021/09/27	3 years	662	634
13 Azure Orbit	USD	Hong Kong China	3.75	500	2013/03/06	10 years	3,351	3,187
5 Year USD bond	USD	Hong Kong China	3.75	950	2018/01/25	5 years	6,362	6,047
10 Year USD bond	USD	Hong Kong China	4.00	250	2018/01/25	10 years	1,662	1,580
Azure Nova	USD	Hong Kong China	3.50	1,050	2017/03/21	5 years	-	6,692
Azure Nova	USD	Hong Kong China	4.25	250	2017/03/21	10 years	1,671	1,589
20 Financial Investing 01	RMB	Mainland China	2.70	3,000	2020/03/11	3 years	3,000	2,999
20 Financial Investing 02	RMB	Mainland China	2.80	7,000	2020/03/11	5 years	6,991	6,990
21 Bocomm International 01	USD	Hong Kong China	1.75	500	2021/06/22	5 years	3,050	2,890
19 Brazil bonds	BRL	Brazil	110%SELIC	200	2019/01/30	5 years	56	46
22 Brazil bonds 01	BRL	Brazil	CDI+2.60	270	2022/02/07	10 years	381	-
Subtotal							61,332	75,501
Total							345,390	332,072

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

32 DEBT SECURITIES ISSUED (Continued)

(1) Bonds (Continued)

Detailed information of bonds held at fair value is as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Fair value at the end of the period	Fair value at the beginning of the period
19 Hong Kong medium-term notes	HKD	Hong Kong China	2.85	3,500	2019/03/21	5 years	2,994	3,027
19 Hong Kong USD medium-term notes	USD	Hong Kong China	3MLibor+0.78	800	2019/03/21	3 years	–	5,106
20 Hong Kong medium-term notes 03	RMB	Hong Kong China	3.15	2,000	2020/01/22	2 years	–	2,034
21 Hong Kong medium-term notes 01	HKD	Hong Kong China	0.95	1,200	2021/12/13	2 years	997	980
21 Hong Kong medium-term notes 02	RMB	Hong Kong China	3.15	1,000	2021/12/13	3 years	1,000	1,006
22 Hong Kong medium-term notes 01	HKD	Hong Kong China	1.80	1,200	2022/03/21	2 years	1,006	–
22 Hong Kong medium-term notes 02	RMB	Hong Kong China	3.20	2,800	2022/03/21	2 years	2,835	–
22 Hong Kong medium-term notes 03	USD	Hong Kong China	2.375	400	2022/03/21	3 years	2,623	–
Total							11,455	12,153

(2) Tier 2 capital bonds

Detailed information of Tier 2 capital bonds is disclosed as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Note	Ending balance	Opening balance
The Bank									
17 BoComm	RMB	Mainland China	4.50	30,000	2017/04/11	10 years	(a)	–	29,978
19 BoComm 01	RMB	Mainland China	4.10	30,000	2019/08/14	10 years	(b)	29,998	29,998
19 BoComm 02	RMB	Mainland China	4.49	10,000	2019/08/14	15 years	(c)	9,999	9,999
20 BoComm	RMB	Mainland China	3.24	40,000	2020/05/19	10 years	(d)	39,996	39,996
21 BoComm	RMB	Mainland China	3.65	30,000	2021/09/23	10 years	(e)	30,000	30,000
22 BoComm 01	RMB	Mainland China	3.45	30,000	2022/02/23	10 years	(f)	29,998	–
Subtotal								139,991	139,971
Subsidiaries									
18 Leasing 02	RMB	Mainland China	5.15	2,000	2018/09/18	10 years	(g)	1,996	1,996
21 BoComm Hong Kong	USD	Hong Kong China	2.304	1,000	2021/07/08	10 years	(h)	6,709	6,375
Subtotal								8,705	8,371
Total								148,696	148,342

- (a) The Group has redeemed full face value of 17 BoComm by exercising redemption option on 13 April 2022.
- (b) The Group has an option to redeem 19 BoComm 01 at the par value partially or as a whole on 16 August 2024, the last day of the interest-bearing year with early redemption option embedded, provided that the CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.
- (c) The Group has an option to redeem 19 BoComm 02 at the par value partially or as a whole on 16 August 2029, the last day of the interest-bearing year with early redemption option embedded, provided that the CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.
- (d) The Group has an option to redeem 20 BoComm at the par value partially or as a whole on 21 May 2025, the last day of the interest-bearing year with early redemption option embedded, provided that the CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.
- (e) The Group has an option to redeem 21 BoComm at the par value partially or as a whole on 27 September 2026, the last day of the interest-bearing year with early redemption option embedded, provided that the CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

32 DEBT SECURITIES ISSUED (Continued)

(2) Tier 2 capital bonds (Continued)

- (f) The Group has an option to redeem 22 BoComm 01 at the par value partially or as a whole on 25 February 2027, the last day of the interest-bearing year with early redemption option embedded, provided that the CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.
- (g) The Group has an option to redeem 18 Leasing 02 at the par value partially or as a whole on 20 September 2023, the first day upon the end of the fifth interest-bearing year, provided that the CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.
- (h) The Group has an option to redeem 21 BoComm Hong Kong as a whole on 8 July 2026. If the issuer does not exercise the redemption right by 8 July 2026, the interest rate will be readjusted based on the 5-year U.S. Treasury rate plus 140 basis points initial rate differential.

These tier-2 capital bonds have the write-down feature, which allows the Group to write down the entire principals of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. These bonds are regarded as tier-2 capital without any guarantees provided and the proceeds of the debts cannot be used for compensating daily operating loss of the Group.

(3) Subordinated bonds

Detailed information of subordinated bonds is disclosed as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Note	Ending balance	Opening balance
Subsidiary									
21 Insurance 01	RMB	Mainland China	4.30	3,000	2021/03/25	10 years	(a)	3,000	3,000
21 Insurance 02	RMB	Mainland China	3.93	1,800	2021/07/27	10 years	(a)	1,800	1,800
Total								4,800	4,800

- (a) BOCOM MSIG Life Insurance Company Limited has an option to redeem the bonds at the par value partially or as a whole on the last day of the fifth interest-bearing year, provided that the permission of PBOC and CBIRC is acquired in advance and the BOCOM MSIG Life Insurance Company Limited's solvency ratio is not less than 100% if the redemption is exercised.

33 OTHER LIABILITIES

	Note	As at 30 June 2022	As at 31 December 2021
Insurance liabilities		84,789	74,493
Dividends payable		28,651	81
Temporary receipts		25,324	16,015
Clearing and settlement		19,789	24,056
Expected credit impairment allowance of credit related commitments and financial guarantees	(1)	10,845	9,242
Staff compensation payable		8,272	14,401
Lease liabilities		6,733	6,640
Deposits received for finance lease		6,559	6,842
VAT and other taxes payable		5,572	5,639
Special purpose funding		1,980	2,108
Provision for outstanding litigations	(2)	572	472
Others		75,225	52,706
Total		274,311	212,695

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

33 OTHER LIABILITIES (Continued)

- (1) Movements in the expected credit impairment allowance of credit related commitments and financial guarantees

	For the six months ended 30 June 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2022	8,736	506	–	9,242
Transfers:			–	
<i>Transfer to Stage 1</i>	18	(18)	–	–
<i>Transfer to Stage 2</i>	(68)	68	–	–
<i>Transfer to Stage 3</i>	–	–	–	–
Provision	1,133	466	–	1,599
Others	12	(8)	–	4
As at 30 June 2022	9,831	1,014	–	10,845

	For the year ended 31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2021	6,858	3,642	–	10,500
Transfers:			–	
<i>Transfer between Stage 1 and Stage 2 net</i>	(37)	37	–	–
<i>Transfer between Stage 1 and Stage 3 net</i>	–	–	–	–
<i>Transfer between Stage 2 and Stage 3 net</i>	–	–	–	–
Provision	1,925	73	–	1,998
Others	(10)	(3,246)	–	(3,256)
As at 31 December 2021	8,736	506	–	9,242

- (2) Movements in the provision for outstanding litigations

	As at 1 January 2022	Amounts accrued during the period	Amounts settled during the period	Amounts reversed during the period	Exchange differences	As at 30 June 2022
Provision for outstanding litigations	472	161	(3)	(58)	–	572

	As at 1 January 2021	Amounts accrued during the year	Amounts settled during the year	Amounts reversed during the year	Exchange differences	As at 31 December 2021
Provision for outstanding litigations	1,032	99	(361)	(298)	–	472

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

34 SHARE CAPITAL AND CAPITAL SURPLUS

	Number of shares (in millions)	Ordinary shares of RMB1 each	Capital surplus
As at 1 January 2022	74,263	74,263	111,428
As at 30 June 2022	74,263	74,263	111,428

	Number of shares (in millions)	Ordinary shares of RMB1 each	Capital surplus
As at 1 January 2021	74,263	74,263	111,428
As at 31 December 2021	74,263	74,263	111,428

As at 30 June 2022 and 31 December 2021, the number of A shares of the Group was 39,251 million, and the number of H shares of the Group was 35,012 million, both with par value of RMB1 per share.

As at 30 June 2022 and 31 December 2021, the Group's capital surplus is listed as follows:

	As at 1 January 2022	Additions	Reductions	As at 30 June 2022
Share premium	110,770	–	–	110,770
Other capital reserve	658	–	–	658
Total	111,428	–	–	111,428

	As at 1 January 2021	Additions	Reductions	As at 31 December 2021
Share premium	110,770	–	–	110,770
Other capital reserve	658	–	–	658
Total	111,428	–	–	111,428

35 OTHER EQUITY INSTRUMENTS

(1) Preference shares

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

Issue date	Accounting classification	Dividend rate %	Issue price	Amount in shares	In original currency (in millions)	In RMB (in millions)	Maturity	Conversion condition	Conversion	
Domestic preference shares										
Preference shares in RMB	2 September 2016	Equity	4.07	RMB100/share	450,000,000	45,000	45,000	No maturity date	Mandatory	No conversion during the period
					Less: Issuance fees	(48)				
					Carrying amount	44,952				

(b) Movements of preference shares issued

	As at 1 January 2022	Movements		As at 30 June 2022
		Additions	Decreases	
Domestic preferences-shares				
Amount (shares)	450,000,000	–	–	450,000,000
In RMB (millions)	44,952	–	–	44,952

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

35 OTHER EQUITY INSTRUMENTS *(Continued)*(1) Preference shares *(Continued)***(c) Main clauses***Domestic preference shares*(i) Dividend

The domestic preference shares will accrue dividends on their issue price at the relevant dividend rate below:

- From and including the issue date to but excluding the first reset date, at the rate of 3.90% per annum; and
- The dividend rate will be re-priced every five years thereafter with reference to the arithmetic average value (rounding off to 0.01%) of five-year Chinese treasury bonds yield at the date which is 20 transaction days before the reset date (excluding the date) plus a fixed premium of 1.37%. As authorised by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on domestic preference shares.

With effect from 7 September 2021, the Bank has adjusted the dividend rate for the second dividend rate adjustment period to 4.07%.

The dividend for domestic preference shares is non-cumulative. Where the Bank determines to cancel the dividend for domestic preference shares in whole or in part, the omitted dividend will not be carried forward and claimed in the future period. After receiving dividends at the agreed dividend rate, domestic preference shareholders of the Bank will not participate in the distribution of residual profits with ordinary shareholders. Domestic preference shares issued by the Bank have the same dividend distribution order as the offshore preference shares.

(ii) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Domestic preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

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 preference share dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

(iii) Mandatory conversion trigger events

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, domestic preference shares shall be mandatorily converted into ordinary A Shares of the Bank, partially or entirely. The initial mandatory conversion price is RMB6.25 per share. To balance the interest between preference shareholders and ordinary shareholders, the mandatory conversion price of the preference shares will be cumulatively adjusted in sequence where certain events occur including issuances of bonus shares, capitalisation of reserves, new issuances of ordinary shares at a price lower than the market price (excluding equity increased due to exercise of convertible financing instruments that can be converted into ordinary shares) and rights issues, subject to terms and formulas provided for in the offering documents. Appropriation of dividends to ordinary shareholders is not trigger event for price adjustment.

(iv) Order of distribution and liquidation method

On winding-up of the Bank, distribution to domestic 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 domestic preference shares; all domestic preference shareholders are ranked at 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 domestic 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 domestic preference shares have been made, be applied to the claims of the domestic preference shareholders equally in all respects with the claims of holders of any parity obligations (which term, for the avoidance of doubt, includes the domestic preference shares and any other preference shares of the Bank issued from time to time to investors outside the PRC) and in priority to the claims of the holders of ordinary shares.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

35 OTHER EQUITY INSTRUMENTS (Continued)

(1) Preference shares (Continued)

(c) Main clauses (Continued)

Domestic preference shares (Continued)

(iv) Order of distribution and liquidation method (Continued)

The distribution amount obtained by the domestic 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, domestic and offshore preference shareholders will share the distribution amount on a proportional basis.

(v) Redemption

The domestic preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining the CBIRC approval and in compliance with the redemption preconditions, redeem all or some of the domestic preference shares on 7 September 2021 and on any preference share dividend payment date thereafter. The redemption period ends at the date when shares are fully converted or redeemed.

(2) Perpetual bonds

(a) Perpetual bonds outstanding at the end of the period

	Issue date	Accounting classification	Original interest rate %	Issue price	Amount in shares	In original currency (in millions)	In RMB (in millions)	Maturity
19 BoComm perpetual bonds(1)	18 September 2019	Equity	4.20	RMB100/bond	400,000,000	40,000	40,000	No fixed maturity date
20 BoComm perpetual bonds(2)	23 September 2020	Equity	4.59	RMB100/bond	300,000,000	30,000	30,000	No fixed maturity date
21 BoComm perpetual bonds(2)	8 June 2021	Equity	4.06	RMB100/bond	415,000,000	41,500	41,500	No fixed maturity date
Perpetual bonds in USD(3)	11 November 2020	Equity	3.80	USD200,000/bond	14,000	2,800	18,366	No fixed maturity date
Total							129,866	
Less: Issuance fees							(28)	
Carrying amount							129,838	

(b) Main clauses

(i) With the approvals by relevant regulatory authorities, the Bank issued RMB40 billion undated capital bonds in China's National Inter-Bank Bond Market on 18 September 2019, and the raising fund was received on 20 September 2019. The denomination of the bonds is RMB100 each and coupon rate of 4.20%. The bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions, by which the Bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-1 capital instruments of the Bank that rank pari passu with the perpetual bonds.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

35 OTHER EQUITY INSTRUMENTS (Continued)

(2) Perpetual bonds (Continued)

(b) Main clauses (Continued)

(i) (Continued)

Upon the occurrence of Additional tier-1 capital trigger event, namely, the Bank's core tier-1 capital adequacy ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the CBIRC but without the need for the consent of the bondholders, to write down whole or part of the aggregate amount of the perpetual bonds then issued and outstanding, in order to restore the core tier-1 capital adequacy ratio to above 5.125%. Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down all the above perpetual bond issued and existing at that time in accordance with the total par value without the consent of the bondholders.

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the Additional tier-1 capital of the Bank.

- (ii) With the approvals by relevant regulatory authorities, the Bank issued RMB30 billion undated capital bonds in China's National Inter-Bank Bond Market on 23 September 2020, and the raising fund was received on 25 September 2020. The denomination of the Bonds is RMB100 each and coupon rate of 4.59%. The Bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

With the approvals by relevant regulatory authorities, the Bank issued RMB41.5 billion undated capital bonds in China's National Inter-Bank Bond Market on 8 June 2021, and the raising fund was received on 10 June 2021. The denomination of the Bonds is RMB100 each and coupon rate of 4.06%. The Bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions, by which the Bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-1 capital instruments of the Bank that rank pari passu with the perpetual bonds.

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down/write off in whole or in part, without the need for the consent of the holders of the bonds, the principal amount of the bonds.

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the additional tier-1 capital of the Bank.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
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35 OTHER EQUITY INSTRUMENTS (Continued)

(2) Perpetual bonds (Continued)

(b) Main clauses (Continued)

- (iii) With the approvals by relevant regulatory authorities, the Bank issued USD2.8 billion undated capital bonds in the offshore market on 11 November 2020, and the raising fund was received on 18 November 2020. The coupon rate of the bonds is 3.80%. The bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-1 capital instruments of the Bank that rank pari passu with the perpetual bonds.

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down/write off in whole or in part, without the need for the consent of the holders of the bonds. Once the principal amount of the Bonds (in whole or in part) has been written-off, such relevant written-off portion of the bonds will not be restored or become payable again in any circumstances (including where the relevant Non-Viability Triggering Event ceases to continue), and any accrued but unpaid distribution in respect of such relevant written-off portion of the bonds shall cease to be payable. In addition, there will be no compensation in any form to remedy the loss of the bondholders.

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the additional tier-1 capital of the Bank.

(3) Interests attributable to holders of other equity instruments

	As at 30 June 2022	As at 31 December 2021
Total equity attributable to equity holders of the parent company	976,543	964,647
– Equity attributable to ordinary shareholders of the parent company	801,753	789,857
– Equity attributable to preference shareholders of the parent company	44,952	44,952
– Equity attributable to perpetual bond holders of the parent company	129,838	129,838
Total equity attributable to non-controlling interests	12,393	12,589
– Equity attributable to non-controlling interests of ordinary shares	9,082	9,424
– Equity attributable to non-controlling interests of Non-cumulative Subordinated Additional Tier-1 Capital Securities (Note 38)	3,311	3,165

Dividends paid to preference shareholders and interest paid to perpetual bond holders for the six months ended 30 June 2022 are disclosed in Note 37.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

36 OTHER RESERVES AND RETAINED EARNINGS

Pursuant to the relevant PRC regulations, the appropriation of profits to the statutory general reserve, the discretionary reserve and the distribution of dividends in each year are based on the recommendations of the directors and are subject to the resolutions to be passed at the General Meeting of Shareholders.

Pursuant to relevant PRC regulations, the Bank appropriated 10% of its net profit for the year under CAS to the statutory surplus reserve until the reserve balance reaches 50% of the Bank's registered capital. The statutory surplus reserve can be used to compensate losses or to increase share capital upon approval. The Bank appropriate RMB7,522 million to the statutory surplus upon approval from the 2021 Annual General Meeting of Shareholders held on 28 June 2022.

The Group	For the six months ended 30 June 2022			As at 30 June 2022
	As at 1 January 2022	Appropriate	Decrease	
Statutory reserve	79,967	7,784	–	87,751
Discretionary reserve	140,022	–	–	140,022
Total	219,989	7,784	–	227,773

Pursuant to relevant PRC banking regulations, since 1 July 2012, the Bank made statutory general reserve from net profit through profit appropriation according to Administrative Measures for the Provisioning of Financial Enterprises (Cai Jin [2012] No. 20). The proportion is determined based on several factors including the Bank's overall exposure to risk, normally no lower than 1.5% of the ending balance of risk assets. The statutory general reserve is an integral part of shareholders' equity but not subject to dividend distribution. The Bank's subsidiaries and overseas branches, if required by local regulation requirements, also need to make such general reserve. The 2021 Annual General Meeting of Shareholders, held on 28 June 2022, considered and adopted the 2021 profit distribution scheme, which stipulates as follows:

The Group	For the six months ended 30 June 2022			As at 30 June 2022
	As at 1 January 2022	Appropriate	Decrease	
Statutory general reserve	130,280	13,328	–	143,608

The Bank appropriated RMB11,422 million to the statutory general reserve upon approval from the 2021 Annual General Meeting of Shareholders held on 28 June 2022.

Retained earnings

The movements of retained earnings are set out below:

As at 1 January 2022	258,074
Profit for the period	44,040
Appropriation to statutory reserve	(7,784)
Appropriation to general reserve	(13,328)
Dividends payable to ordinary shareholders	(26,363)
Dividends payable to preference shareholders	(1,832)
Interest to perpetual bond holders	(1,685)
Others	(8)
As at 30 June 2022	251,114

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
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36 OTHER RESERVES AND RETAINED EARNINGS (Continued)

Retained earnings (Continued)

As at 1 January 2021	214,448
Profit for the year	87,581
Appropriation to statutory reserve	(7,536)
Appropriation to general reserve	(7,117)
Appropriation to discretionary reserve	(92)
Dividends payable to ordinary shareholders	(23,541)
Dividends payable to preference shareholders	(1,755)
Interest to perpetual bond holders	(3,858)
Others	(56)
As at 31 December 2021	258,074

37 DIVIDENDS

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

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

38 NON-CONTROLLING INTERESTS

Non-controlling interests of the Group include equity attributable to non-controlling interests of ordinary shares and equity attributable to non-controlling interests of other equity instruments. As at 30 June 2022, equity attributable to other equity instruments holders was RMB3,311 million. Other equity instruments were non-cumulative subordinated additional tier-1 capital securities issued by Bank of Communications (Hong Kong) Limited on 3 March 2020.

Issue Date	3 March 2020
Face Value	US\$500 million
First Call Date	3 March 2025
Distribution Rate	(i) from the issue date to the first call date, 3.725% per annum (ii) for every five calendar years after the first call date, the then-prevailing US Treasury Rate plus 2.525% per annum if the redemption right is not exercised
Frequency of distribution payments	Semi-annually

Bank of Communications (Hong Kong) Limited may determine the policies of distribution payments and whether to redeem the bonds. Therefore, the Group recognised the bonds as equity instruments.

Pursuant to the terms and conditions of the Non-Cumulative Subordinated Additional Tier-1 Capital Securities, Bank of Communications (Hong Kong) Limited has paid a total distribution of RMB59 million during the six months ended 30 June 2022.

39 CONTINGENCIES**Legal proceedings**

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for litigation losses as advised by in-house or external legal professionals is disclosed in Note 33. The total outstanding claims against the Group (as defendant) by a number of third parties at the end of the year are summarised as follows:

	As at 30 June 2022	As at 31 December 2021
Outstanding litigations	2,602	4,096
Provision for outstanding litigation (Note 33)	572	472

Future receivables from operating leases

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

	As at 30 June 2022	As at 31 December 2021
Within 1 year	14,671	13,186
After 1 year and within 2 years	14,110	12,864
After 2 years and within 3 years	13,029	12,269
After 3 years and within 4 years	11,821	11,184
After 4 years and within 5 years	10,631	10,204
After 5 years	40,360	38,879
Total	104,622	98,586

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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40 COMMITMENTS

Credit related commitments and financial guarantees

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

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

Capital expenditure commitments

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

Commitments on security underwriting and bond acceptance

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

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

As at 30 June 2022, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (31 December 2020: Nil).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

41 COLLATERALS

(1) Assets pledged

The Group uses part of its assets as collaterals for interbank repurchase arrangements and other liabilities-related business. The carrying amount of these collaterals and the balance of operations related are listed below:

	Pledged assets		Associated liabilities	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
Investment securities	548,932	382,640	493,027	326,776
Bills	3,750	3,531	3,750	3,531
Due from banks and other financial institutions	2,000	–	1,793	–
Total	554,682	386,171	498,570	330,307

Financial assets sold under repurchase agreements included certain transactions under which the title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note 46 transfers of financial assets.

In addition, loans and advances to customers pledged as collateral for borrowing from central banks or placements from banks by the Group as at 30 June 2022 amounted to RMB3,424 million in total (31 December 2021: RMB5,090 million).

(2) Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements. The Group did not hold any collateral that can be resold or re-pledged on balance sheet date when non-defaulting.

42 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2022		
	Before tax amount	Tax effect	Net of tax amount
Other comprehensive income			
Changes in fair value of debt instruments measured at fair value through other comprehensive income	(8,899)	1,790	(7,109)
<i>Amount recognised in equity</i>	<i>(9,739)</i>	<i>2,000</i>	<i>(7,739)</i>
<i>Amount reclassified to profit or loss</i>	<i>840</i>	<i>(210)</i>	<i>630</i>
Expected credit losses of debt instruments measured at fair value through other comprehensive income	288	8	296
<i>Amount recognised in equity</i>	<i>288</i>	<i>8</i>	<i>296</i>
<i>Amount reclassified to profit or loss</i>	<i>–</i>	<i>–</i>	<i>–</i>
Effective portion of gains or losses on hedging instruments in cash flow hedges	745	(133)	612
<i>Amount recognised in equity</i>	<i>875</i>	<i>(166)</i>	<i>709</i>
<i>Amount reclassified to profit or loss</i>	<i>(130)</i>	<i>33</i>	<i>(97)</i>
Translation difference on foreign operations	4,122	–	4,122
Changes in fair value of equity investments designated at FVOCI	(278)	86	(192)
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL	46	–	46
Actuarial gains on pension benefits	(20)	–	(20)
Others	141	(9)	132
Other comprehensive income for the period	(3,855)	1,742	(2,113)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

42 OTHER COMPREHENSIVE INCOME (Continued)

	Six months ended 30 June 2021		
	Before tax amount	Tax effect	Net of tax amount
Other comprehensive income			
Changes in fair value of debt instruments measured at fair value through other comprehensive income	373	–	373
<i>Amount recognised in equity</i>	820	(112)	708
<i>Amount reclassified to profit or loss</i>	(447)	112	(335)
Expected credit losses of debt instruments measured at fair value through other comprehensive income	(224)	45	(179)
<i>Amount recognised in equity</i>	(224)	45	(179)
<i>Amount reclassified to profit or loss</i>	–	–	–
Effective portion of gains or losses on hedging instruments in cash flow hedges	285	(53)	232
<i>Amount recognised in equity</i>	1,271	(299)	972
<i>Amount reclassified to profit or loss</i>	(986)	246	(740)
Translation difference on foreign operations	(1,344)	–	(1,344)
Changes in fair value of equity investments designated at FVOCI	(435)	(20)	(455)
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL	(36)	–	(36)
Actuarial gains on pension benefits	58	–	58
Others	12	–	12
Other comprehensive income for the period	(1,311)	(28)	(1,339)

43 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of the balance of cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with maturities of less than or equal to 90 days from date of purchase and used for the purpose of meeting short-term cash commitments:

	As at 30 June 2022	As at 30 June 2021
Cash and balances with central banks	68,425	131,543
Due from and placements with banks and other financial institutions	110,718	147,086
Total	179,143	278,629

44 CONSOLIDATED STRUCTURED ENTITIES

Structured entities consolidated by the Group include certain trust investment plans, funds, and securitisation products issued, managed and invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has right 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 consolidated structured entities amounted to RMB186,569 million (31 December 2021: RMB182,733 million).

45 UNCONSOLIDATED STRUCTURED ENTITIES

The Group has been involved in other structured entities through acting as sponsors of structured entities or investments in structured entities that provide specialised investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of the products. The Group does not control these structured entities and therefore, these structured entities are not consolidated.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

45 UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

As at 30 June 2022, those unconsolidated structured entities sponsored by the Group consist primarily of funds, trusts, asset management products, limited partnerships, wealth management products with principals not guaranteed by the Group and securitisation products. The Group earns commission income by providing management services to the investors of these structured entities, such income is not significant to the Group. In addition, the Group is also involved in certain structured entities sponsored by the Group or third parties through direct investments. These investments are recognised as financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, and financial investments at amortised cost.

As at 30 June 2022, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,276,964 million (As at 31 December 2021: RMB1,426,253 million), the balance of funds issued by the Group amounted to RMB599,312 million, the balance of trusts and asset management plans and others sponsored by the Group amounted to RMB644,250 million (As at 31 December 2021: the balance of funds issued by the Group amounted to RMB547,188 million, the balance of trusts and asset management plans and others sponsored by the Group amounted to RMB721,946 million).

For the six months ended 30 June 2022, the Group's commission income from providing services to the structured entities managed by the Group was RMB5,232 million (For the six months ended 30 June 2021: RMB4,318 million), and no interest income from placements and repurchase transactions with those unconsolidated wealth management products (For the six months ended 30 June 2021: Nil).

As at 30 June 2022 and 31 December 2021, the carrying amount of interests in unconsolidated structured entities held by the Group through investment was set out as follows:

As at 30 June 2022	Carrying amount				Type of income
	Financial investments at FVTPL	Financial investments at amortised cost	Financial investments at FVOCI	Maximum exposure to loss	
Funds (including limited partnerships)	146,909	–	370	147,279	Net gains arising from trading activities, other comprehensive income
Trusts and asset management products	25,534	75,115	–	100,649	Net interest income, net gains arising from trading activities
Securitisation products	619	210	–	829	Net interest income, net gains arising from trading activities
Total	173,062	75,325	370	248,757	

The information of total size of the unconsolidated structured entities listed above is not readily available from the public domain.

As at 31 December 2021	Carrying amount				Type of income
	Financial investments at FVTPL	Financial investments at amortised cost	Financial investments at FVOCI	Maximum exposure to loss	
Funds (including limited partnerships)	147,738	–	620	148,358	Net gains arising from trading activities, other comprehensive income
Trusts and asset management products	13,445	83,245	–	96,690	Net interest income, net gains arising from trading activities
Securitisation products	63	134	–	197	Net interest income, net gains arising from trading activities
Total	161,246	83,379	620	245,245	

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
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46 TRANSFERS OF FINANCIAL ASSETS

(1) Financial assets sold under repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Group does not have the ability to use during the term of the arrangements, are not derecognised from the financial statements but regarded as “collateral” for the secured lending. In addition, the Group recognises a financial liability for cash received.

As at 30 June 2022 and 31 December 2021, the Group entered into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as “financial assets sold under repurchase agreements” (Note 28).

The following table provides a summary of carrying amounts related to the transferred financial assets that are not derecognised and the associated liabilities:

	Collaterals		Associated liabilities	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
Investment securities	7,277	–	6,165	–
Loans and advances to customers	1	–	1	–
Total	7,278	–	6,166	–

(2) Securities lending transactions

Transferred financial assets that do not qualify for de-recognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has 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 derecognised them. As at 30 June 2022, the carrying value of debt securities lent to counterparties was RMB7,293 million (31 December 2021: RMB13,900 million).

(3) Asset securitization

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which then issue securities to investors.

The Group retains interests in the form of subordinated tranches which may give rise to the Group’s continuing involvement in the transferred assets. Those financial assets are recognised on the consolidated statement of financial position to the extent of the Group’s continuing involvement, while the rest are derecognised. The extent of the Group’s continuing involvement is the extent of risk the Group faces due to changes in the value of the transferred assets.

As at 30 June 2022, loans with an original value of RMB71,204 million and carrying amount of RMB59,024 million (31 December 2021: RMB66,061 million and RMB56,834 million) have been securitised by the Group, among which the Group transferred financial assets amounted to RMB19,070 million through assets backed securitization transactions, and all have met the requirement of derecognition (31 December 2021: RMB13,927 million, all have met the requirement of derecognition).

As at 30 June 2022, the Group retained their continued involvement in securitised credit assets by holding subordinated securities. The value of the assets that the Group continued to recognise was RMB5,529 million (31 December 2021: RMB5,529 million).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

46 TRANSFERS OF FINANCIAL ASSETS (Continued)

(4) Disposal of non-performing loans and advances to customers

The Group disposes non-performing loans and advances to customers through transferring to third parties in the normal course of business. For the six months ended 30 June 2022, the Group had batch transferred non-performing loans and advances to customers with a gross carrying amount of RMB1,104 million (For the six months ended 30 June 2021: RMB8,718 million) and collected cash totalling RMB818 million (For the six months ended 30 June 2021: RMB5,543 million) from the transfer. The difference between the gross carrying amount and the cash collected had been written off. The Group derecognised the non-performing loans and advances to customers from the Group's financial statements at the time of disposal.

47 RELATED PARTY TRANSACTIONS

(1) Transactions with the MOF

As at 30 June 2022, the MOF held 17,732 million (31 December 2021: 17,732 million) ordinary shares of Bank of Communications Co., Ltd. which represented 23.88% (31 December 2021: 23.88%) of the total share capital.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditures, and establishing and enforcing taxation policies. The Group enters into banking transactions with the MOF under normal commercial terms and at market rates. These transactions mainly include the purchase and redemption of financial investments issued by the MOF.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2022	As at 31 December 2021
Bonds issued by the MOF investment	997,494	974,910
	Six months ended 30 June	
	2022	2021
Interest income	13,710	12,445
Net gains arising from trading activities	625	47

(2) Transactions with the National Council for Social Security Fund

As at 30 June 2022, the National Council for Social Security Fund held 12,156 million (31 December 2021: 12,160 million) ordinary shares of Bank of Communications Co., Ltd. which represented 16.37% (31 December 2021: 16.37%) of the total share capital.

The National Council for Social Security Fund was incorporated in 2000, which is an independent legal entity under the management of the Ministry of Finance, responsible for managing and operating the national social security fund. Its legal representative is Liu Wei, its registered capital is RMB8.00 million and its registered address is South Fortune Times Building, No. 11 Fenghuiyuan, Xicheng District, Beijing. The Group enters into transactions with the National Council for Social Security Fund in the normal course of business and they mainly include deposits which are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2022	As at 31 December 2021
Deposits from customers	(93,661)	(92,373)
	Six months ended 30 June	
	2022	2021
Interest expenses	(1,912)	(1,836)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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47 RELATED PARTY TRANSACTIONS *(Continued)*

(3) Transactions with the Hongkong and Shanghai Banking Corporation Limited (“HSBC”) Group and its joint ventures

As at 30 June 2022, HSBC held 14,136 million (31 December 2021: 14,136 million) ordinary shares of the Bank of Communications Co., Ltd. which represented 19.03% (31 December 2021: 19.03%) of the total share capital.

HSBC was incorporated in 1866, primarily providing local and international banking services, and related financial services in the Asia-Pacific region. Its Co-chief Executive Officer is Liao, Yi Chien David and Surendra Rosha, and its registered address is 1 Queen’s Road Central, Central, Hong Kong. The ordinary share capital of HSBC is HKD123,958 million and USD7,198 million, which was divided into 49,579 million ordinary shares. Transactions between the Group and HSBC are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2022	As at 31 December 2021
On-balance sheet items		
Due from and placements with banks and other financial institutions	3,745	3,338
Derivative financial assets	4,505	1,672
Loans and advances to customers	464	–
Financial investments at FVTPL	2,083	1,931
Financial investments at amortised cost	1,177	419
Financial investments at FVOCI	2,288	4,052
Due to and placements from banks and other financial institutions	(16,151)	(17,083)
Financial liabilities at FVTPL	(1,761)	(1,424)
Derivative financial liabilities	(1,986)	(1,613)
Off-balance sheet items		
Notional principal of derivative financial instruments	253,214	240,864
Credit related commitments and financial guarantees	54	–
	Six months ended 30 June	
	2022	2021
Interest income	112	65
Interest expense	(27)	(55)
Fee and commission income	–	1
Fee and commission expense	(7)	(2)
Net gains from trading activities	857	1,214

(4) Transactions with state-owned entities in PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the government through its authorities, affiliates or other organisations (collectively the “state-owned entities”). During the period, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, the provision of credit and guarantees, deposits, foreign exchange, derivatives transactions, agency business, underwriting and distribution of bonds issued by the government as well as trading and redemption of securities issued by the government.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these state-owned entities are ultimately controlled or owned by the government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

47 RELATED PARTY TRANSACTIONS (Continued)

(5) Transactions with subsidiaries

Transactions between the Bank and its subsidiaries are carried out under normal commercial terms and paid at market rates. These transactions are eliminated on consolidation. Basic information and relevant details of subsidiaries are set out in note 23.

Details of transaction volumes and outstanding balances are summarised below:

The Bank	As at 30 June 2022	As at 31 December 2021
Due from and placements with banks and other financial institutions	162,724	123,461
Derivative financial assets	1,152	793
Loans and advances to customers	501	486
Financial investments at FVTPL	261	433
Financial investments at amortised cost	1,278	1,551
Financial investments at FVOCI	9,719	11,455
Other assets	1,438	766
Due to and placements from banks and other financial institutions	(16,560)	(14,523)
Derivative financial liabilities	(8,129)	(1,851)
Deposits from customers	(7,786)	(11,683)
Other liabilities	(91)	(119)

The Bank	Six months ended 30 June	
	2022	2021
Interest income	1,329	1,041
Interest expense	(174)	(112)
Fee and commission income	960	909
Fee and commission expense	(29)	(56)
Net gains arising from trading activities	746	817
Other operating income	301	294
Other operating expense	(51)	(21)

(6) Transactions with directors, supervisors and senior management

Transactions with directors, supervisors, senior management, their close relatives and entities that are controlled, jointly controlled or significantly influenced by either such directors, supervisors and senior management or their close relatives mainly include loans and deposits and are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers	1	1
Deposits from customers	(10)	(10)

Compensations of directors and senior management are disclosed in Note 15.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

47 RELATED PARTY TRANSACTIONS *(Continued)*

(7) Transactions with associates and joint ventures

Transactions between the Group and its associates and joint ventures are carried out under normal commercial terms and paid at market rates. Basic information and relevant details of associates and joint ventures are set out in note 24.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2022	As at 31 December 2021
On-balance sheet items		
Due from and placements with banks and other financial institutions	500	500
Derivative financial assets	29	31
Loans and advances to customers	10,798	6,041
Due to and placements from banks and other financial institutions	(171)	(104)
Derivative financial liabilities	(2)	(35)
Off-balance sheet items		
Notional principal of derivative financial instruments	3,972	6,947
Credit related commitments and financial guarantees	16,257	12,126

	Six months ended 30 June	
	2022	2021
Interest income	175	107
Interest expense	(19)	(3)
Net (losses)/gains from trading activities	(3)	9

(8) Transactions with other related parties

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2022	As at 31 December 2021
On-balance sheet items		
Loans and advances to customers	508	1,080
Due to and placements from banks and other financial institutions	(60)	(1,204)
Deposits from customers	(84,548)	(79,787)
Off-balance sheet items		
Credit related commitments and financial guarantees	20	–

	Six months ended 30 June	
	2022	2021
Interest income	8	12
Interest expense	(1,509)	(1,180)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

47 RELATED PARTY TRANSACTIONS (Continued)

(9) Proportion of major related party transactions

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements. When calculating the proportion of related party transactions, transactions with the subsidiary are not involved.

	As at 30 June 2022		As at 31 December 2021	
	Balances	%	Balances	%
On-balance sheet items				
Due from and placements with banks and other financial institutions	4,245	0.53	3,838	0.61
Derivative financial assets	4,534	8.07	1,703	4.34
Loans and advances to customers	11,771	0.17	7,122	0.11
Financial investments	1,003,042	27.16	981,312	27.85
Due to and placements from banks and other financial institutions	(16,382)	0.86	(18,391)	0.94
Financial liabilities at FVTPL	(1,761)	2.94	(1,424)	2.85
Derivative financial liabilities	(1,988)	5.03	(1,648)	4.57
Deposits from customers	(178,219)	2.28	(172,170)	2.45
Off-balance sheet items				
Notional principal of derivative financial instruments	257,186	3.88	247,811	3.48
Credit related commitments and financial guarantees	16,331	0.79	12,126	0.65
	Six months ended 30 June			
	2022		2021	
	Amount	%	Amount	%
Interest income	14,005	6.91	12,629	6.87
Interest expense	(3,467)	2.95	(3,074)	2.91
Fee and commission income	–	–	1	(0.00)
Fee and commission expense	(7)	0.29	(2)	0.09
Net gains from trading activities	1,479	14.86	1,270	12.49

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

48 SEGMENTAL ANALYSIS

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

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

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

Geographical operating segment information

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

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

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

48 SEGMENTAL ANALYSIS (Continued)

Geographical operating segment information (Continued)

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

48 SEGMENTAL ANALYSIS (Continued)

Geographical operating segment information (Continued)

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

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

48 SEGMENTAL ANALYSIS (Continued)

Geographical operating segment information (Continued)

	As at 31 December 2021									Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	
Segment assets	2,881,066	1,059,386	1,711,386	1,277,003	881,918	409,288	1,095,657	4,459,033	(2,141,041)	11,633,696
Including:										
Investments in associates and joint ventures	4	-	-	1	-	-	201	5,573	-	5,779
Unallocated assets										32,061
Total assets										11,665,757
Segment liabilities	(2,658,802)	(1,042,577)	(1,688,784)	(1,239,658)	(670,308)	(417,068)	(1,046,572)	(3,863,904)	2,141,041	(10,686,632)
Unallocated liabilities										(1,889)
Total liabilities										(10,688,521)

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

Business information

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

The business information of the Group is summarised as follows:

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022
(All amounts presented in millions of RMB except when otherwise indicated)

48 SEGMENTAL ANALYSIS (Continued)

Business information (Continued)

	Six months ended 30 June 2021				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	34,216	24,920	19,320	30	78,486
Inter-segment net interest income/(expense)	7,989	9,126	(17,115)	–	–
Net interest income	42,205	34,046	2,205	30	78,486
Net fee and commission income	8,255	15,538	1,094	79	24,966
Net gains arising from trading activities	2,956	623	6,451	139	10,169
Net gains arising from financial investments	29	442	301	–	772
Share of profits of associates and joint ventures	–	–	–	114	114
Insurance business income	24	10,998	–	–	11,022
Other operating income	7,024	1,239	21	238	8,522
Total operating income-net	60,493	62,886	10,072	600	134,051
Credit impairment losses	(27,951)	(5,603)	472	–	(33,082)
Other assets impairment losses	(418)	–	–	–	(418)
Insurance business expense	(3)	(10,922)	–	–	(10,925)
Other operating expense					
– Depreciation and amortisation	(1,450)	(1,918)	(378)	(231)	(3,977)
– Others	(17,503)	(19,745)	(1,626)	(187)	(39,061)
Profit before tax	13,168	24,698	8,540	182	46,588
Income tax					(3,715)
Net profit for the period					42,873
Depreciation and amortisation	(1,450)	(1,918)	(378)	(231)	(3,977)
Capital expenditure	(2,979)	(3,941)	(777)	(474)	(8,171)

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

48 SEGMENTAL ANALYSIS (Continued)

Business information (Continued)

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

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

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

49 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

In August 2022, the Bank issued a green financial bond of RMB20,000 million with a maturity of 3 years and a coupon rate of 2.42% on the national interbank bond market.

50 COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

1 CURRENCY CONCENTRATIONS

	USD	HKD	Others	Total
As at 30 June 2022				
Spot assets	1,125,662	237,597	210,675	1,573,934
Spot liabilities	(980,040)	(319,687)	(150,710)	(1,450,437)
Forward purchases	1,295,300	217,592	173,900	1,686,792
Forward sales	(1,387,609)	(223,433)	(169,099)	(1,780,141)
Net option position	1,769	404	(1,827)	346
Net long/(short) position	55,082	(87,527)	62,939	30,494
Net structural position	131,787	31,290	7,785	170,862
	USD	HKD	Others	Total
As at 31 December 2021				
Spot assets	1,016,873	233,474	174,843	1,425,190
Spot liabilities	(956,839)	(305,411)	(125,300)	(1,387,550)
Forward purchases	1,446,642	227,581	171,559	1,845,782
Forward sales	(1,571,846)	(130,762)	(222,085)	(1,924,693)
Net option position	5,503	(12)	(747)	4,744
Net long/(short) position	(59,667)	24,870	(1,730)	(36,527)
Net structural position	121,168	31,246	7,799	160,213

The net options position is calculated using the approach set out by the CBIRC in the regulatory report. The net structural position of the Group includes the structural positions of the Group's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- Investments in fixed assets and properties, net of depreciation charges;
- Capital and statutory reserve of overseas branches;
- Investments in overseas subsidiaries and related companies; and
- Loan capital

2 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China.

In respect of this unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

International claims include loans and advances to customers, due from and placements with banks and other financial institutions, holdings of trade bills and certificates of deposits and investment securities.

International claims have been disclosed by country or region. A country or 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 risk exposure is transferred to other counterparty by risk resolving methods. Exposure to credit risk is also mitigated through methods of guarantees, collaterals and credit derivatives.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

2 INTERNATIONAL CLAIMS (Continued)

As at 30 June 2022	Bank	Official sector	Non-bank private sector	Others	Total
Asia Pacific	550,110	125,821	938,155	–	1,614,086
<i>Of which attributed to Hong Kong</i>	154,424	89,779	386,794	–	630,997
North and South America	13,532	9,778	30,977	–	54,287
Africa	277	1,726	–	–	2,003
Europe	6,306	670	28,456	–	35,432
Total	570,225	137,995	997,588	–	1,705,808

As at 31 December 2021	Bank	Official sector	Non-bank private sector	Others	Total
Asia Pacific	448,033	122,959	717,912	–	1,288,904
<i>Of which attributed to Hong Kong</i>	62,204	21,533	304,709	–	388,446
North and South America	34,071	21,351	65,018	–	120,440
Africa	442	1,887	–	–	2,329
Europe	42,156	3,878	23,337	–	69,371
Total	524,702	150,075	806,267	–	1,481,044

3 OVERDUE AND RESTRUCTURED ASSETS

(1) Balance of overdue loans

	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers which have been overdue for:		
– Less than 3 months	31,898	23,164
– 3 to 6 months	15,348	15,966
– 6 to 12 months	15,899	13,467
– Over 12 months	26,476	34,565
Total	89,621	87,162
Percentage (%):		
– Less than 3 months	0.45	0.35
– 3 to 6 months	0.22	0.24
– 6 to 12 months	0.22	0.21
– Over 12 months	0.37	0.53
Total	1.26	1.33

(2) Overdue and restructured loans

	As at 30 June 2022	As at 31 December 2021
Total restructured loans and advances to customers	12,810	8,792
<i>Including: Restructured loans and advances to customers overdue above 3 months</i>	1,186	1,625
Percentage of restructured loans and advances to customers overdue above 3 months in total loans	0.02	0.02

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

4 SEGMENTAL INFORMATION OF LOANS

(1) Impaired loans and advances to customers by geographical area

	As at 30 June 2022		As at 31 December 2021	
	Impaired loans and advances to customers	Allowance for impairment losses	Impaired loans and advances to customers	Allowance for impairment losses
PRC domestic regions				
– Yangtze River Delta	22,486	(13,061)	22,399	(13,277)
– Pearl River Delta	8,576	(4,609)	5,559	(3,389)
– Bohai Rim Economic Zone	16,357	(12,142)	13,893	(9,786)
– Central China	15,673	(7,650)	19,224	(10,244)
– Western China	10,197	(6,341)	9,661	(6,402)
– North Eastern China	12,377	(9,607)	12,090	(9,299)
– Head Office	12,795	(11,573)	10,831	(10,064)
Subtotal	98,461	(64,983)	93,657	(62,461)
Hong Kong, Macau, Taiwan and overseas regions	4,771	(2,725)	3,139	(1,421)
Total	103,232	(67,708)	96,796	(63,882)

(2) Overdue loans and advances to customers by geographical area

	As at 30 June 2022		As at 31 December 2021	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
PRC domestic regions				
– Yangtze River Delta	11,522	(8,989)	16,399	(9,189)
– Pearl River Delta	6,425	(3,648)	5,853	(3,166)
– Bohai Rim Economic Zone	11,784	(8,762)	9,749	(6,561)
– Central China	14,571	(6,130)	15,170	(8,080)
– Western China	6,936	(4,263)	7,176	(4,333)
– North Eastern China	7,976	(6,175)	9,119	(6,644)
– Head Office	22,936	(14,606)	20,468	(12,767)
Subtotal	82,150	(52,573)	83,934	(50,740)
Hong Kong, Macau, Taiwan and overseas regions	7,471	(3,368)	3,228	(1,516)
Total	89,621	(55,941)	87,162	(52,256)

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

5 LOANS AND ADVANCES TO CUSTOMERS

(1) The risk concentration analysis for loans and advances to customers by industry sectors (gross)

Hong Kong	As at 30 June 2022			As at 31 December 2021		
	%	Amount covered by collaterals	%	Amount covered by collaterals	%	Amount covered by collaterals
Corporate loans						
Manufacturing						
– Petroleum and chemical	821	0.36	–	1,130	0.54	148
– Electronics	1,333	0.58	26	1,577	0.76	25
– Textile and clothing	107	0.05	6	148	0.07	7
– Other manufacturing	11,527	5.05	5,581	25,506	12.24	5,284
Production and supply of power, heat, gas and water	632	0.28	295	1,418	0.68	320
Construction	7,162	3.14	1,351	5,051	2.42	1,159
Transportation, storage and postal service	10,834	4.75	2,639	9,482	4.55	3,375
Information transmission, software and IT services	3,419	1.50	50	3,537	1.70	20
Wholesale and retail	17,255	7.56	3,623	15,584	7.48	4,052
Finance	4,461	1.95	1,258	6,730	3.23	826
Real estate	89,862	39.38	24,375	60,900	29.23	16,186
Leasing and commercial services	11,557	5.06	5,108	11,711	5.62	3,838
Others	19,529	8.55	2,402	22,489	10.79	4,175
Total corporate loans	178,499	78.22	46,714	165,263	79.31	39,415
Personal loans						
Mortgage	35,664	15.62	35,452	29,857	14.33	29,837
Credit cards	84	0.04	–	94	0.05	–
Others	13,957	6.12	3,259	13,149	6.31	12,539
Total personal loans	49,705	21.78	38,711	43,100	20.69	42,376
Gross amount of loans and advances to customers before impairment allowance	228,204	100.00	85,425	208,363	100.00	81,791
Outside Hong Kong	6,859,526			6,352,037		

Note: The classification of industries is consistent with the latest national standards for industry classification (Industrial Classification for National Economic Activities (GB/T 4754-2017) issued by SAC and AQSIQ in 2017).

The risk concentration analysis for loans and advances to customers by industry sectors is based on the Group's internal classification system.

The ratio of collateral and pledge loans to the total loans of the Group was 51% as at 30 June 2022 (31 December 2021: 52%).

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

5 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Allowance on loans and advances to customers by type of loan

	As at 30 June 2022		As at 31 December 2021	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Corporates	81,140	(50,748)	77,628	(49,172)
Individuals	22,092	(16,875)	19,168	(14,710)
	103,232	(67,623)	96,796	(63,882)

Collaterals held against such loans mainly include cash deposits and mortgages over properties.

The amount of new provisions charged to statement of profit or loss, and the amount of loans and advances written off during the period are disclosed below:

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years
Corporates	24,034	(12,690)	2,644	25,984	(15,855)	2,545
Individuals	10,558	(7,685)	879	5,189	(7,438)	950
	34,592	(20,375)	3,523	31,173	(23,293)	3,495

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

Appendices 1 to 4 are disclosed in accordance with the *Regulations on the Information Disclosure of Capital Composition of Commercial Banks* issued by the CBIRC.

APPENDIX 1: GROUP'S CAPITAL BREAKDOWN

(in millions of RMB)

Items	30 June 2022	31 December 2021	Code
Core Tier-1 Capital:			
1 Share capital	74,263	74,263	r
2 Retained earnings	619,574	605,166	
2a Surplus reserve	227,605	219,859	y
2b General reserve for risk assets	143,432	130,156	z
2c Retained earnings	248,537	255,151	aa
3 Accumulated other comprehensive income and disclosed reserve	105,237	108,297	
3a Capital surplus	111,457	111,441	u
3b Others	(6,220)	(3,144)	v
4 Amount recognised in core tier-1 capital during transition period (Only applicable to non-stock companies; for joint-stock companies, to be completed with "0")	–	–	
5 Non-controlling interests recognised in core tier-1 capital	2,028	2,161	ab
6 Core tier-1 capital before regulatory adjustments	801,102	789,887	
Core Tier-1 Capital: Regulatory adjustments			
7 Prudent valuation adjustment	–	–	
8 Goodwill (net of deferred tax liabilities)	292	274	m-p
9 Other intangible assets (excluding land use rights) (net of deferred tax liabilities)	2,155	2,186	l-q
10 Net deferred tax assets arising from the carried forward losses and be realised upon future profits	–	–	k
11 Cash flow hedge reserves	514	(104)	x
12 Gap of loan allowance	–	–	
13 Gains from sales of asset securitisation	–	–	
14 Unrealised profit/loss arising from the changes in fair value liability due to credit risk	–	–	
15 Net defined-benefit pension assets (excluding deferred tax liabilities)	–	–	
16 Direct or indirect holding of the Bank's ordinary shares	–	–	
17 Cross holdings in core tier-1 capital based on agreements with interbank institutions or with other financial institutions	–	–	
18 Deductible amount from the core tier-1 capital of non-significant minority capital investments in financial institutions outside the scope of regulatory consolidation	–	–	
19 Deductible amount from the core tier-1 capital of significant minority capital investments in financial institutions outside the scope of regulatory consolidation	–	–	
20 Mortgage servicing rights	–	–	
21 Net deferred tax assets depending on the Bank's future profits	–	–	
22 Deduction of the undeductible amount of the core tier-1 capital of significant minority capital investments in financial institutions outside the scope of regulatory consolidation and other net deferred tax assets depending on the Bank's future profits which exceed the 15% of the core tier-1 capital	–	–	
23 Including: Deductions of significant minority capital investments in financial institutions	–	–	
24 Including: Deductions of Mortgage servicing rights	–	–	
25 Including: Deductions of other deferred tax assets based on the Bank's future profits	–	–	

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 1: GROUP'S CAPITAL BREAKDOWN (CONTINUED)

(in millions of RMB)

Items	30 June 2022	31 December 2021	Code
26a Investments in core tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	3,654	3,654	f
26b Gaps of core tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	-	-	
26c Other deductions from core tier-1 Capital	-	-	
27 Other tier-1 capital and tier-2 capital to cover deductions	-	-	
28 Total regulatory adjustments to core tier-1 capital	6,615	6,010	
29 Core tier-1 capital	794,487	783,877	
Other Tier-1 Capital:			
30 Directly issued qualifying other tier-1 instruments plus stock surplus	174,790	174,790	
31 Including: Classified as equity	174,790	174,790	t
32 Including: Classified as liabilities	-	-	
33 Instruments not recognised in other tier-1 capital after the transition period	-	-	
34 Non-controlling interests recognised in other tier-1 capital	1,596	1,558	ac
35 Including: Portions not recognised in other tier-1 capital after the transition period	-	-	
36 Other tier-1 capital before regulatory adjustments	176,386	176,348	
Other Tier-1 Capital: Regulatory adjustments			
37 Direct or indirect investments in other tier-1 capital instruments of the Bank	-	-	
38 Cross holdings in other tier-1 instruments based on agreements with interbank institutions or with other financial institutions	-	-	
39 Non-significant investments in the other tier-1 capital of financial institutions outside the scope of regulatory consolidation	-	-	
40 Significant investments in the other tier-1 capital of financial institutions outside the scope of regulatory consolidation	-	-	
41a Investments in other tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	-	-	
41b Gap of other tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	-	-	
41c Other deductions from other tier-1 capital	-	-	
42 - Undeducted gaps that should be deducted from tier-2 capital	-	-	
43 Total regulatory adjustments to other tier-1 capital	-	-	
44 Other tier-1 capital	176,386	176,348	
45 Tier-1 capital (core tier-1 capital + other tier-1 capital)	970,873	960,225	
Tier-2 Capital:			
46 Tier-2 instruments plus their premiums	139,991	139,972	n
47 Portions not recognised in tier-2 capital after the transition period	-	-	
48 Minority interest recognised in tier-2 capital	4,772	4,494	ad
49 Including: Portions not recognised after the transition period	-	-	
50 Excess loan loss provisions recognized in tier-2 capital	37,259	35,266	
51 Tier-2 capital before regulatory adjustments	182,022	179,732	

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

APPENDIX 1: GROUP'S CAPITAL BREAKDOWN *(CONTINUED)*

(in millions of RMB)

Items	30 June 2022	31 December 2021	Code
Tier-2 Capital: Regulatory adjustments			
52 Directly or indirectly holding of the Bank's tier-2 capital	–	–	
53 Interbank or with other financial institutions cross-holdings in tier-2 instruments	–	–	
54 The portion of tier-2 capital that should be deducted from the small capital investment of financial institutions outside the scope of regulatory consolidation	–	–	
55 Tier-2 capital in large minority capital investment of financial institutions outside the scope of regulatory consolidation	–	–	
56a Investments in tier-2 capital of financial institutions being controlled but outside the scope of regulatory consolidation	–	–	
56b Gaps of tier-2 capital of financial institutions being controlled but outside the scope of regulatory consolidation	–	–	
56c Other deductions from tier-2 capital	–	–	
57 Total regulatory adjustments to tier-2 capital	–	–	
58 Tier-2 capital	182,022	179,732	
59 Total capital (tier-1 capital + tier-2 capital)	1,152,895	1,139,957	
60 Total risk-weighted assets	7,956,077	7,379,912	
Capital adequacy ratio and reserve capital requirements			
61 Core tier-1 capital adequacy ratio (%)	9.99	10.62	
62 Tier-1 capital adequacy ratio (%)	12.20	13.01	
63 Capital adequacy ratio (%)	14.49	15.45	
64 Specific buffer requirements of regulators (%)	2.50	2.50	
65 Including: Capital conservation buffer requirements (%)	2.50	2.50	
66 Including: Countercyclical buffer requirements (%)	0.00	0.00	
67 Including: Additional buffer requirements of global systemically important banks (%)	0.00	0.00	
68 Core tier-1 capital available to meet buffers as a percentage of risk-weighted assets (%)	4.99	5.62	
Domestic minimum regulatory capital requirements			
69 Core tier-1 capital adequacy ratio (%)	5.00	5.00	
70 Tier-1 capital adequacy ratio (%)	6.00	6.00	
71 Capital adequacy ratio (%)	8.00	8.00	
Amounts below the threshold deductions			
72 The undeducted part of the small minority investments in Core tier-1 capital of financial institutions outside the scope of regulatory consolidation	23,211	26,395	b+c+d+e+g
73 The undeducted part of the large minority investments in the capital of financial institutions outside the scope of regulatory consolidation	2,177	1,740	a+h
74 Mortgage servicing rights (net of deferred tax liabilities)	–	–	
75 Other net deferred tax assets depending on the Bank's future profits (net of deferred tax liabilities)	37,144	29,932	j-k-o

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 1: GROUP'S CAPITAL BREAKDOWN *(CONTINUED)*

(in millions of RMB)

Items	30 June 2022	31 December 2021	Code
Limit of excess loan loss provisions in Tier-2 Capital			
76 Loan loss provisions actually made in respect of exposures subject to riskweighted approach	9,391	8,761	
77 Excess loan loss provisions eligible for inclusion in tier-2 capital under riskweighted approach	4,338	4,929	
78 Loan loss provisions actually made in respect of exposures subject to internal rating-based approach	169,300	152,401	
79 Excess loan loss provisions eligible for inclusion in tier-2 capital under internal rating-based approach	32,920	30,337	
Capital instruments subject to phase-out arrangements			
80 Amount recognised in current-period core tier-1 capital due to transitional arrangements	-	-	
81 Amount not recognised in current period core tier-1 capital due to transitional arrangements	-	-	
82 Amount recognised in current-period other tier-1 capital due to transitional arrangements	-	-	
83 Amount not recognised in current period other tier-1 capital due to transitional arrangements	-	-	
84 Amount recognised in current-period tier-2 capital due to transitional arrangements	-	-	
85 Amount not recognised in current-period tier-2 capital due to transitional arrangements	-	-	

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

APPENDIX 2: GROUP BALANCE SHEET (ACCOUNTING AND REGULATORY CONSOLIDATION)

(in millions of RMB)

	30 June 2022		31 December 2021		
	Balance sheet of the consolidation under CAS	Balance sheet of the consolidation under the regulation	Balance sheet of the consolidation under CAS	Balance sheet of the consolidation under the regulation	
Assets:					
1	Cash and balances with central banks	746,660	746,660	734,728	734,610
2	Deposits from banks and other financial institutions				
	Placements to banks and other financial institutions				
	Derivative financial assets	130,513	122,796	119,890	115,353
3	Placements to banks and other financial institutions	533,660	533,660	439,450	439,515
4	Derivative financial assets	56,150	56,150	39,220	39,220
5	Financial assets purchased under reverse agreements	135,570	135,498	73,368	71,872
6	Loans and advances to customers	6,923,521	6,922,350	6,412,201	6,411,451
7	Financial assets at fair value through current profit or loss	666,260	621,944	638,483	604,958
8	Financial investments at amortized cost	2,375,762	2,336,229	2,203,037	2,174,469
9	Financial investments at fair value through other comprehensive income	650,592	624,633	681,729	648,840
10	Long term equity investments	7,389	10,970	5,779	12,509
11	Property and equipment	175,961	175,428	168,247	167,695
12	Land use rights	1,628	1,628	1,657	1,657
13	Deferred income tax assets	38,856	38,644	32,061	31,788
14	Goodwill	413	292	395	274
15	Intangible assets	2,180	2,155	2,217	2,186
16	Other Asset	135,461	134,089	113,295	117,975
17	Total assets	12,580,576	12,463,126	11,665,757	11,574,372
Liabilities:					
18	Borrowings from central banks	342,757	342,757	339,358	339,358
19	Deposits from banks and other financial institutions	1,047,245	1,047,245	1,096,640	1,096,310
20	Placements from banks and other financial institutions	457,056	457,056	467,019	466,787
21	Transactional financial liabilities	59,887	48,104	50,048	46,242
22	Financial assets sold under repurchase agreements	51,876	42,020	44,751	36,997
23	Due to customers	7,811,363	7,815,800	7,039,777	7,047,063
24	Derivative financial liabilities	39,488	39,488	36,074	36,101
25	Debt securities issued	518,676	513,777	503,525	499,932
26	Employee benefits payable	8,272	8,088	14,401	14,205
27	Taxes payable	10,525	10,688	10,364	10,282
28	Deferred tax liabilities	1,508	1,500	1,889	1,856
29	Provisions	11,417	11,417	9,714	9,714
30	Other liabilities	1,231,570	1,141,932	1,074,961	997,633
31	Total liabilities	11,591,640	11,479,872	10,688,521	10,602,480
Equity:					
32	Share capital	74,263	74,263	74,263	74,263
33	Other equity instruments	174,790	174,790	174,790	174,790
34	Capital surplus	111,428	111,457	111,428	111,441
35	Other comprehensive income	(6,433)	(6,220)	(4,177)	(3,144)
36	Surplus reserve	227,773	227,605	219,989	219,859
37	General risk reserve	143,608	143,432	130,280	130,156
38	Retained earnings	251,114	248,537	258,074	255,151
39	Minority interests	12,393	9,390	12,589	9,376
40	Total equity	988,936	983,254	977,236	971,892

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 3: BALANCE SHEET UNDER REGULATORY CONSOLIDATION

(in millions of RMB)

	Balance sheet of the Regulatory consolidation	Code
Assets:		
Cash and balances with central banks	746,660	
Due from banks and other financial institutions	122,796	
Loans to banks and other financial institutions	533,660	
Derivative financial assets	56,150	
Financial assets purchased under reverse agreements	135,498	
Loans and advances to customers	6,922,350	
Financial assets at fair value through profit or loss	621,944	
Including: Core tier-1 capital from significant investments in the capital of financial institutions outside the scope of regulatory consolidation	793	a
Including: Core tier-1 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	379	b
Including: Core tier-2 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	15,332	c
Financial investments at amortized cost	2,336,229	
Financial investment at fair value through other comprehensive income	624,633	
Including: Core tier-1 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	3,000	d
Including: Other tier-1 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	0	e
Long term equity investments	10,970	
Including: Investments in core tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	3,654	f
Including: Core tier-1 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	4,500	g
Including: Core tier-1 capital from significant investments in the capital of financial institutions outside the scope of regulatory consolidation	1,384	h
Property and equipment	175,428	
Land use rights	1,628	i
Deferred tax assets	38,644	j
Including: Deferred tax assets arising from operating losses which are expected to offset against future profits	0	k
Including: Other deferred tax assets depending on the Bank's future profits	38,644	
Intangible assets	2,155	l
Goodwill	292	m
Other assets	134,089	
Total assets	12,463,126	
Liabilities:		

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

APPENDIX 3: BALANCE SHEET UNDER REGULATORY CONSOLIDATION

(CONTINUED)

(in millions of RMB)

	Balance sheet of the Regulatory consolidation	Code
Borrowings from central banks	342,757	
Deposits from banks and other financial institutions	1,047,245	
Placements from banks and other financial institutions	457,056	
Financial liabilities at fair value through profit or loss	48,104	
Financial assets sold under repurchase agreements	42,020	
Due to customers	7,815,800	
Derivative financial liabilities	39,488	
Debt securities issued	513,777	
Including: Recognised in tier-2 capital	139,991	n
Employee benefits payable	8,088	
Taxes payable	10,688	
Deferred tax liabilities	1,500	o
Including: Deferred tax liabilities relating to goodwill	0	p
Including: Deferred tax liabilities relating to other intangible assets	0	q
Provisions	11,417	
Other liabilities	1,141,932	
Total liabilities	11,479,872	
Equity:		
Share capital	74,263	
Including: Those to be included in core tier-1 capital	74,263	r
Including: Those to be included in other tier-1 capital	0	s
Other equity instruments	174,790	t
Capital surplus	111,457	u
Other comprehensive income	(6,220)	v
Including: Exchange reserve	2,922	w
Including: Effective portion of gains or losses on hedging instruments in cash flow hedge	514	x
Surplus reserve	227,605	y
General reserve for risk assets	143,432	z
Retained earnings	248,537	aa
Non-controlling interests	9,390	
Including: Those to be included in core tier-1 capital	2,028	ab
Including: Those to be included in other tier-1 Capital	1,596	ac
Including: Those to be included in tier-2 capital	4,772	ad
Total equity	983,254	

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS

1	Issuer	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications
2	Unique identifier	3328	601328	360021	1928019	1928020	1928025
3	Governing law(s)	China Hong Kong/Hong Kong Securities and Futures Ordinance	China/Securities Law of China	China/Company Law of China, Securities law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation), State Council Guidance on the Implementation of Pilot Scheme of Preference Shares, Measures for the Pilot Management of Preferred Shares, etc.	China/Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation) etc.	China/Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation) etc.	China/Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation) etc.
	Regulatory treatment						
4	Including: Transitional rules under the Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)	Core tier-1 capital	Core tier-1 capital	Other tier-1 capital	Tier-2 capital	Tier-2 capital	Other tier-1 capital
5	Including: Post-transitional rules under the Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)	Core tier-1 capital	Core tier-1 capital	Other tier-1 capital	Tier-2 capital	Tier-2 capital	Other tier-1 capital
6	Including: Eligible at Bank/ Group level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level
7	Instrument type	Ordinary shares	Ordinary shares	Preference shares	Tier-2 capital bonds	Tier-2 capital bonds	Undated capital
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	RMB89,498	RMB97,534	RMB44,952	RMB29,998	RMB9,999	RMB39,994
9	Par value of instrument (in millions of RMB)	RMB35,012	RMB39,251	RMB45,000	RMB30,000	RMB10,000	RMB40,000
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	Other equity instruments	Bonds issuance	Bonds issuance	Other equity instruments
11	Original date of issuance	2005/6/23	2007/4/24	2016/9/2	2019/8/16	2019/8/16	2019/9/20
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Perpetual
13	Including: Original maturity date	No maturity date	No maturity date	No maturity date	2029/8/16	2034/8/16	No maturity date
14	Issuer call subject to prior supervisory approval	No	No	Yes	Yes	Yes	Yes
15	Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	First call date 2021/9/7, full or partial	2024/8/16; full or partial	2029/8/16; full or partial	First call date 2024/9/20, full or partial
16	Including: Subsequent call dates, if applicable	N/A	N/A	7 September of each year subsequent to the first call date Nil	Nil	Nil	20 September of each year subsequent to the first call date

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

Coupons/dividends							
17	Including: Fixed or floating dividend/coupon	Floating	Floating	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years	Fixed	Fixed	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years
18	Including: Coupon rate and any related index	N/A	N/A	3.9% for the first 5 years. The dividend rate will be reset every 5 years based on the benchmark interest rate at reset dates plus 137 basis points. Note: the benchmark interest rate at reset dates refers to the arithmetic mean value (rounding off to 0.01%) of five-year Chinese treasury bonds yield, in the yield curve of interbank Chinese treasury bonds at fixed interest rate published 20 transaction days (excluding that day) prior to the reset dates (the days when each five years are expired as from the first day of issuance, 2 September).	4.10%	4.49%	4.2% for the first 5 years. The coupon rate will be reset every 5 years based on the benchmark interest rate at the reset dates (the days when each five years are expired as from the first day of issuance and payment, 20 September) plus 124 basis points. If the benchmark interest rate is not available on the adjustment date, the issuer and investors will determine the subsequent benchmark interest rate or its determination principle according to the requirements of the regulatory authorities
19	Including: Existence of a dividend brake mechanism	N/A	N/A	Yes	No	No	Yes
20	Including: Discretionary of cancelling dividend distribution or coupon interest	Totally at discretion	Totally at discretion	Totally at discretion	Without discretion	Without discretion	Totally at discretion
21	Including: Existence of incentive to call	No	No	No	No	No	No
22	Including: Cumulative or noncumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or nonconvertible	No	No	Yes	No	No	No
24	Including: If convertible, state conversion condition	N/A	N/A	If any trigger event of other tier-1 Capital instrument occurs, which means core tier-1 Capital adequacy ratio reduces to 5.125% (or below); or any trigger event of tier-2 Capital instrument occurs, earlier of (1) the Bank will not survive if not converted as required by CBIRC. (2) the Bank will not survive if no capital injection or same effect of support from relevant department.	N/A	N/A	N/A

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

25	Including: If convertible, fully or partially	N/A	N/A	When any trigger event of other tier-1 capital instrument occurs, the Bank is entitled to fully or partially convert the issued and outstanding domestic preference shares to A ordinary shares based on the total par value without prior consent from the shareholders of preference shares; when any trigger event of tier-2 capital instrument occurs, the Bank is entitled to fully convert the issued and outstanding domestic preference shares to A ordinary shares based on the total par value without prior consent from the shareholders of preference shares.	N/A	N/A	N/A
26	Including: If convertible, state conversation price determination method	N/A	N/A	The average stock transaction price of A ordinary shares 20 transactions days prior to the approval of resolution at the Board of Directors concerning the propose on issuing domestic preference shares is deemed as initial conversion price (i.e. RMB6.25 per share) and the mandatory conversion price adjustment is conducted in accordance with Paragraph 5 "Mandatory Conversion Price Adjustment Mode" in Section 4 "Main Terms of Issuance Scheme" under Prospectus for Private Placement of Preference Shares by Bank of Communications Co., Ltd.	N/A	N/A	N/A
27	Including: If convertible, state whether mandatory convertible	N/A	N/A	Mandatory	N/A	N/A	N/A
28	Including: If convertible, state the instrument type after conversation	N/A	N/A	A ordinary shares	N/A	N/A	N/A
29	Including: If convertible, state the issuer of instrument after conversion	N/A	N/A	Bank of Communications	N/A	N/A	N/A
30	Write-down feature	No	No	No	Yes	Yes	Yes

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

31	Including: If written down, state the trigger events of write-down	N/A	N/A	N/A	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	When the triggering event of other tier-1 capital instruments occurs, that is, when the core tier-1 capital adequacy ratio drops to 5.125% (or below), or when the trigger event of tier-2 capital instruments occurs, it refers to the earlier of the following two situations: (1) CBIRC identifies that the issuer is unable to survive if write-down or conversion is not carried out; (2) Relevant departments identify that the issuer is unable to survive if capital is not injected by the public departments or equally authentic support is not provided.
32	Including: If written down, state wholly write-down or partial write-down	N/A	N/A	N/A	Full	Full	Full or partial
33	Including: if written down, state permanent write-down or temporary write-down	N/A	N/A	N/A	Permanent	Permanent	Permanent
34	Including: If temporary write-down, state reversal to book value mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (state instrument type immediately senior to instrument)	Ranking after depositors, normal creditors and subordinated debt holders and other tier-1 capital holders	Ranking after depositors, normal creditors and subordinated debt holders and other tier-1 capital holders	Ranking after depositors, normal creditors and subordinated debt holders and other tier-2 capital holders	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other tier-1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as tier-2 capital Bonds issued and other tier-2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other tier-1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as tier-2 capital Bonds issued and other tier-2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors, normal creditors and subordinated debts ranking senior to bond as well as ranking before all classes of shares held by the issuer's shareholders; compensated in the same order as other tier-1 capital instruments with the same repayment order
36	Whether any temporary noncompliance features	No	No	No	No	No	No
	Including: If yes, state the feature	N/A	N/A	N/A	N/A	N/A	N/A

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

1	Issuer	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications
2	Unique identifier	2028018	2028040	XS2238561281	2128022	2128030	2228014
3	Governing law(s)	China/Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation) etc.	China/Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation) etc.	Non-contractual obligation of bonds, arising from or relating to bonds shall be governed by and construed in accordance with British laws, while provisions relating to subordinated position of bonds in the bonds terms are governed by and construed in accordance with Chinese laws.	China/Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation) etc.	China/Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation) etc.	China/Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation) etc.
	Regulatory treatment						
4	Including: Transitional rules under the Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)	Tier-2 capital	Other tier-1 capital	Other tier-1 capital	Other tier-1 capital	Tier-2 capital	Tier-2 capital
5	Including: Post-transitional rules under the Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)	Tier-2 capital	Other tier-1 capital	Other tier-1 capital	Other tier-1 capital	Tier-2 capital	Tier-2 capital
6	Including: Eligible at Bank/ Group level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level
7	Instrument type	Tier-2 capital bonds	Undated capital	Undated capital	Undated capital	Tier-2 capital bonds	Tier-2 capital bonds
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	RMB39,997	RMB29,999	Equivalent to RMB18,347	RMB41,498	RMB29,999	RMB29,999
9	Par value of instrument (In millions of RMB)	RMB40,000	RMB30,000	USD2,800	RMB41,500	RMB30,000	RMB30,000
10	Accounting treatment	Bonds issuance	Other equity instruments	Other equity instruments	Other equity instruments	Bonds issuance	Bonds issuance
11	Original date of issuance	2020/5/21	2020/9/25	2020/11/18	2021/6/10	2021/9/27	2022/2/25
12	Perpetual or dated	Dated	Perpetual	Perpetual	Perpetual	Dated	Dated
13	Including: Original maturity date	2030/5/21	No maturity date	No maturity date	No maturity date	2031/9/27	2032/2/25
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Including: Optional call date, contingent call dates and redemption amount	2025/5/21; full or partial	First call date 2025/9/25, full or partial	First call date 2025/11/18, full or partial	First call date 2026/6/10, full or partial	2026/9/27; full or partial	2027/2/25; full or partial.
16	Including: Subsequent call dates, if applicable	Nil	25 September of each year subsequent to the first call date	18 November of each year subsequent to the first call date	10 June of each year subsequent to the first call date	Nil	Nil
	Coupons/dividends						
17	Including: Fixed or floating dividend/coupon	Fixed	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years	Fixed	Fixed

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS *(CONTINUED)*

18	Including: Coupon rate and any related index	3.24%	4.59% for the first 5 years. The coupon rate will be reset every 5 years based on the benchmark interest rate at the reset dates (the days when each five years are expired as from the first day of issuance and payment, 25 September) plus 161 basis points. If the benchmark interest rate is not available on the adjustment date, the issuer and investors will determine the subsequent benchmark interest rate or its determination principle according to the requirements of the regulatory authorities	3.8% for the first 5 years. The coupon rate will be reset every 5 years based on the benchmark interest rate at reset dates (Reset dates: The first reset date will be 18 November 2025 and the same day in the following 5 years or multiple years of 5 years. Benchmark interest rate at reset dates refers to the arithmetic mean of five-year American treasury bond yield one week before the second fixed interest date before the reset date) plus 334.5 basis points. If the benchmark interest rate is not available on the adjustment date, the issuer and investors will determine the subsequent benchmark interest rate or its determination principle according to the requirements of the regulatory authorities.	4.06% for the first 5 years. The coupon rate will be reset every 5 years based on the benchmark interest rate at the reset dates (the days when each five years are expired as from the first day of issuance and payment, 10 June) plus 112 basis points. If the benchmark interest rate is not available on the adjustment date, the issuer and investors will determine the subsequent benchmark interest rate or its determination principle according to the requirements of the regulatory authorities	3.65%	3.45%
19	Including: Existence of a dividend brake mechanism	No	Yes	Yes	Yes	No	No
20	Including: Discretionary of cancelling dividend distribution or coupon interest	Without discretion	Totally at discretion	Totally at discretion	Totally at discretion	Without discretion	Without discretion
21	Including: Existence of incentive to call	No	No	No	No	No	No
22	Including: Cumulative or noncumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or nonconvertible	No	No	No	No	No	No
24	Including: If convertible, state conversion condition	N/A	N/A	N/A	N/A	N/A	N/A
25	Including: If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	Including: If convertible, state conversion price determination method	N/A	N/A	N/A	N/A	N/A	N/A
27	Including: If convertible, state whether mandatory convertible	N/A	N/A	N/A	N/A	N/A	N/A
28	Including: If convertible, state the instrument type after conversion	N/A	N/A	N/A	N/A	N/A	N/A
29	Including: If convertible, state the issuer of instrument after conversion	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

31	Including: If written down, state the trigger events of write-down	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC. (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC. (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC. (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC. (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC. (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC. (2) the issuer will not survive if no capital injection or same effect of support from relevant department
32	Including: If written down, state wholly write-down or partial write-down	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial
33	Including: if written down, state permanent write-down or temporary write-down	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	Including: If temporary write-down, state reversal to book value mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (state instrument type immediately senior to instrument)	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other tier-1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as tier-2 Capital Bonds issued and other tier-2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors, normal creditors and subordinated debts ranking senior to bond as well as ranking before all classes of shares held by the issuer's shareholders; compensated in the same order as other tier-1 capital instruments with the same repayment order	Ranking after depositors, normal creditors and subordinated debts ranking senior to bond as well as ranking before all classes of shares held by the issuer's shareholders; compensated in the same order as other tier-1 capital instruments with the same repayment order	Ranking after depositors, normal creditors and subordinated debts ranking senior to bond as well as ranking before all classes of shares held by the issuer's shareholders; compensated in the same order as other tier-1 capital instruments with the same repayment order	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other tier-1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as tier-2 Capital Bonds issued and other tier-2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other tier-1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as tier-2 Capital Bonds issued and other tier-2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future
36	Whether any temporary noncompliance features Including: If yes, state the feature	No N/A	No N/A	No N/A	No N/A	No N/A	No N/A

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 5: INFORMATION RELATED TO LEVERAGE RATIO LEVERAGE RATIO

Disclosed according to the Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised).

Reconciliation of Regulatory Consolidation and Accounting Consolidation

(in millions of RMB)

SN	Item	30 June 2022	31 December 2021
1	Total consolidated assets	12,580,576	11,665,757
2	Adjustments of consolidation	(117,450)	(91,385)
3	Adjustments item of customer's assets	0	0
4	Adjustments of derivatives	33,660	41,498
5	Adjustments of securities financing transactions	24,293	725
6	Adjustments of off-balance sheet item	1,256,232	1,021,988
7	Other Adjustments	(6,615)	(6,010)
8	Balance of adjusted on- and off-balance sheet assets	13,770,696	12,632,573

Leverage Ratio Information

(in millions of RMB unless otherwise stated)

SN	Item	30 June 2022	31 December 2021
1	On-balance-sheet assets (excluding derivatives and securities financing transactions)	12,229,458	11,426,283
2	Less: Deduction of tier-1 capital	(6,615)	(6,010)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)	12,222,843	11,420,273
4	Replacement costs of derivatives (less eligible margin)	55,097	39,220
5	Potential risk exposure of derivatives	34,712	41,498
6	Sum of collaterals deducted from the balance sheet	0	0
7	Less: Assets receivable from providing eligible margin	0	0
8	Less: Derivative assets resulting from the transactions with central counterparties in providing clearing settlement services for customers	0	0
9	Notional principal of sold credit derivatives	0	0
10	Less: Deductible balance of sold credit derivatives	0	0
11	Derivative asset balance	89,809	80,718
12	Accounting asset balance of securities financing transactions	177,519	108,869
13	Less: Balance of deductible securities financing transaction assets	0	0
14	Counterparty credit risk exposure of securities financing transactions	24,293	725
15	Balance of securities financing transaction assets from acting for securities financing transactions	0	0
16	Securities financing assets balance	201,812	109,594
17	Balance of off-balance-sheet items	2,745,005	2,373,602
18	Less: Balance of off-balance-sheet items arising from the reduction of credit transfer	(1,488,773)	(1,351,614)
19	Adjusted off-balance sheet items balance	1,256,232	1,021,988
20	Net tier-1 capital	970,873	960,225
21	Adjusted balance of on- and off-balance sheet assets	13,770,696	12,632,573
22	Leverage ratio (%)	7.05	7.60

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 6: THE DAILY AVERAGE LIQUIDITY COVERAGE RATIO AND ITS DETAILS OF THE GROUP IN THE SECOND QUARTER OF 2022

(in millions of RMB unless otherwise stated)

Serial Number		Amount before conversion	Amount after conversion
The qualified high-quality liquid assets			
1	The qualified high-quality liquid assets		2,341,606
Cash Outflow			
2	Retail deposits, small business deposits, including:	2,487,142	239,343
3	Stable deposit	185,316	9,160
4	Less stable deposit	2,301,826	230,183
5	Unsecured wholesale funding, including:	5,144,045	2,174,404
6	Business relationship deposit (excluding agency business)	2,816,095	702,689
7	Non-business relationship deposit (including all counterparties)	2,322,815	1,466,580
8	Unsecured debt	5,135	5,135
9	Secured funding		19,018
10	Other items, including:	2,006,463	1,025,890
11	Cash outflow relates to derivatives and other collateral/pledged assets	996,751	971,388
12	Cash outflow relates to loss of funding on asset-blocked securities	200	200
13	Committed credit and liquidity facilities	1,009,512	54,302
14	Other contractual obligation to extend funds	70,150	70,150
15	Contingent funding obligations	1,924,735	69,260
16	Total expected cash outflow		3,598,065
Cash Inflow			
17	Secured lending (including reverse repos and securities borrowing)	156,072	156,072
18	Inflows from fully performing exposure	1,016,764	673,594
19	Other cash inflow	1,002,560	982,443
20	Total expected cash inflow	2,175,396	1,812,109
			Amount after adjustment
21	The qualified high-quality liquid assets		2,288,535
22	Net cash outflow		1,785,956
23	Liquidity Coverage Ratio (%)		128.15

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

APPENDIX 7: NET STABLE FUNDING RATIO AND ITEMS FOR THE FIRST QUARTER OF 2022

(in millions of RMB unless otherwise stated)

Serial Number	Available Stable Funding Item	Unweighted value				Weighted value
		No Maturity	Less than 6 months	6-12 months	Over 1 year	
1	Capital	990,654	-	-	169,973	1,160,626
2	Regulatory Capital	990,654	-	-	169,973	1,160,626
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small enterprises	890,099	1,791,734	11,916	1,919	2,437,065
5	Stable deposits	210,012	2,902	2,528	1,499	206,168
6	Less stable deposits	680,087	1,788,833	9,388	420	2,230,897
7	Wholesale funding	2,709,409	3,380,562	1,090,808	469,806	3,326,237
8	Operational deposits	2,645,943	109,887	65,617	15,092	1,425,816
9	Other wholesale funding	63,465	3,270,675	1,025,191	454,714	1,900,421
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	60,965	279,853	127,914	241,751	319,781
12	Net stable funding ratio derivative liabilities	-	-	-	34,054	-
13	All other liabilities and equities not included in the above categories	60,965	279,853	127,914	207,697	319,781
14	Total available stable funding					7,243,709
15	Total net stable funding ratio high-quality liquid assets					428,112
16	Business relationship deposits held at other financial institutions	127,045	867	500	-	64,206
17	Loans and securities	40,192	2,087,150	1,048,109	4,983,257	5,635,773
18	Loans to financial institutions secured by Level 1 assets	-	48,493	-	-	7,274
19	Loans to financial institutions secured by non-Level 1 assets or unsecured	-	519,076	167,406	106,704	268,269
20	Loans to retail and small business customers, nonfinancial institutions, sovereigns, central banks and public sector entities.	37	1,464,581	848,106	2,952,517	3,659,122
21	Including: with a risk weight less than or equal to 35%	-	12,310	4,424	36,390	32,020
22	Residential mortgages	-	728	924	1,477,551	1,256,744
23	Including: with a risk weight less than or equal to 35%	-	-	-	-	-
24	Securities that are not in default and do not qualify as high-quality liquid assets, including exchange traded equities	40,155	54,273	31,673	446,485	444,364

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 7: NET STABLE FUNDING RATIO AND ITEMS FOR THE FIRST QUARTER OF 2022 (CONTINUED)

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value				Weighted value
		No Maturity	Less than 6 months	6-12 months	Over 1 year	
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	197,898	84,172	9,398	66,062	320,390
27	Physical traded commodities (including gold)	28,946				24,604
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties				10,565	8,980
29	Net stable funding ratio derivative assets				46,380	12,326
30	Net stable funding ratio derivative liabilities with additional requirements				34,054	6,811
31	All other assets not included in the above	168,952	84,172	9,398	9,117	267,668
32	Off-balance-sheet items				3,183,062	133,427
33	Total required stable funding					6,581,907
34	Net stable funding ratio (%)					110.05

Notes:

- Items to be reported in the “no maturity” bucket mentioned in the table above include, but are not limited to, capital with perpetual maturity, non-maturity (demand) deposits, short positions, open maturity positions, non-high-quality liquid assets equities, and physical traded commodities.
- The unweighted value of item 30 “Net stable funding ratio derivative liabilities with additional requirements” is the net stable funding ratio derivative liabilities before the deduction of the variation margin, without differentiation of maturity, and not included in the unweighted value of item 26 “Other assets”.

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

APPENDIX 8: NET STABLE FUNDING RATIO AND ITEMS FOR THE SECOND QUARTER OF 2022

(in millions of RMB unless otherwise stated)

Serial Number	Available Stable Funding Item	Unweighted value				Weighted value
		No Maturity	Less than 6 months	6-12 months	Over 1 year	
1	Capital	982,168	-	-	139,991	1,122,159
2	Regulatory Capital	982,168	-	-	139,991	1,122,159
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small enterprises	875,661	1,918,046	27,463	3,954	2,553,249
5	Stable deposits	198,704	2,887	3,268	3,064	197,680
6	Less stable deposits	676,957	1,915,159	24,194	890	2,355,570
7	Wholesale funding	2,830,609	3,431,279	1,004,777	492,319	3,398,303
8	Operational deposits	2,774,415	126,743	68,693	19,853	1,504,779
9	Other wholesale funding	56,194	3,304,536	936,084	472,465	1,893,524
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	70,102	402,614	35,850	266,398	302,507
12	Net stable funding ratio derivative liabilities	-	-	-	39,491	-
13	All other liabilities and equities not included in the above categories	70,102	402,614	35,850	226,907	302,507
14	Total available stable funding					7,376,218
15	Total net stable funding ratio high-quality liquid assets					399,030
16	Business relationship deposits held at other financial institutions	109,552	961	-	-	55,257
17	Loans and securities	39,335	2,035,135	1,136,073	5,129,371	5,803,248
18	Loans to financial institutions secured by Level 1 assets	-	122,955	-	-	18,443
19	Loans to financial institutions secured by non-Level 1 assets or unsecured	-	379,737	218,211	133,335	299,401
20	Loans to retail and small business customers, nonfinancial institutions, sovereigns, central banks and public sector entities.	70	1,490,741	880,313	3,055,952	3,775,350
21	Including: with a risk weight less than or equal to 35%	-	4,584	4,253	40,829	30,957
22	Residential mortgages	-	776	981	1,484,695	1,262,870
23	Including: with a risk weight less than or equal to 35%	-	-	-	-	-
24	Securities that are not in default and do not qualify as high-quality liquid assets, including exchange traded equities	39,264	40,926	36,567	455,388	447,183
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	197,535	80,402	9,933	124,844	370,307
27	Physical traded commodities (including gold)	24,155	-	-	-	20,532

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 8: NET STABLE FUNDING RATIO AND ITEMS FOR THE SECOND QUARTER OF 2022 (CONTINUED)

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value				Weighted value
		No Maturity	Less than 6 months	6-12 months	Over 1 year	
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties				12,413	10,551
29	Net stable funding ratio derivative assets				56,153	16,662
30	Net stable funding ratio derivative liabilities with additional requirements				39,491	7,898
31	All other assets not included in the above	173,379	80,402	9,933	56,278	314,663
32	Off-balance-sheet items				3,315,700	138,390
33	Total required stable funding					6,766,230
34	Net stable funding ratio (%)					109.02

Notes:

- The "no maturity" bucket mentioned in the table above include, but are not limited to, capital with perpetual maturity, non-maturity (demand) deposits, short positions, open maturity positions, non-high-quality liquid assets equities, and physical traded commodities.
- The unweighted value of item 30 "Net stable funding ratio derivative liabilities with additional requirements" is the net stable funding ratio derivative liabilities before the deduction of the variation margin, without differentiation of maturity, and not included in the unweighted value of item 26 "Other assets".



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