交通銀行
BANK OF COMMUNICATIONS

Bank of Communications Co., Ltd.

2023 INTERIM REPORT

Stock Code:03328

CREATE SHARED VALUE

Contents

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 2023 Interim Report and results announcement were reviewed and approved at the 9th Meeting of the 10th Session of the Board of Directors of the Bank on 25 August 2023. The number of directors who should attend the meeting was 16, with 16 directors attending the meeting in person.

III. Mr. Ren Deqi, Chairman of the Bank, Mr. Liu Jun, 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 2023.

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 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 has taken and will continue to take various steps to effectively manage risks. For more details which requires investors’ attention, please refer to the 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
"NAFR"	National Administration of Financial Regulation
"CSRC"	China Securities Regulatory Commission
"Ministry of Agriculture and Rural Affairs"	The Ministry of Agriculture and Rural Affairs of the People's Republic of China
"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
"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"	An online credit consumption loan product of the Bank for qualified customers.
"Inclusive e-Loan"	An online inclusive financing business of the Bank for qualified customers.
"Xingnong e-Loan"	An online financing service of the Bank for agricultural business entities.
"Cloud BoCom"	An online and offline service brand, practicing the service concept of "institution online, employee online, product online, and service online", building a "cloud outlet, cloud teller, and cloud butler" system based on remote video services, meeting customers' online and digitalised service needs through a new mode of online service as screen-to-screen service.

GENERAL INFORMATION

I. CORPORATE INFORMATION

Chinese Name:	交通銀行股份有限公司
Chinese Abbreviation:	交通銀行
English Name:	Bank of Communications Co., Ltd.
Legal representative:	Ren Deqi
Authorised representatives:	Ren Deqi, He Zhaobin
Secretary of the Board of Directors and Company Secretary:	He Zhaobin
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
Fax:	86-21-58798398
E-mail:	investor@bankcomm.com
Official website:	www.bankcomm.com, www.bankcomm.cn
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 HKEXnews 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:	CHEN Shaodong
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 Shops 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 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. In 2023, the Bank ranked 9th among global banks in terms of tier-1 capital, which announced by The Banker.

The strategic goal of the Bank is to “build a world-class banking group with business features and advantages”. During the “14th Five-Year Plan” period, the Bank adhered to promoting the “One-Four-Five” Strategy, the Bank was led by the strategic goal, created four business features: inclusive finance, trade finance, sci-tech finance and wealth finance and took “green finance” as the background color of the operation and management of the Group’s business. The Bank promoted five professional capabilities: customer operations, technology empowerment, risk management, cooperative operation, resource allocation. During the implementation of the strategy, the Bank focused on two key areas: “Shanghai Base” construction and digital transformation, and took the lead in achieving innovative breakthroughs, demonstrated and led high-quality development of the whole bank.

With the mission of “Creating Shared Value”, the Bank committed to the value growth and harmonious development of customers, shareholders, employees and the society.

Upon approval by the NAFR, the Bank provides comprehensive financial services including deposits and loans, industry supply chain finance, cash management, international settlement and trade financing, investment banking, asset custody, wealth management, bank cards, private banking, treasury businesses, etc. for 2.57 million corporate customers and 194 million retail customers through online service channels such as mobile banking and online banking, as well as over 2800 domestic outlets and 23 overseas branches (subsidiaries) and representative offices. 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.

As a large state-owned banking group with a long history, the bank will always keep in mind the “country’s most fundamental interests”, maintain strategic stability, practice the concept of “providing finance for the people”, strengthen comprehensive risk controls, strive to provide high-quality services to our customers, create more value for shareholders, build a happy home for employees, and make greater contributions to society.

During the Reporting Period, the Group’s operating mode, primary businesses and key performance drivers had no significant change.

FINANCIAL HIGHLIGHTS

I. KEY FINANCIAL DATA AND FINANCIAL INDICATORS

The Group has implemented IFRS 17 – Insurance Contracts and its amendments, which was issued by IASB in May 2017 and June 2020 (the "new insurance contracts standard"). The new insurance contracts standard mainly includes the following revisions: 1. adjusting the guidelines for recognising the revenue arising from insurance services; and 2. revising the method of measuring liabilities arising from insurance contracts. These changes in accounting policies did not have any material impact on the Group's financial position and operating results. In accordance with the transition provisions, the Group made retrospective adjustments to the financial reports and re-presented the financial reports for the year 2022 in accordance with the new insurance contracts standard, and the relevant data for the year 2022 in the Interim Results have been re-presented in accordance with the financial reports retrospectively adjusted. As at the end of the Reporting Period, key financial data and financial indicators prepared by the Group under International Financial Reporting Standards ("**IFRSs**") are as follows:

(in millions of RMB unless otherwise stated)

Key financial data	January to June 2023	January to June 2022	Increase/ (decrease) (%)
Net interest income	**82,387**	85,065	(3.15)
Net fee and commission income	**24,580**	24,774	(0.78)
Net operating income	**137,307**	131,094	4.74
Credit impairment losses	**36,346**	36,827	(1.31)
Operating expenses	**40,079**	38,372	4.45
Profit before tax	**49,674**	45,642	8.83
Net profit (attributable to shareholders of the Bank)	**46,039**	44,052	4.51
Earnings per share (attributable to ordinary shareholders of the Bank, in RMB yuan)[1]	**0.57**	0.55	3.64

	30 June 2023	31 December 2022	Increase/ (decrease) (%)
Total assets	**13,813,360**	12,991,571	6.33
Loans and advances to customers[2]	**7,795,705**	7,294,965	6.86
Total liabilities	**12,758,461**	11,958,049	6.69
Deposits from customers[2]	**8,579,598**	7,949,072	7.93
Shareholders' equity (attributable to shareholders of the Bank)	**1,043,083**	1,022,024	2.06
Net assets per share (attributable to ordinary shareholders of the Bank, in RMB yuan)[3]	**11.69**	11.41	2.45
Net capital[4]	**1,272,971**	1,250,317	1.81
Including: Net core tier-1 capital[4]	**860,053**	840,164	2.37
Other tier-1 capital[4]	**176,418**	176,480	(0.04)
Tier-2 capital[4]	**236,500**	233,673	1.21
Risk-weighted assets[4]	**8,735,997**	8,350,074	4.62

Key financial ratios	January to June 2023	January to June 2022	Change (percentage point)
Annualised return on average assets	**0.69**	0.73	(0.04)
Annualised weighted average return on net assets[1]	**10.16**	10.47	(0.31)
Net interest margin[5]	**1.31**	1.53	(0.22)
Cost-to-income ratio[6]	**29.22**	29.31	(0.09)

	30 June 2023	31 December 2022	Change (percentage point)
Non-performing loan ratio	**1.35**	1.35	–
Provision coverage ratio	**192.85**	180.68	12.17
Capital adequacy ratio[4]	**14.57**	14.97	(0.40)
Tier-1 capital adequacy ratio[4]	**11.86**	12.18	(0.32)
Core tier-1 capital adequacy ratio[4]	**9.84**	10.06	(0.22)

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 Net Assets and Earnings per Share (2010 Revision)* issued by the China Securities Regulatory Commission (the "**CSRC**").
2. Loans and advances to customers do not include interest receivable on related loans. Deposits from customers includes interest payable of related deposits.
3. Calculated as shareholders' equity attributable to the common shareholders of the parent company divided by the total number of common 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 China Banking and Insurance Regulatory Commission ("**CBIRC**").
5. Represented the ratio of annualised 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**") and the comparative figures for the same period have been restated in accordance with the current period's presentation.

I. FINANCIAL STATEMENT ANALYSIS

In the first half of 2023, the Group strictly carried out the decisions and arrangements by the CPC Central Committee and continuously executed the three major financial tasks to improve the accuracy and effectiveness of financial services, keep and consolidate "the development status of maintaining stability with progress made and quality improved" while increasing efforts in serving the real economy.

Operating efficiency remains stable. During the Reporting Period, the Group's net profit (attributable to shareholders of the Bank) amounted to 46.039 billion, representing a year-on-year increase of 4.51%. the Group's net operating income amounted to 137.307 billion representing a year-on-year increase of 4.74%.

The business scale has steadily increased. As at the end of the Reporting Period, the total assets of the Group increased by 6.33% over the end of the previous year to 13.81 trillion, of which, the balance of the Group's loans and advances to customers increased by 500.740 billion or 6.86% over the end of the previous year to 7.80 trillion; the balance of deposits from customers increased by 630.526 billion or 7.93% over the end of the previous year to 8.58 trillion.

Asset quality continues to consolidate. As at the end of the Reporting Period, non-performing loan ratio of the Group was 1.35%, which was flat from the end of the previous year. Provision coverage ratio was 192.85%, representing an increase of 12.17 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 increased by 4.032 billion on a year-on-year basis, representing an increase of 8.83% to 49.674 billion. The profit before tax was mainly derived from the net interest income and the net fee and commission income.

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

(in millions of RMB unless otherwise stated)

	Six months ended on 30 June		Increase/
	2023	2022	(decrease)(%)
Net interest income	**82,387**	85,065	(3.15)
Net non-interest income	**54,920**	46,029	19.32
Including: Net fee and commission income	**24,580**	24,774	(0.78)
Net operating income	**137,307**	131,094	4.74
Credit impairment losses	**(36,346)**	(36,827)	(1.31)
Impairment losses on other assets	**(594)**	(690)	(13.91)
Other operating expenses	**(50,693)**	(47,935)	5.75
Including: Operating expenses	**(40,079)**	(38,372)	4.45
Profit before tax	**49,674**	45,642	8.83
Income tax	**(3,108)**	(1,491)	108.45
Net profit	**46,566**	44,151	5.47
Net profit attributable to shareholders of the Bank	**46,039**	44,052	4.51

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

(in millions of RMB unless otherwise stated)

Item	Six months ended on 30 June 2023 Amount	Proportion(%)	Increase/ (decrease)(%)
Net interest income	**82,387**	**60.00**	**(3.15)**
Net fee and commission income	**24,580**	**17.90**	**(0.78)**
Net gains arising from trading activities	**17,637**	**12.84**	**77.19**
Net gains arising from financial investments	**(32)**	**(0.02)**	**(104.85)**
Net share of profits of associates and joint ventures	**161**	**0.12**	**130.00**
Other operating income	**12,574**	**9.16**	**18.95**
Total net operating incomes	**137,307**	**100.00**	**4.74**

2. *Net interest income*

During the Reporting Period, the Group's net interest income decreased by 2.678 billion or 3.15% on a year-on-year basis to 82.387 billion, accounting for 60.00% of the net operating income, which was a major component of the Group's income.

The average balances, associated interest income and expenses and annualised average rate of return or annualised average rate of cost 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)

	Six months ended on 30 June 2023			Six months ended on 30 June 2022		
	Average balance	**Interest income (expense)**	**Annualised average rate of return/ (cost) (%)**	Average balance	Interest income (expense)	Annualised average rate of return/ (cost) (%)
Assets						
Cash and balances with central banks	**793,390**	**6,022**	**1.53**	767,769	5,264	1.38
Due from and placements with banks and other financial institutions	**964,263**	**13,950**	**2.92**	830,602	7,204	1.75
Loans and advances to customers	**7,596,925**	**153,272**	**4.07**	6,745,018	143,149	4.28
Investment securities	**3,293,470**	**55,162**	**3.38**	2,903,146	46,923	3.26
Interest-bearing assets	**12,648,048**	**228,406**	**3.64**	11,246,535	202,540	3.63
Non-interest-bearing assets	**1,074,056**			1,075,706		
Total assets	**13,722,104**			12,322,241		
Liabilities and Shareholders' Equity						
Deposits from customers	**8,203,920**	**95,767**	**2.35**	7,240,760	76,882	2.14
Due to and placements from banks and other financial institutions	**2,120,747**	**26,488**	**2.52**	2,114,868	20,766	1.98
Debt securities and others	**1,674,064**	**23,764**	**2.86**	1,414,821	19,827	2.83
Interest-bearing liabilities	**11,998,731**	**146,019**	**2.45**	10,770,449	117,475	2.20
Shareholders' equity and non-interest–bearing liabilities	**1,723,373**			1,551,792		
Total liabilities and shareholders' equity	**13,722,104**			12,322,241		
Net interest income		**82,387**			85,065	
Net interest spread[1]			**1.19**			1.43
Net interest margin[2]			**1.31**			1.53
Net interest spread[1, 3]			**1.40**			1.65
Net interest margin[2, 3]			**1.53**			1.74

Notes:

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

During the Reporting Period, the Group's net interest income decreased by 3.15% on a year-on-year basis. The net interest spread was 1.19%, representing a decrease of 24 basis points on a year-on-year basis. The net interest margin was 1.31%, representing a decrease of 22 basis points on a year-on-year basis.

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 2023 and January to June 2022 Increase/(Decrease) due to		
	Amount	**Interest rate**	**Net increase/ (decrease)**
Interest-bearing assets			
Cash and balances with central banks	175	583	758
Due from and placements with banks and other financial institutions	1,160	5,586	6,746
Loans and advances to customers	18,081	(7,958)	10,123
Investment securities	6,310	1,929	8,239
Changes in interest income	25,726	140	25,866
Interest-bearing liabilities			
Deposits from customers	10,221	8,664	18,885
Due to and placements from banks and other financial institutions	58	5,664	5,722
Debt securities and others	3,638	299	3,937
Changes in interest expenses	13,917	14,627	28,544
Changes in net interest income	**11,809**	**(14,487)**	**(2,678)**

During the Reporting Period, the Group's net interest income decreased by 2.678 billion on a year-on-year basis, of which the increase of 11.809 billion was due to changes in the average balances of assets and liabilities and the decrease of 14.487 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 25.866 billion or 12.77% on a year-on-year basis to 228.406 billion. The interest income from loans and advances to customers, investment securities and cash and balances with central banks accounted for 67.11%, 24.15% and 2.64% 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 10.123 billion or 7.07% on a year-on-year basis to 153.272 billion, which was mainly due to the impact of the average balance of loans and advances to customers increasing by 851.907 billion or 12.63%. The increase was mainly due to constantly increase efforts to serve the real economy.

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 2023			January to June 2022		
	Average balance	Interest income	Annualised average rate of return (%)	Average Balance	Interest income	Annualised average rate of return (%)
Corporate loans	4,997,794	97,101	3.92	4,274,664	85,363	4.03
– Short-term loans	1,550,476	25,910	3.37	1,368,390	23,465	3.46
– Medium and long-term loans	3,447,318	71,191	4.16	2,906,274	61,898	4.29
Personal loans	2,350,849	54,170	4.65	2,250,620	55,617	4.98
– Short-term loans	595,375	14,382	4.87	566,803	14,862	5.29
– Medium and long-term loans	1,755,474	39,788	4.57	1,683,817	40,755	4.88
Discounted bills	248,282	2,001	1.63	219,734	2,169	1.99
Total loans and advances to customers	7,596,925	153,272	4.07	6,745,018	143,149	4.28

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by 8.239 billion or 17.56% on a year-on-year basis to 55.162 billion, which was mainly due to the year-on-year increase of 390.324 billion or 13.44% in the average balance of investment securities.

C. Interest income from cash and balances with central banks

The balances with central banks mainly included balances in statutory reserves and excess reserves. During the Reporting Period, interest income from cash and balances with central banks increased by 758 million or 14.40% on a year-on-year basis to 6.022 billion, which was mainly due to the year-on-year increase by 15 basis points in the annualised average rate return on 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 due from and placements with banks and other financial institutions increased by 6.746 billion or 93.64% on a year-on-year basis to 13.950 billion, which was mainly due to the year-on-year increase of 117 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 28.544 billion or 24.30% on a year-on-year basis to 146.019 billion. Among them, deposits from customers, balances due to and placements from banks and other financial institutions, debt securities issued and others accounted for 65.59%, 18.14%, and 16.27%, respectively.

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 18.885 billion or 24.56% on a year-on-year basis to 95.767 billion, accounting for 65.59% of total interest expenses. The increase in interest expenses on deposits from customers was mainly due to the average balance of customer deposits increased by 963.160 billion, an increase of 13.30%, and the annualised average cost ratio increased by 21 basis points year-on-year.

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

(in millions of RMB unless otherwise stated)

	January to June 2023			January to June 2022		
	Average balance	**Interest expense**	**Annualised average rate of cost (%)**	Average balance	Interest expense	Annualised average rate of cost (%)
Corporate deposits	**5,036,894**	**58,058**	**2.32**	4,694,613	48,136	2.07
– Demand deposits	**1,945,909**	**10,455**	**1.08**	1,914,985	8,835	0.93
– Time deposits	**3,090,985**	**47,603**	**3.11**	2,779,628	39,301	2.85
Personal deposits	**3,167,026**	**37,709**	**2.40**	2,546,147	28,746	2.28
– Demand deposits	**823,913**	**1,003**	**0.25**	788,675	1,399	0.36
– Time deposits	**2,343,113**	**36,706**	**3.16**	1,757,472	27,347	3.14
Total deposits from customers	**8,203,920**	**95,767**	**2.35**	7,240,760	76,882	2.14

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 5.722 billion or 27.55% on a year-on-year basis to 26.488 billion, which was mainly due to a year-on-year increase of 54 basis points in the annualised average rate of cost of 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 3.937 billion or 19.86% on a year-on-year basis to 23.764 billion, which was mainly due to a year-on-year increase of 259.243 billion or 18.32% in the average balance of debt securities issued and others.

3. Net fee and commission income

The net fee and commission income is an important part of the Group's net operating income. However, this was affected by various factors such as the ongoing turbulence in the capital market, the transformation of the net value of wealth management products and the reduction of fees and concessions. During the Reporting Period, the Group's net fee and commission income decreased by 194 million or 0.78% on a year-on-year basis to 24.580 billion.

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)

	Six months ended on 30 June		Increase/
	2023	2022	(decrease)(%)
Bank cards	**10,005**	9,923	0.83
Wealth management business	**4,088**	5,232	(21.87)
Custody and other fiduciary businesses	**4,887**	4,249	15.02
Agency services	**3,518**	3,394	3.65
Investment banking	**1,676**	1,968	(14.84)
Guarantee and commitment	**1,661**	1,489	11.55
Settlement services	**750**	720	4.17
Others	**106**	97	9.28
Total fee and commission income	**26,691**	27,072	(1.41)
Less: fee and commission expense	**(2,111)**	(2,298)	(8.14)
Net fee and commission income	**24,580**	24,774	(0.78)

The fee income from wealth management business decreased by 21.87% on a year-on-year basis, mainly due to the slower growth in the relevant products and the decrease in management fee rate and sales fee rate as a result of the persistent impact of capital market volatility. Investment banking revenue decreased by 14.84% on a year-on-year basis, mainly due to the decline in revenue of financial advisory and bond underwriting as a result of the impact of scarcity of high-quality assets, intensified competition across the industry, among other factors.

4. *Other non-interest income*

The breakdown of the Group's other non-interest income for the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	Six months ended on 30 June		Increase/
	2023	2022	(decrease)(%)
Net gains arising from trading activities	**17,637**	9,954	77.19
Net gains arising from financial investments	**(32)**	660	(104.85)
Share of profits of associates and joint ventures	**161**	70	130.00
Other operating income	**12,574**	10,571	18.95
Total other non-interest income	**30,340**	21,255	42.74

During the Reporting Period, the Group realised other non-interest income of 30.340 billion, of which 17.637 billion was gain on investments, representing an increase of 7.683 billion on a year-on-year basis or 77.19%, mainly attributable to the growth of subsidiaries' equity investments and gain on changes in fair value. Meanwhile, there was also an increase in the gains and losses on debt and interest-rate derivatives, due to the combined impact of factors such as business scale expansion, improvement in market expectations, and the expected slowdown in rising interest rate of the US dollar. Besides, it also attributable to the decline in the gains and losses on the translation of US dollar (long position) and losses on certain currency swap products.

5. Operating expenses

During the Reporting Period, the Group's operating expenses increased by 1.707 billion or 4.45% on a year-on-year basis to 40.079 billion. The Group's cost-to-income ratio was 29.22%, representing a year-on-year decrease of 0.09 percentage point. The cost-to-income ratio is around 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)

	Six months ended on 30 June		Increase/
	2023	2022	(decrease)(%)
Staff remuneration, bonus, allowance and welfare	**9,808**	9,776	0.33
Other staff costs	**5,606**	5,021	11.65
Operating expenses	**19,933**	19,365	2.93
Depreciation and amortisation	**4,732**	4,210	12.40
Total operating expenses	**40,079**	38,372	4.45

6. Asset impairment losses

During the Reporting Period, the Group's asset impairment losses were 36.940 billion, representing a year-on-year decrease of 577 million or 1.54%, of which the credit impairment losses on loans decreased by 1.179 billion or 3.41% on a year-on-year basis to 33.413 billion. Pursuant to the CBIRC Notice on Promulgation of the Administrative Measures for Implementation of the Expected Credit Losses Method by Commercial Banks (Yin Bao Jian Gui [2022] No. 10), the Group continued to adopt the expected credit loss method and 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. In recent years, the Group has continued to strengthen asset quality by making reasonable and adequate provisions based on accurate measurement, therefore, sufficient risk resistance and loss absorption capacity has been well established.

7. Income tax

During the Reporting Period, the Group's income tax expenses increased by 1.617 billion or 108.45% on a year-on-year basis to 3.108 billion. The effective tax rate of 6.26% 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, as promulgated in 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 821.789 billion or 6.33% over the end of the previous year to 13,813.360 billion, which was mainly due to the increase in the scale of loans and advances to customers as well as 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 2023		31 December 2022	
	Balance	**Proportion(%)**	Balance	Proportion(%)
Loans and advances to customers (after provision)	**7,613,830**	**55.12**	7,135,454	54.93
Financial investments	**4,030,061**	**29.18**	3,955,207	30.44
Cash and balances with central banks	**815,757**	**5.91**	806,102	6.20
Due from and placements with banks and other financial institutions	**834,882**	**6.04**	690,421	5.31
Others	**518,830**	**3.75**	404,387	3.12
Total assets	**13,813,360**	**100.00**	12,991,571	100.00

(1) Loans and advances to customers

During the Reporting Period, the Group resolutely implemented the decision-making and deployment of the CPC Central Committee, such as consolidating the real economy, driving consumption, increasing investments and expanding foreign trade with multiple measures and precise efforts, by way of intensified financial support to achieve effective qualitative enhancement and reasonable quantitative growth.

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

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	**5,134,956**	**65.87**	4,711,353	64.58	4,138,582	63.09
– Short-term loans	**1,562,770**	**20.05**	1,438,252	19.72	1,309,291	19.96
– Medium and long-term loans	**3,572,186**	**45.82**	3,273,101	44.86	2,829,291	43.13
Personal loans	**2,416,037**	**30.99**	2,365,317	32.43	2,285,096	34.83
– Mortgage	**1,496,827**	**19.20**	1,512,648	20.74	1,489,517	22.70
– Credit card	**480,828**	**6.17**	477,746	6.55	492,580	7.51
– Others	**438,382**	**5.62**	374,923	5.14	302,999	4.62
Discounted bills	**244,712**	**3.14**	218,295	2.99	136,722	2.08
Total	**7,795,705**	**100.00**	7,294,965	100.00	6,560,400	100.00

As at the end of the Reporting Period, the Group's total loans and advances to customers increased by 500.740 billion or 6.86% over the end of the previous year to 7,795.705 billion, among which the RMB loans from domestic banking institutions increased by 492.282 billion or 7.47% over the end of the previous year.

The corporate loan balance was 5,134.956 billion, achieving an increase of 423.603 billion or 8.99% over the end of the previous year. The proportion of corporate loans in loans and advances to customers increased by 1.29 percentage points to 65.87% over the end of the previous year, among which short-term loans increased by 124.518 billion, and medium and long-term loans increased by 299.085 billion, the proportion of medium and long-term loans in loans and advances to customers increased to 45.82%.

The personal loan balance was 2,416.037 billion, representing an increase of 50.720 billion or 2.14% over the end of the previous year. The proportion of personal loans in loans and advances to customers decreased by 1.44 percentage points to 30.99% over the end of the previous year. Mortgage loans decreased by 15.821 billion or 1.05% over the end of the previous year. The proportion of mortgage loans in loans and advances to customers decreased by 1.54 percentage points to 19.20% over the end of the previous year. Credit card loans increased by 3.082 billion or 0.65% over the end of the previous year.

Discounted bills increased by 26.417 billion or 12.10% over the end of the previous year.

Distribution of loans and advances to customers by security types

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**2,729,462**	**35.02**	2,461,988	33.75
Guaranteed loans	**1,296,753**	**16.63**	1,179,381	16.17
Loans secured by collateral	**2,608,465**	**33.46**	2,579,866	35.36
Pledged loans	**1,161,025**	**14.89**	1,073,730	14.72
Total	**7,795,705**	**100.00**	7,294,965	100.00

Expected credit loss allowance for loans and advances to customers

(in millions of RMB)

	30 June 2023	31 December 2022
Balance at the end of the previous year	**178,019**	161,162
Accrual/(Reversal) in the period	**33,413**	58,102
Write-offs and disposals in the period	**(11,859)**	(46,313)
Recovered after written-off	**2,804**	5,146
Other movements	**49**	(78)
Balance at the end of the period	**202,426**	178,019

(2) Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by 74.854 billion or 1.89% over the end of the previous year to 4,030.061 billion.

The breakdown of investments by nature

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bonds	**3,507,457**	**87.03**	3,416,632	86.38
Equity instruments and others	**522,604**	**12.97**	538,575	13.62
Total	**4,030,061**	**100.00**	3,955,207	100.00

The breakdown of investments by the presentation basis of financial statements

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022	
	Balance	Proportion (%)	Balance	Proportion (%)
Financial investments at fair value through profit and loss	664,524	16.49	705,357	17.83
Financial investments at amortised cost	2,541,755	63.07	2,450,775	61.97
Financial investments at fair value through other comprehensive income	823,782	20.44	799,075	20.20
Total	4,030,061	100.00	3,955,207	100.00

As at the end of the Reporting Period, the balance of the Group's bonds investments increased by 90.825 billion or 2.66% over the end of the previous year to 3,507.457 billion. In the future, the Bank will reinforce the research and judgement of the economic and financial situation, and focus on the allocation of incremental investment and optimisation of historical bonds investments. Firstly is to maintain the overall strategy of investing mainly in interest rate bonds and make reasonable arrangements for investment in treasury bonds and local treasury bonds. Secondly is to serve the new development pattern and the real economy, actively connected with the financing needs of debt–issuing entities in areas such as science and technology innovation, green development and infrastructure construction, and make a sound project reserve for credit bonds and investment arrangements. Thirdly is to increase the bonds transaction volume and expedite the turnover of treasury bonds and policy bank financial bonds. Fourthly is to seize the market opportunity of higher US bond yields to enhance the value contribution of foreign currency bonds based on good liquidity management.

The breakdown of bonds investment by issuers

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022	
	Balance	Proportion (%)	Balance	Proportion (%)
Government and central banks	2,700,358	76.98	2,626,005	76.86
Public sector entities	36,686	1.05	37,930	1.11
Interbank institutions and other financial institutions	547,709	15.62	539,009	15.78
Corporate entities	222,704	6.35	213,688	6.25
Total	3,507,457	100.00	3,416,632	100.00

As at the end of the Reporting Period, financial bonds held by the Group amounted to 547.709 billion, including bonds issued by policy banks of 89.181 billion and by interbank institutions and non–bank financial institutions of 458.528 billion, which accounted for 16.28% and 83.72% 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 rate (%)	Maturity date	Impairment allowance
Policy Bank Bond issued in 2017	6,330	4.39	2027/09/08	1.79
Policy Bank Bond issued in 2018	5,005	4.98	2025/01/12	1.43
Commercial Bank Subordinated Bond issued in 2022	3,500	3.00	2032/11/07	–
Commercial Bank Bond issued in 2022	3,436	SOFR+1.06	2027/09/29	2.61
Commercial Bank Subordinated Bond issued in 2022	3,360	3.00	2032/11/10	–
Policy Bank Bond issued in 2017	3,332	4.30	2024/08/21	0.95
Policy Bank Bond issued in 2019	3,227	2.70	2024/03/19	0.37
Commercial Bank Bond issued in 2022	2,980	2.45	2025/11/11	1.68
Commercial Bank Bond issued in 2022	2,978	SOFR+0.78	2025/04/28	0.49
Policy Bank Bond issued in 2018	2,752	4.88	2028/02/09	0.79

(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 2023	31 December 2022
Original value of foreclosed assets	1,437	1,412
Less: Impairment allowance	(424)	(412)
Net value of foreclosed assets	1,013	1,000

2. Liabilities

As at the end of the Reporting Period, the Group's total liabilities increased by 800.412 billion or 6.69% over the end of the previous year to 12,758.461 billion. Among them, deposits from customers increased by 630.526 billion or 7.93% over the end of the previous year, which accounted for 67.25% of total liabilities and represented an increase of 0.78 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 72.501 billion or 6.72% over the end of the previous year to 1,006.092 billion, which accounted for 7.89% of total liabilities and represented a decrease of 1.13 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 630.526 billion or 7.93% over the end of the previous year to 8,579.598 billion. In terms of customer structure, the proportion of corporate deposits was 60.25%, representing a decrease of 1.11 percentage points over the end of the previous year. The proportion of personal deposits was 38.19%, representing an increase of 1.01 percentage points over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 1.03 percentage points over the end of the previous year to 35.13%, while the proportion of time deposits increased by 0.93 percentage points over the end of the previous year to 63.31%.

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 2023		31 December 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	**5,168,576**	**60.25**	4,877,033	61.36	4,550,020	64.63
– Demand deposits	**2,124,907**	**24.77**	1,989,383	25.03	2,061,672	29.28
– Time deposits	**3,043,669**	**35.48**	2,887,650	36.33	2,488,348	35.35
Personal deposits	**3,276,988**	**38.19**	2,955,724	37.18	2,402,812	34.13
– Demand deposits	**889,001**	**10.36**	885,013	11.13	850,831	12.09
– Time deposits	**2,387,987**	**27.83**	2,070,711	26.05	1,551,981	22.04
Other deposits	**2,061**	**0.02**	4,227	0.05	3,359	0.05
Accrued interest	**131,973**	**1.54**	112,088	1.41	83,586	1.19
Total	**8,579,598**	**100.00**	7,949,072	100.00	7,039,777	100.00

3. Off–balance sheet items

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

The Group entered into various derivative financial instruments including 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 Note 18 Derivative Financial Instruments for the details of nominal amount and fair value of the derivative financial instruments.

The Group's contingencies and commitments mainly included outstanding litigations, credit related commitments and financial guarantees, capital expenditure commitments, operating leasing commitments, commitments on security underwriting and bond acceptance. Please refer to Note 37 Contingencies for the details of contingencies, and Note 38 Commitments for the details of commitments.

Some of the Group's assets are used as collaterals for interbank repurchase arrangements and other liabilities–related business. Please refer to Note 39 Collaterals.

(III) Analysis on Key Cash Flow Items

As at the end of the Reporting Period, the balance of Group's cash and cash equivalents decreased by 24.605 billion over the end of the previous year to 224.198 billion.

The net cash outflows from operating activities increased by 94.232 billion on a year-on-year basis to 5.123 billion, which was mainly resulted from decreases in deposits from customers and the net cash outflow from liquidity instruments such as interbank lending.

The net cash outflows from investing activities decreased by 46.050 billion on a year-on-year basis to 62.228 billion, which was mainly due to the decrease of net cash outflow from securities investment.

The net cash inflows from financing activities increased by 38.877 billion on a year-on-year basis to 40.986 billion, which was mainly due to the increase of net cash inflow from issuance and redemption of bonds.

(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 as below:

(in millions of RMB unless otherwise stated)

	Six months ended on 30 June							
	2023				2022			
	Profit before tax	Proportion (%)	Net operating income[1]	Proportion (%)	Profit before tax	Proportion (%)	Net operating income[1]	Proportion (%)
Yangtze River Delta	25,050	50.43	48,302	35.18	21,003	46.02	43,093	32.87
Pearl River Delta	3,481	7.01	12,773	9.30	4,277	9.37	12,584	9.60
Bohai Rim Economic Zone	7,652	15.40	15,658	11.40	2,459	5.39	16,311	12.44
Central China	10,107	20.35	19,504	14.21	14,842	32.51	19,292	14.71
Western China	4,243	8.54	11,562	8.42	2,924	6.41	12,044	9.19
North Eastern China	611	1.23	3,662	2.67	325	0.71	3,841	2.93
Overseas	4,057	8.17	9,219	6.71	2,251	4.93	5,647	4.31
Head Office[2]	(5,527)	(11.13)	16,627	12.11	(2,439)	(5.34)	18,282	13.95
Total[3]	49,674	100.00	137,307	100.00	45,642	100.00	131,094	100.00

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investments, net share of profits of associates and joint ventures, and other 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. 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.

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 as below:

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022	
	Loans and advances balances	**Proportion (%)**	Loans and advances balances	Proportion (%)
Yangtze River Delta	**2,179,884**	**27.96**	1,999,175	27.40
Pearl River Delta	**1,061,872**	**13.62**	978,749	13.42
Bohai Rim Economic Zone	**1,210,249**	**15.52**	1,137,282	15.59
Central China	**1,285,421**	**16.49**	1,196,075	16.40
Western China	**924,395**	**11.86**	875,476	12.00
North Eastern China	**258,556**	**3.32**	250,190	3.43
Overseas	**375,740**	**4.82**	376,277	5.16
Head Office	**499,588**	**6.41**	481,741	6.60
Total	**7,795,705**	**100.00**	7,294,965	100.00

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

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022	
	Deposit balances	**Proportion (%)**	Deposit balances	Proportion (%)
Yangtze River Delta	**2,337,595**	**27.25**	2,157,812	27.15
Pearl River Delta	**1,137,068**	**13.25**	1,024,315	12.89
Bohai Rim Economic Zone	**1,764,817**	**20.57**	1,671,923	21.02
Central China	**1,384,100**	**16.13**	1,260,425	15.86
Western China	**914,059**	**10.65**	846,610	10.65
North Eastern China	**416,712**	**4.86**	391,719	4.93
Overseas	**489,839**	**5.71**	480,408	6.04
Head Office	**3,435**	**0.04**	3,772	0.05
Accrued interest	**131,973**	**1.54**	112,088	1.41
Total	**8,579,598**	**100.00**	7,949,072	100.00

3. *Operating results by business segments*

The Group's four main business segments are 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 as below:

(in millions of RMB unless otherwise stated)

	Six months ended on 30 June			
	2023		2022	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Net operating income	**137,307**	**100.00**	131,094	100.00
Corporate banking	**66,812**	**48.67**	62,310	47.53
Personal banking	**54,364**	**39.59**	52,531	40.07
Treasury businesses	**16,016**	**11.66**	15,961	12.18
Other businesses	**115**	**0.08**	292	0.22
Profit before tax	**49,674**	**100.00**	45,642	100.00
Corporate banking	**20,614**	**41.50**	13,949	30.56
Personal banking	**17,144**	**34.51**	17,895	39.21
Treasury businesses	**12,117**	**24.39**	13,810	30.26
Other businesses	**(201)**	**(0.40)**	(12)	(0.03)

Note: 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.

(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 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 14.57%, 11.86%, and 9.84% respectively, all of which met the regulatory requirements.

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022	
	The Group	**The Bank**	The Group	The Bank
Net core tier-1 capital	**860,053**	**711,766**	840,164	701,902
Net tier-1 capital	**1,036,471**	**886,555**	1,016,644	876,692
Net capital	**1,272,971**	**1,119,391**	1,250,317	1,104,732
Core tier-1 capital adequacy ratio (%)	**9.84**	**9.14**	10.06	9.40
Tier-1 capital adequacy ratio (%)	**11.86**	**11.38**	12.18	11.74
Capital adequacy ratio (%)	**14.57**	**14.37**	14.97	14.80

Note: China BoCom Insurance Co., Ltd. and BOCOM MSIG Life Insurance Company Limited were excluded from the scope of consolidation.

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 2023	31 December 2022
Credit risk-weighted asset	**8,052,118**	7,610,940
Covered under internal rating-based approach	**5,931,351**	5,615,945
Not covered under internal rating-based approach	**2,120,767**	1,994,995
Market risk-weighted asset	**270,655**	325,910
Covered under internal model approach	**208,530**	263,735
Not covered under internal model approach	**62,125**	62,175
Operational risk-weighted asset	**413,224**	413,224
Additional risk-weighted assets due to use of capital floor	**–**	–
Total risk-weighted assets	**8,735,997**	8,350,074

5. Credit risk exposure

(in millions of RMB)

	30 June 2023		31 December 2022	
	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	**6,191,778**	**319,394**	5,752,836	298,071
Sovereign risk exposure	**–**	**2,682,705**	–	2,581,026
Financial institution risk exposure	**1,141,027**	**541,947**	1,107,200	498,076
Retail risk exposure	**2,594,362**	**519,123**	2,629,585	442,362
Equity risk exposure	**–**	**76,799**	–	77,138
Asset securitisation risk exposure	**–**	**6,713**	–	6,757
Other risk exposures	**–**	**1,300,411**	–	1,169,691
Total	**9,927,167**	**5,447,092**	9,489,621	5,073,121

6. Market risk capital requirement

(in millions of RMB)

Risk type	**30 June 2023**	31 December 2022
Market risk covered under internal model approach	**16,682**	21,099
Market risk not covered under internal model approach	**4,970**	4,974
Interest rate risk	**3,667**	3,646
Stock risk	**119**	121
Foreign exchange risk	**976**	1,183
Commodity risk	**8**	4
Option risk	**200**	20
Total	**21,652**	26,073

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 2023				January to June 2022			
	At the end of the period	**Average**	**Maximum**	**Minimum**	At the end of the period	Average	Maximum	Minimum
Value at risk (VaR)	**1,125**	**1,668**	**2,074**	**1,125**	1,659	1,367	1,834	867
Stressed value at risk (SVaR)	**3,191**	**3,818**	**4,451**	**3,153**	3,754	3,410	4,251	2,663

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.

(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 6.84%, which met the regulatory requirements.

(in millions of RMB unless otherwise stated)

	30 June 2023	31 March 2023	31 December 2022	30 September 2022
Net tier-1 capital	**1,036,471**	1,039,682	1,016,644	993,562
Balance of adjusted on- and off balance sheet assets	**15,150,643**	14,983,789	14,349,614	14,005,204
Leverage ratio (%)	**6.84**	6.94	7.08	7.09

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 guided by Xi Jinping Thoughts on Socialism with Chinese Characteristics for a New Era and is led by the strategic goal of "build a world-class banking group with business features and advantages", performed the enterprise mission of "Creating Shared Value". In order to promote the implementation of the strategy, the Bank has formulated the "14th Five-Year Plan" (2021-2025), committing to creating four major business features, took Green Finance as the background of the Group's business operation and development, took the construction of Shanghai Base and digital transformation as two breakthroughs in achieving the implementation of strategy.

1. Create business features

Inclusive finance. Bank intensified its efforts in the strategic deployment of "Enhancing the Inclusiveness of Finance" and expanding domestic demand, and steadily improved the quality and efficiency of inclusive financial businesses. As at the end of the Reporting Period, the balance of inclusive loans for small and micro enterprises and personal consumption loan increased by 19% and 39% respectively, compared with over the end of the previous year, while the share was continually increasing. Additionally, the number of customers of inclusive small and micro enterprises with loans balance increased by 10% over the end of the previous year, while the coverage of financial services was continually expanding. Besides, in terms of innovative rural financial services, the balance of agriculture-related loans increased by 16% over the end of the previous year.

Trade finance. The Bank actively served the development of industrial chain and supply chain and high-level opening to the outside world under the background of "Dual Circulation", realized domestic and overseas, local and foreign currency, onshore and offshore integrated financial services integration. In the first half of the year, the amount of trade finance incurred was 761.8 billion, exceeding the amount of the whole year of 2020. Meanwhile, the market share of cross-border business was 4.05% and cross-border business income was 10.55% of the income from intermediary businesses, representing an increase of 0.41 and 4.2 percentage points compared with the end of 2020, respectively.

Sci-tech finance. The Bank kept up with the pace of national technological self-reliance and industrial transformation and upgrading, served and supported a virtuous cycle of "Technology-Industry-Finance". As at the end of the Reporting Period, the number of credit customers of sci-tech finance increased by 17% as compared with the end of the previous year, which was 2.6 times over the end of 2020. The balance of loans to strategic emerging industries increased by 31% over the end of the previous year, and the proportion of public loans increased by increased by 13 percentage points compared with the end of 2020.

Wealth finance. The Bank strengthened the operation of full volume of customers, brought wealth management products' and service brand's superiorities into full play, better met the multi-level wealth management needs of the people. As at the end of the Reporting Period, the balance of the Group's wealth management products increased by 4% compared with the end of the previous year. Individual financial assets under management (AUM[1]) managed by domestic branches increased by 6% over the end of the previous year. The Bank continuously deepened customer expansion and potential exploration, and the number of middle and high-end customers increased by 7% over the end of the previous year. During the Reporting Period, the proportion of the wealth management's net income from intermediary businesses increased by 3.5 percentage points from the end of 2020.

1 Excluding the number value of customers' securities. Same applies hereinafter.

The Bank integrated the concept of green development into the entire process of creating business characteristics and strived to open up a new situation for the development of green finance. As at the end of the Reporting Period, the balance of green loans increased by 25% compared with the end of previous year, with the increment in the first half of 2023 exceeding that of the full year of 2022, reaching the highest level in the same period of recent years; furthermore, the green credit business had been fully covered across the National Green Finance Reform and Innovation Pilot Zone. As at the end of the Reporting Period, the Bank had issued 110.0 billion of green financial bonds in the interbank market.

2. Focusing on two breakthroughs and continuing to exert efforts

Leverage the advantages of "Shanghai Base" and leading role The Group regarded the construction of "Shanghai Base" as a strategic arrangement and continued to promote innovation and breakthroughs, and was committed to making "Shanghai Base" a source of innovation for the Group. Furthermore, the Group has promoted its nine typical experiences and practices including "One Thing" for sci-tech finance, "One Thing" for medical treatment payments etc., in Shanghai base to all branches. In terms of consolidating the financial service function and serving the economic and social development in Shanghai, the coverage rate of cooperation in major projects at the city and district level in Shanghai increased by 8 percentage points compared over the end of the previous year; the balance of loans and the number of loan customers of sci-tech finance in Shanghai increased by 27% compared with the end of the previous year. In an effort to build up the 20 key industrial chains in the Yangtze River Delta, the business volume and the number of customers acquired increased by 44% and 30% on a year-on-year basis, respectively. In respect of serving the factor market construction for Shanghai International Financial Centre, the trading volume of the interbank market in the first half of 2023 increased by 42% on a year-on-year basis, and the trading volume of currencies, bonds, foreign exchange and precious metals maintained the Bank as an active trader.

Deeply promoting digital transformation The Group fully utilised the new elements empowerment business of "Data + Technology" to improve the quality and enhance the efficiency, and continuously strengthened the ability of value creation of financial technology. During the Reporting Period, the Bank continued to increase investment in digital transformation, fintech talents accounted for 6.51% of the total number of the Group. The Bank accelerated the construction of channels and scenarios, further expanded innovative scenarios and facilitated the replication of models by relying on the new-generation open banking platform, and besides, the Cloud BoCom built a "cloud outlet, cloud teller, and cloud butler" system based on remote video services. The Bank steadily pushed forward the construction of enterprise-level architectures for retail credit, B2B payment, and digital risk management projects, and therefore, the role of middle-office and enterprise-level architecture gradually came to the fore in supporting business innovation. Furthermore, the Bank made efforts to build a new AI-based business card for BoCom, proactively deployed the AIGC cutting-edge technologies, increased the depth and breadth of AI application in various business scenarios, and empowered the refined customer operations.

(II) Corporate Banking Business

- The Bank promoted an increase in total credit allocation with an excellent structure. During the Reporting Period, the Group's corporate loan balance increased by 423.603 billion or 8.99% over the end of the previous year, in which domestic Medium and long-term loans of the manufacturing industry, green credit, strategic emerging industry loans and the agriculture-related loans increased by 28.71%, 25.23%, 31.10% and 15.61% respectively, all exceeding the average growth rate of the Group's loans.
- 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 Guangdong-Hong Kong-Macau Greater Bay Area and the Beijing-Tianjin-Hebei Region increased by 7.64% over the end of the previous year, exceeding the average growth rate of the Group's loans by 0.78 percentage points. Balance of loans in these three major regions accounted for 53.84%, representing an increase of 0.39 percentage points over the end of the previous year.
- The Bank deepened business features and continued to accelerate the rapid development of sci-tech finance as well as industrial chain finance. At the end of the Reporting Period, the number of credit customers in sci-tech finance increased by 17.02% compared with the end of the previous year, and loans to scientific and technological enterprises increased by 39.00% compared with the end of the previous year; the business volume of industrial chain finance increased by 31.41% year-on-year.

1. Customer development

The Bank continuously optimised the management of corporate customers by tiered classification and built a refined and professional service system. As at the end of the Reporting Period, the total number of corporate customers of domestic branches increased by 4.36% over the end of the previous year.

For group customers, the Bank increased its services and support for national strategies such as strong manufacturing and transportation and continued to optimise credit management policies and processes. It also established a group-wide integrated and collaborative service system and comprehensively improved the level of Group customer service. As at the end of the Reporting Period, the number of the Bank's Group customers reached 94.5 thousand, representing an increase of 5.8 thousand 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. It assisted in the provision of convenient government services and built a smart government product system. As at the end of the Reporting Period, the number of government institutions customers reached 74.7 thousand, representing an increase of 688 over the end of the previous year. For small and micro basic customers, the Bank further implemented the Online Management and Remote Management system; built a four-in-one service system: electronic channels, online products, outbound service and branch support; enhanced digital marketing support and improved services for basic customers. As at the end of the Reporting Period, the number of small and micro basic customers reached 2,363.7 thousand, representing an increase of 107.8 thousand over the end of the previous year.

2. Scenario construction

The Bank intensively explored scenario construction through digital thinking and gained noticeable achievement in subdivided scenarios such as medical care, schools, parks and central corporate treasury. The "Credit for Medical Treatment" initiative has been launched in 57 cities, including Shanghai, Nanjing, Dalian, Guangzhou and Kunming, to solve the problem in queuing for medical treatment through the new model of "Treatment First and Payment Later". The total number of customers signed up on the Intelligent Financial Services Platform exceeded 127.2 thousand, representing an increase of 15.9 thousand over the end of the previous year, with a collection and settlement volume of RMB893.935 billion, an increase of 287.76% year-on-year. In terms of scenario construction, the Bank has provided a comprehensive service platform for smart national or provincial-level industrial parks across 11 provinces and cities, including Anhui, Jiangsu and Hubei. The service capability of BoCom Smart Schools was further improved to accurately serve the education authorities, various schools at all levels, catering companies and other segmented customer groups. The Bank accelerated the financial services for the construction of treasury system by launching the innovative bank account monitoring service based on RPA technology, for the purpose of assisting the digital transformation and upgrading of the financial management of central enterprise and other state-owned enterprise groups.

3. Services to inclusive small and micro enterprises

The Bank continued to optimise its inclusive financial service series products by focusing on customer experience, expanding the coverage of inclusive financial services, and also focusing on small and micro financial services in key areas such as sci-tech-based small and micro enterprises, industrial chain finance, and transportation and logistics. The Bank vigorously developed scenario finance, and established the customised scenario model in the four major fields of science and innovation, manufacturing, rural revitalisation, and individual businesses, so as to meet the personalised financial needs of small and micro customers. Full life cycle financial services were provided for small and micro customers by focusing on customers and market needs. The Bank adhered to the concept of digital risk control and implemented a centralised operating model for post-loan business, so as to improve the accuracy and convenience of post-loan management based on online intensive management methods.

At the end of the Reporting Period, the balance of inclusive loans to small and micro enterprises was 540.914 billion, which was an increase of 18.55% over the end of the previous year. The number of customers with loan balances was 321.4 thousand, representing an increase of 9.65% over the end of the previous year. The accumulated average interest rate of inclusive loans to small and micro enterprises was 3.53%, representing a decrease of 22 basis points over the end of the previous year. Non-performing loan ratio of inclusive small and micro enterprises was 0.68%, representing a decrease of 13 basis points over the end of the previous year. Also, 2,774 business outlets of the Bank provided financing services and other financial services for small and micro enterprises.

4. Industrial chain finance

Using innovative products, the Bank deepened cooperation with leading enterprises in manufacturing, strategic emerging industry, science and innovation, green development and other key industries to meet their upstream and downstream financing needs and serve the construction of modern industrial systems. Concentrating on technological empowerment, the Bank developed an industrial chain rapid financing product line. The Bank also promoted the application of BoCom's self-built smart transaction chain platform. Moreover, the Bank promoted cooperation among 16 mainstream platforms, such as TravelSky and CSCC, to realise cross-scenario financial cooperation and automate the whole process of rapid payment, which greatly improved user experience. The Bank stimulated special authorisation, system innovation and process optimization to meet the personalised financing needs of enterprises in the principle of "one policy for one chain". During the Reporting Period, the industrial chain financial business was 280.385 billion, which increased by 31.41% on a year-on-year basis. There were 27.6 thousand financing customers, increased by 49.19% on a year-on-year basis.

5. Sci–tech services

The Bank proactively adhered to the strategy of strengthening the country through science and technology, by guiding financial resources to gather in those original and leading "hard & core technology" fields, providing multi-level, specialised and distinctive sci-tech financial products and services for sci-tech-based enterprises, and therefore, driving the formation of a virtuous interactive cycle among finance, science and technology, and the industry. The Bank made great efforts to improve the strategic emerging industries, advanced manufacturing industry, sci-tech innovation, green and low-carbon, the upgrading of traditional industries and others by optimising customer structure and asset structure, thereby increasing the interest income and the income from intermediary businesses. The Bank innovated and continued to expand the integrated business model of "special-level of sci-tech finance", integrated the resources from the government, institutions, capital market and other channels by taking "specialisation in science and technology" as a breakthrough, accurately supporting key customer groups such as sci-tech-based small and medium-sized enterprises, national manufacturing champions, specialised and sophisticated enterprises, and thereby creating a sci-tech financial ecosystem. As at the end of the Reporting Period, sci–tech finance credit customers increased by 17.02% over the end of the previous year. The loan balance of strategic emerging industries increased by 31.10% compared with the end of the previous year. There were 3,492 "little giant" enterprises of "specialisation, delicacy, characterization and novelty", with a market coverage rate of 39.00%, and the loan balances increased by 18.69% over the end of the previous year.

6. *Investment bank*

The Bank attempted to serve the national strategies and build an innovative investment bank. During the Reporting Period, the bond underwriting according to NAFMII (debt financing instruments for non-financial enterprises) reached 169.470 billion. During the Reporting Period, the increase in new domestic and overseas mergers and acquisitions finance was 42.1 billion, of which the size of domestic Renminbi mergers and acquisitions loans moved up 1 place in the rankings compared with that of the beginning of the year. The Bank served the green development strategy by underwriting green bonds (including carbon neutrality bonds) for 7.082 billion, increased by 70.04% year-on-year. The bank landed 3.1 billion in green M&A loans and invested 2.202 billion in green new energy equity. The Bank improved the balance sheet of high-quality real estate enterprises and promoted the stable and healthy development of the real estate market, helped real estate enterprises to raise 20.4 billion in debt financing, landed 9.171 billion in real estate mergers and acquisitions loans. The Bank was awarded the "Outstanding Institution of the Year" at the 9th Annual Conference of China Securitisation Forum in 2023, the "2023 Tianji Award for Boutique Investment Bank in the Banking Industry" and the "2023 Tianji Award for Outstanding Banking Financial Advisor of the Year" by the Securities Times, etc.

(III) Personal Banking Businesses

- The personal deposits and loans in banks grew steadily. As at the end of the Reporting Period, the balance of personal deposits was 3,276.988 billion, representing an increase of 10.87% over the end of the previous year. The balance of personal loans was 2,416.037 billion, representing an increase of 2.14% over the end of the previous year. The balance of personal consumption loans of domestic branches increased by 39.30% over the end of the previous year, whose market share[2] increased by 0.77 percentage points over the end of the previous year.
- The base of retail customers was stable and strengthened, AUM sustainably grew. 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 1.44% over the end of the previous year, and the number of middle and high-end customers[3] increased by 6.92% over the end of the previous year. The scale of AUM increased by 6.11% over the end of the previous year.

2 Standards of 17 commercial banks. Same applies hereinafter.
3 Including the qualified OTO Fortune customers of domestic branches and the private banking customers of the Group.

1. *Retail customers and AUM*

The Bank attempted to drive financial services based on big data by accelerating retail digital transformation, creating a closed loop of "online + offline" service channels, strengthening the full product and business process management. The Bank deepened the management of retail customer stratification and classification, by optimising the customer profile system based on the retail marketing platform, and building a closed loop of digital marketing to achieve more accurate and effective customer reach. The Bank strengthened digital operation, promoted digital customer management strategies, enriched financial service scenarios, enhanced the effectiveness of customer acquisition and activation in all channels and scenarios, empowered business development with digitalisation, and realized sustained and stable growth in AUM scale. 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 1.44% over the end of the previous year to 194 million. The number of qualified customers of OTO Fortune increased by 6.91% over the end of the previous year to 2,372.0 thousand. The scale of AUM increased by 6.11% over the end of the previous year to 4,903.758 billion.

2. *Wealth management*

Adhering to the customer orientation, the Bank reinforced the investment and research support, enhanced digital operation, so as to serve customers' multilevel and personalised wealth management needs, and form a retail digital operation system. By giving full play to the Group's advantages in terms of integrated operation, the Bank integrated the Group's investment and research resources, and enhanced the support of investment and research results for performance enhancement of various wealth management products, product selection, marketing services, and customer accompaniment. Adhering to the customer orientation, the Bank strengthened the supply capacity of wealth management products, held on to the principle of openness and integration, and selected high-quality products from the market. The Bank integrated quantitative indicators and expert experience, focused on customer benefits and experience, optimised the "OTO Best Choice" product system, and thereby improving customer accompaniment and after-sales service, The "OTO Best Choice" product series outperformed their market counterparts in the first half of 2023. The Bank adhered to the principle of providing financial benefits for the public and benefiting customers, such as launching preferential activities for fund subscription rates in mobile banking. As at the end of the Reporting Period, the balance of personal public funds product on consignment was 243.839 billion. The balance of wealth management products on consignment was 808.282 billion. The balance of insurance products on consignment was 284.756 billion.

3. *Scenarios and payment*

The Bank focused on the construction of government affairs scenarios and government APP for citizens, and established a cashier + wallet + credit service solution, strengthened the application depth and breadth of digitalisation in various business scenarios, and improved service capabilities in scenarios such as ride-hailing, payment, credit, and payment, etc. The Bank expanded the coverage of transportation scenarios, built a membership system in the fields of public transportation, new energy vehicles, airlines, and aftermarket, enriched preferential payment rights and interests, for the purpose of providing customers with safe, convenient and compliant account and payment services. The Bank focused on medical and health scenarios, optimised the payment process for medical treatment, expanded service scenarios such as community hospitals, cross-provincial medical treatment, and drug purchase, so as to provide convenient and beneficial payment services. The Bank deepened the construction of smart schools and provided safe, convenient and intelligent solutions for education needs to schools through open banking.

As at the end of the Reporting Period, the accumulated number of debit cards issued amounted to 178.7197 million, representing a net increase of 5.2042 million over the end of the previous year. During the Reporting Period, the number of debit card customers acquired online increased by 5.26 percentage points compared with the end of the previous year. In an effort to promote the development of time-honoured brands and boost the consumption of time-honoured brands, the Bank jointly carried out time-honoured carnival-themed marketing activities with the Ministry of Commerce, China UnionPay and other institutions to enrich consumer payment scenarios. During the Reporting Period the accumulated consumption paid by debit card amounted to 1,189.355 billion.

4. Consumer finance

The Bank proactively implemented the national housing credit policy by supporting rigid and improved housing demand according to urban-specific policies; and in response to the housing needs of new citizens and young people, the Bank provided differentiated credit policies and service plans to tap the market potential. In order to support the expansion of domestic demand, the Bank continued to improve the consumer loan products, and expand the breadth and depth of consumer loan services; besides, the Bank provided innovative and exclusive consumer credit products for new citizens, and also offered the "Elite Benefit Loan" to meet the differentiated service needs of fresh graduates. The Bank launched the Auto Scenario Loan 2.0 to continuously improve customer experience and cover a wider range of car buyers. The Bank continued to promote digital transformation and technology empowerment, used enterprise-level architecture to efficiently integrate business processes, and strengthened flexible product configuration and rapid promotion; furthermore, the Bank improved digital risk control capacity building, promoted the unified pre-credit-granting and credit line view, deepened anti-fraud capacity building and application, thereby building an omni-channel joint prevention and control system.

As at the end of the Reporting Period, the personal housing loan balance decreased by 1.05% over the end of the previous year. The personal consumption loan balance of domestic branches increased by 39.30% over the end of the previous year. The overdraft balance of domestic banks' credit cards increased by 0.65% over the end of the previous year, the combined market share of personal consumption loans and credit card overdrafts increased by 0.2 percentage points over the end of the previous year.

5. Private banking

The Bank consolidated the Group's resources to establish an investment and research driving mechanism, planned a product strategy system, regularly released the list of "private banking selection" products, so as to improve customer service. With the accelerating development of family wealth management business, and as at the end of the Reporting Period, the family trust business increased by 69% compared to the end of the previous year. The Bank guided wealth for good, innovated the "Ruishan Light Up Dreams" charitable trust; by leveraging the Group's advantages, the Bank opened up the "Great Wealth-Great Asset Management-Great Investment Bank" business service chain, and launched sustainable trust products. As at the end of the Reporting Period, there were 82.4 thousand private banking customers of the Group, representing an increase of 7.03% over the end of the previous year; the assets of private banking customers under management of the Group were 1,145.7 billion, representing an increase of 5.65% over the end of the previous year.

6. *Credit card*

The Bank took multiple measures to promote consumption and benefit people's livelihood, such as upgrading the Red Hot Friday activity, launching a number of large-scale card-using activities such as Spring Festival Consumption Promotion Activity, Shanghai's Double-Five Shopping Festival, offering consumption cashback for 618 Shopping Festival at E-commerce Platforms, etc., for the purpose of deepening the construction of the card-using environment. The Bank promoted the installment business for car purchase scenarios by optimising the automotive installment products, systems and risk strategies. The Bank launched card products for different customer groups such as new citizen card, car owner customer group theme card, and Yiran Platinum card. During the Reporting Period, the total spending of credit cards ranked third in the industry, unchanged from the end of the previous year. Among the new active users, high-quality target customers accounted for 60.37%, representing an increase of 13.44 percentage points over the end of the previous year.

Deepening digital transformation. The Bank explored the deepening application of intelligent scenarios based on large language model technology. The Bank continued to optimise the online operation platform of Go Pay APP to improve the user experience of credit card services, and the online business diversion rate reached 98.08%.

As at the end of the Reporting Period, the cards in force reached 74.5598 million. The net increase of new cards reached 51.5 thousand. The accounts receivables from domestic branches reached 480.726 billion[4]. During the Reporting Period, the total spending reached 1,432.923 billion. In detail, the volume of online payment transactions up 6.58% on a year-on-year basis.

7. *Pension finance*

The Bank proactively served the national strategy of coping with the aging population by building a pension finance service system. The Bank solidly promoted personal pension business, offered multi-channel account opening service, and continuously optimised the account opening experience; a total of 148 types of products was sold on a commission basis, with all categories of product shelves available. Giving full play to the advantages of integrated operation, the Bank's subsidiaries proactively carried out commercial pension finance business, with the management scale of pension target funds ranking first in the industry, the yield of pension wealth management products among the leaders in the market, furthermore, the Bank released the first personal pension annuity insurance product to serve the diversified pension investment needs of the masses. The Bank continued to strengthen the account management and custody services of the national social security fund, basic pension fund and enterprise (occupational) annuity, realising stable business growth in this regard. The Bank proactively promoted the development of special inclusive pension refinancing business, improved financial support for elderly care service institutions, and the number of credit customers in the elderly care service industry increased by 12.09% compared with the end of the previous year.

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

(IV) Interbank and Financial Market Businesses

The Bank actively supported the construction of Shanghai as an international financial centre, intensively participated in the financial market development of bonds, currencies and foreign exchange of China, improved its market making and quotation ability, deepened its cooperation in financial element market businesses, optimised its custody professional services, and transformed financial market products into quality services satisfying the demands of all kinds of customers, to constantly strengthen the capability to serve the real economy.

1. *Inter-bank businesses*

The Bank optimised the settlement business in the financial factor market and served the smooth operation of the financial market. 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 was also leading the market. The Bank seized the opportunity of innovation in the interbank market, being one of the first to carry out the "foreign currency pairs" agency clearing business, and the digital RMB settlement service for the spot clearing business of commodities in the Shanghai Clearing House.

The Bank enriched inter-industry cooperation to better meet the financial services needs of various types of customers. The Bank supported the development of capital markets by joining hands with 107 securities companies in third-party depository management business, 93 securities companies in the financing and securities depository management business, and 148 futures companies in the bank-futures transfer business, it provided settlement and other services for corporate and individual clients to participate in capital market investment transactions. The Bank strengthened cooperation with cross-border inter-bank payment clearing companies and expanded the network coverage of the renminbi cross-border payment system by expanding domestic and foreign participating banks. It actively promoted processing and information interaction products of renminbi cross-border business to provide safe and efficient renminbi cross-border payment services for enterprises going global. As at the end of the Reporting Period, the Bank topped the market in terms of the number of peer-to-peer customers of the standard transmit product of online renminbi cross-border payment system.

2. *Financial market businesses*

Focusing on national strategies and the needs of the real economy, the Bank used a combination of investment and trading instruments to provide key support to key regions such as the Yangtze River Delta, Beijing-Tianjin-Hebei Region and the Greater Bay Area, as well as key projects to benefit the people's livelihood, replenish shortcomings and new infrastructure in order to serve high-quality economic development.

The Bank played the role of "Stabiliser" as a market maker in the interbank market and carried out market making, quotation and trading to help shape the "Shanghai Price". During the Reporting Period, the trading volume of domestic bank currency market amounted to 63.74 trillion; the trading volume of Renminbi bonds amounted to 3.36 trillion; the trading volume in interbank foreign exchange market amounted to USD2.09 trillion; the trading volume of self-operated gold amounted to 3,280 tons, maintaining its market position as an active trading bank.

Serving the construction of Shanghai as an international financial centre, the Bank seised the important opportunity of the reform and opening-up development of the financial market, actively promoted product innovation, As one of the first quotation providers of the "Swap Connect", the Bank successfully completed the first batch of transactions on the first day of business opening. Besides, the Bank was approved to become a Chinese licensed cross-currency market maker bank under the Framework for Local Currency Settlement between China and Indonesia, which allows the Bank to set up direct conversion business of RMB to Indonesian rupiah (CNY.IDR).

3. Custody businesses

The Bank vigorously developed the public fund custody business through cooperation with leading fund companies, so as to expand the business of high-quality public fund products to meet the wealth management needs of citizens. For the three-pillar pension system, the Bank proactively grasped the opportunities of individual pension business and consolidated the advantages of pension custody business, so as to help the construction of our national pension security system. The Bank focused on key industrial fields encouraged and supported by national policies, such as sci-tech innovation and "specialised and sophisticated enterprises", and proactively expanded the custody business of private equity funds. Based on the QDII and QFII custody business, the Bank provided efficient custody services for cross-border investment and financing. As at the end of the Reporting Period, the assets under custody reached 13.37 trillion.

4. Wealth management businesses

The Bank adhered to prudent operation of wealth management business and the proportion of net value wealth management products continued to increase. As at the end of the Reporting Period, the balance of asset management products of the Group reached 1,254.462 billion, representing an increase of 3.94% over the end of the previous year, and the balance of net-worth wealth management products reached 1,162.187 billion, accounting for 92.64% of the wealth management products and representing an increase of 2.71 percentage points over the end of the previous year.

(V) Integrated Operation

- The Group established development pattern with commercial banking business as the body, in close coordination and connection with other businesses including financial leasing, fund, wealth management, trust, insurance, overseas securities and debt-to-equity swap, so as to provide comprehensive financial services for customers.
- During the Reporting Period, net profits of subsidiaries[5] that are attributable to shareholders of the Bank amounted to 6.704 billion, the proportion of which to the Group's net profit was 14.56%. As at the end of the Reporting Period, total assets of the subsidiaries are 665.016 billion, the proportion of which to the total assets of the Group was 4.81%.

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

Bank of Communications Financial Leasing Co., Ltd. As the Bank's wholly owned subsidiary, the company was set up in December 2007 with a registered capital of 20 billion. The main business scope includes financing leasing and operating leasing 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 was deeply engaged in aviation, shipping, traditional financing leasing and other businesses. As at the end of the Reporting Period, total assets were 409.078 billion, taking the lead in exceeding 400 billion in the industry. The balance of net assets was 43.339 billion, the balance of leasing assets was 357.597 billion. The company's total assets, leasing assets, operating income, net profit and other main business indicators are ranked first in the industry. The company owned and managed 453 ships and was the largest leasing company in the domestic merchant fleet. The company also had a fleet of 293 planes, making the value of aircraft leasing assets ranked second domestically and tenth globally in the financial leasing industry. The company's net profit during the Reporting Period was 2.002 billion, representing a year-on-year increase of 6.08%. The company has won 15 honorary awards, including the "Best Financial Leasing Company of the Year" by the Financial Times, "Leading Financial Institution Award for 2022 Forbes Financial Leasing Industry", and "Outstanding Contribution Organisation in Shanghai Interbank Industry" by Shanghai Banking Association.

During the Reporting Period, the company focused on the strategy of "three new and one high (i.e. new stage of development, new concept of development, new pattern of development, high-quality development)", and continuously optimised the layout of business structure; and as at the end of the Reporting Period, the balance of domestic leasing assets accounted for 63.1%. During the Reporting Period, the company continued to deepen its transformation, with operating leases business accounting for 50.36%, direct leasing business accounting for 50.38%, and green leasing business accounting for 40.34%, continuing to maintain an industry-leading position. During the Reporting Period, the company witnessed an increase of 13.173 billion new business in the Yangtze River Delta region, representing a year-on-year increase of 123.99%, of which Shanghai contributed to 4.720 billion, representing a year-on-year increase of 108.76%, further highlighting its advantage as the home base. The company proactively contributed to the construction of modern industrial system, and during the Reporting Period, it invested 22.076 billion to new infrastructure and new energy projects, representing a year-on-year increase of 127.68% The company deeply served the Manufacturing Power Strategy, and during the Reporting Period, it invested 9.212 billion to the manufacturing industry, representing an increase of 89.24% on a year-on-year basis; it ordered 13 ships with value of nearly 6 billion in domestic shipyards, and successively completed the delivery of 6 ultra-large container ships with largest carrying capacity and packing volume across the world. With the important opportunity of the China-Central Asia Summit, the company delivered aircraft to customers in Central Asia for the first time, helping to build the "Air Silk Road". In order to support high level technology self-reliance of our country, during the Reporting Period, the company served 42 technology-based enterprises, achieved an investment of 9.845 billion, representing a year-on-year increase of 194.96%. As the only financial leasing company selected as a pilot institution of sci-tech finance of the Shanghai Office of CBIRC, the company led the establishment of Shanghai Financial Leasing Service Integrated Circuit Industry Laboratory, and successfully launched the innovative model of "SPV integrated circuit equipment leasing".

Bank of Communications International Trust Co., Ltd. The company was set up in October 2007 with a registered capital of 5.765 billion, of which the Bank and Hubei Provincial Communications Investment Group Co., Ltd. contributed 85% and 15% shares respectively. The main business scope includes trust loans, equity investment trusts, securities investment trusts, credit asset securitization, corporate asset securitization, qualified domestic institutional investor (QDII), family trusts, charitable trusts, etc. During the Reporting Period, based on the strategic goal of "building the most trustworthy first-class trust company", the company proactively served the real economy, accelerated transformation and development, and deepened the synergy effect of the Group in accordance with the regulatory requirements of the "Three Categories" of trust management. As at the end of the Reporting Period, the total assets, net assets and the assets under management of the company were 19.192 billion, 15.858 billion and 532.580 billion respectively. The company's net profit during the Reporting Period was 0.44 billion, representing a decrease of 12.81% on a year-on-year basis. The company has been rated as Level A (the highest level) for eight consecutive years in the industry rating launched by the China Trustee Association.

As at the end of the Reporting Period, the business scale of fixed income standard products independently managed by the company totalled 96.8 billion, representing an increase of 59.21% over the end of the previous year; the business scale of family wealth management business totalled 13.091 billion, representing an increase of 55.94% over the end of the previous year. During the Reporting Period, seven "Yongfeng Dividend" perpetual trust projects amounting to 3.495 billion were implemented to help enterprises optimise their debt structure. Self-owned funds and private equity subsidiaries completed three private equity investment fund projects, with a subscribed capital contribution of 194 million, all focusing on strategic emerging industries.

Bank of Communications Schroder Fund Management Co., Ltd. The company was set up in August 2005 with a registered capital of 0.2 billion. It was jointly contributed by the Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd., with the shares accounting for 65%, 30% and 5% respectively. The primary businesses include fund raising, fund sales and asset management. The company has been awarded the "Golden Bull Fund Management Company" for four consecutive years. It won the "Golden Bull Award for Outstanding Return of Fund Investment Advisor Service" in the first Golden Bull Award for China Fund Investment Advisor, being the only one to win this award. As at the end of the Reporting Period, the company's total assets and net assets were 7.584 billion and 6.302 billion respectively, and the public fund under management reached 502.6 billion. Affected by the fluctuations in the market, the company's net profit during the Reporting Period was 0.797 billion, representing a decrease of 4% on a year-on-year basis.

As the backbone of the Group to build wealth management feature, the company, centring on the Group's strategy and the 14th Five-Year Plan, continuously improved core competitiveness in investment research and built multi-level product lines. Relying on spill over effect of initiative management investment research advantages, the company improved its management ability in equities, fixed income+ and FOF, investment advisory portfolios, strived to make itself a first-class fund company with core competitiveness for high-quality development and actively assisted the Group in the construction of wealth management ability.

BOCOM Wealth Management Co., Ltd. As a wholly-owned subsidiary of the Bank, the company was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues wealth management products of fixed income, equity, commodities, financial derivatives and hybrid categories to customers. During the Reporting Period, the company adhered to the customer-centric and investor-oriented principles and adjusted the focus of product design and issuance in a timely manner. The company actively expanded consignment agencies outside the Bank, and the balance of products sold under consignment outside the Bank reached 605.748 billion, accounting for 52.12% of the balance of products. The company has preliminarily established an open and diversified omni-channel system with the Bank as the main body. As at the end of the Reporting Period, the balance of wealth management products increased by 7.07% over the end of the previous year to 1,162.187 billion. As at the end of the Reporting Period, the company's total assets and net assets were 12.021 billion and 11.703 billion respectively. The company's net profit during the Reporting Period was 0.595 billion, indicating a decrease of 6.15% on a year-on-year basis.

During the Reporting Period, the company effectively improved investment management capabilities driven by the assets end and liabilities end, expanded the source of funds at the liabilities end, strengthened risk management and control, and helped the Group to create wealth & finance features. During the Reporting Period, the company won several awards including Golden Dragon Award, Golden Reputation Award, Golden financial and other awards. The company's "Innovation Case for Pension Finance Service" was firstly awarded the "Service Case in the China Banking and Insurance Industry".

BOCOM MSIG Life Insurance Company Limited. The company 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% shares 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. As at the end of the Reporting Period, the company's total assets and net assets were 119.601 billion and 6.629 billion respectively. The company focused on the development of the value-based instalment payment business during the Reporting Period, and the premium service income achieved 877 million, representing an increase of 16.65% on a year-on-year basis; the amount of new businesses value was 906 million, representing an increase of 66.86% on a year-on-year basis. The equity market was better than the same period last year, investment income increased and net profit was 390 million during the Reporting Period, indicating an increase of 91.18% on a year-on-year basis.

During the Reporting Period, the company further enriched its product offering for all customers, matched the insurance demands of stratified customers, and strengthened the development of its insurance professional teams. The company also actively served the construction of the national livelihood security system, and was selected as a co-insurer of the Shanghai "Huhuibao" insurance product for the first time, providing more inclusive insurance protection for citizens in Shanghai. The company took the initiative to integrate into the Group's pension financial strategy, launched the personalised pension insurance products at an early stage in the industry, and continuously improved the construction of the pension product system.

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 15.0 billion. As one of the first pilot banks to implement debt-to-equity swap as determined by the State Council, it is mainly engaged in debt-to-equity swap and supporting services. 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 for the real economy. Its net incremental investment of the year was 6.1 billion. As at the end of the Reporting Period, the company's total assets and net assets were 63.030 billion and 23.546 billion respectively. The company's net profit during the Reporting Period was 3.058 billion, representing an increase of 331.31% on a year-on-year basis. The increase in the company's net profit was mainly due to the realisation of gains from the listing or the withdrawal of the company's investments. The company managed 21 funds through its subsidiary, Bank of Communications Capital Management Co., Ltd. with a subscription amount of 12.149 billion, which represented a continuous increase in the scale, providing comprehensive financial services for the Group through the equity investments.

BOCOM International Holdings Company Limited. The company 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. The main businesses include securities brokerage and margin financing, corporate financing and underwriting, asset management and consulting, investment and loan. As at the end of the Reporting Period, the Bank's shareholding in the company was 73.14%. During the Reporting Period, the company focused on key national regions to strengthen its business lay out and provided customers with comprehensive financial services integrating the industrial chain. As at the end of the Reporting Period, the total assets and net assets of the company were HKD23.039 billion and HKD2.288 billion respectively. Affected by adverse market conditions, the company's net loss during the Reporting Period was HKD0.373 billion.

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. The main business includes the operation of 17 types of general insurances approved by the Insurance Authority of Hong Kong. As at the end of the Reporting Period, the company's total assets and net assets were HKD1.223 billion and HKD0.551 billion respectively. The company's net profit during the Reporting Period decreased by 17.86% on a year-on-year basis to HKD4 million.

The company continuously took advantages of the full business license for general insurances, focused on serving the people's livelihood in Hong Kong, promoted the improvement and innovation of insurance products, and actively integrated into the development of the Guangdong-Hong Kong-Macao Greater Bay Area. The company was also approved as one of the first insurance companies in Hong Kong to provide the "equivalent priority recognition" cross-border vehicle insurance for the "Northbound Travel for Hong Kong vehicles" policy, and issued the first insurance policy. During the Reporting Period, the company's gross premiums achieved HKD0.21 billion, reaching a record high for the same period in history; and the premium profits before expenditure were HKD14.46 million, decreasing by 5.24% on a year-on-year basis, and the net compensation rate was 32.79%, maintaining a favourable condition.

(VI) Global Service Capabilities

- The Group formed an overseas operating network covering major international financial centres across five continents and had 23 overseas branches (sub-branches) and representative offices in 18 countries and regions, with 69 overseas operating outlets. During the Reporting Period, the net profit of overseas banking institutions amounted to 3.424 billion, whose contribution to the Group's total net profit accounted for 7.44%. As at the end of the Reporting Period, the total assets of overseas banking institutions amounted to 1,300.383 billion, whose contribution to the Group's total assets accounted for 9.41%.
- The Group supported the high-level opening-up and promoted the renminbi cross-border settlements. During the Reporting Period, the cross-border renminbi settlement volume increased by 34.64% year-on-year.

1. *Internationalisation development*

The Group actively responded to changes in internal and external conditions. It carried out operational management in a steady and orderly manner, actively seized strategic opportunities to consolidate the trend of globalization and continued to optimize the development structure, coordinated development and safety. The Group actively served the new development pattern of the national high-level opening-up, and actively built a financial bridge for the domestic and overseas markets to provide the financial guarantee for the "dual circulation" development. The Bank provided financial services to Chinese enterprises that were in line with the national strategy to "go global" and actively built a financial bridge between the inside and outside world. The Group also firmly adhered to the bottom line of the prevention and control over financial risks, strengthened the dynamic monitoring as well as the risk pre-research and prediction, and built a solid foundation for sustainable and high-quality development of overseas banks.

2. *International settlement and trade financing*

The Bank supported the stabilisation of foreign trade and effectively served cross-border financial needs of enterprises. During the Reporting Period, the amount of international settlement processed by the Bank reached USD255.925 billion; and the volume of financing for cross-border trade reached 114.292 billion. The Bank promoted the facilitation of trade and investment, continuously optimised the functions of the Easy series of online settlement and financing products, and improved the service experience; also, the Bank used the open banking technologies to enrich the cross-border financial services of its platform for large clients in international business through technology empowerment. The Bank supported the development of new foreign trade forms. During the Reporting Period, the business volume of cross-border e-commerce, comprehensive foreign trade services and market procurement trade totalled 15.373 billion, representing a year-on-year increase of 66.26%.

3. *Overseas service network*

The arrangement of the overseas service network is progressing steadily. As at the end of the Reporting Period, 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. The Group established overseas banking service network with 1,031 banks in 129 countries and regions, set up 221 cross-border renminbi interbank accounts for 94 overseas renminbi participating banks in 30 countries and regions. In addition, 114 foreign currency settlement accounts in 28 major currencies were opened in 67 banks in 32 countries and regions.

4. *Cross-border RMB transactions*

The Bank supported the construction of the financial infrastructure for the cross-border renminbi payment system to contribute to the internationalisation of renminbi. The Bank actively promoted the promotion and application of the CIPS standard transmit product at the enterprise side, continuously promoted the construction of CIPS scenarios, and strengthened the combined use of CIPS and products with cross-border settlement and cross-border investment and financing. As at the end of the Reporting Period, the Bank topped the market in terms of the number of corporate customers of the CIPS standard transceiver. The Bank continued to expand the cross-border use of renminbi and promoted steady growth in the scale of cross-border renminbi settlement. During the Reporting Period, the volume of cross-border renminbi settlement of domestic banking institutions reached RMB899.715 billion, representing an increase of 34.64% 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 was USD15.943 billion.

(VII) Channel Construction

The Bank focused on the customer experience, accelerated the digital transformation, and strengthened major online channels such as online banking, mobile banking, Go Pay APP. The Bank continued to deepen the channel synergy, enriched the ecological scenarios, strengthened the characteristic service capabilities, enhanced the digital innovation and digital operation levels, and optimised service quality and efficiency.

1. *Corporate online banking and corporate mobile banking*

The Bank launched the Corporate Online Banking Version 6.0 and the Corporate Mobile Banking Version 2.0 to focus on customer demands and provide efficient, easy-to-use and secure online electronic banking services. As at the end of the Reporting Period, the number of contracted customers of corporate online banking (Bank corporate direct connection) increased by 7.08% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 19.97% on a year-on-year basis. The number of contracted customers of corporate mobile banking increased by 8.01% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 27.42% on a year-on-year basis.

2. *Personal mobile banking*

The Bank adhered to the "mobile first" strategy, focused on the customers, enriched the online scenario ecosystem, launched services such as the internet insurance zone and the market condition centre, and optimised the wealth management capabilities. The Bank also deepened the construction of bank-government cooperation scenarios and launched the "Jiaozhengtong" service to support the online cross-provincial treatments of over 50 social and livelihood services in the Yangtze River Delta region. As at the end of the Reporting Period, the number of monthly active users (MAU) of personal mobile banking increased by 6.26% over the end of the previous year to 43.0863 million.

3. *Go Pay APP*

The Bank upgraded the Go Pay APP, promoted the optimisation of the Go Pay APP in terms of new growth, new trend and new experience, improved the livelihood scenarios such as transportation, rural revitalisation, interest-free shopping, elderly-friendly services, and enhance the service capabilities of consumer finance business to serve the financial demands of new citizens and other groups. In addition, the Bank strengthened the in-depth synergy between the Go Pay APP and the mobile banking APP in terms of mutual traffic attraction, mutual channel construction, mutual services and content interaction. As at the end of the Reporting Period, the cumulative number of registered customers of Go Pay APP amounted to 76.3741 million and the number of monthly active users was 26.2855 million.

4. *Open Banking*

The Bank expanded its financial services for livelihood service scenarios such as government affairs, medical care, transportation, education, and actively promoted the digital transformation of enterprises in the scenarios of platform economy, cross-border, justice, pension, housing and rural revitalisation. As at the end of the Reporting Period, 3,868 interfaces were launched for open banking with accumulative 2.5 billion calls. New retail customers acquired via the open banking increased by 79.52% on a year-on-year basis to 0.5472 million. 79.732 billion financing amount was collected through online chain financial service of open banking.

5. Cloud BoCom

The Bank continuously enriched the function of Cloud BoCom, and launched 23 convenient service scenarios on personal and corporate mobile banking, "BoCom" WeChat Mini Program, smart screen and other channels, serving a total of 260 thousand customers. Meanwhile, the bank continuously promoted the application of video technology, innovated new models for serving the people, launched new connotations of cloud outlets, cloud tellers, and cloud butler services, innovated online and offline integrated services, and built a three-dimensional new service platform for the convenience of the people and enterprises.

The Bank strengthened the user management capabilities of new media channels such as "BoCom" WeChat Mini Program, "BoCom Loans" WeChat Mini Program and Cloud BoCom, so as to maximise the value contribution of businesses from the new media channels. As at the end of the Reporting Period, customers served by "BoCom" WeChat Mini Program increased by 27.62% over the end of the previous year to 30.1975 million. "BoCom Loans" WeChat Mini Program increased by 48.66% over the end of the previous year to 2.4592 million. Continuously enriched Cloud BoCom service capabilities, serving 6.4323 million users, an increase of 16.89% over the end of the previous year.

(VIII) FinTech and Digital Transformation

1. Accelerate digital transformation to empower the real economy and business development.

The Bank constructed the enterprise-level architecture to expand business and enhance efficiency. In terms of retail credit, the Bank completed the process restructuring and optimisation of products such as loans for tobacco retailers and employee loans for car purchase, and improved the online level and the business acceptance efficiency. The accumulated loan amount in the first half of the current year exceeded 1.2 billion. In the field of B2B payment, the Bank strived to build an enterprise-level payment settlement platform. Centring on the brand of "BoCom Express Pay", the Bank provided customers with one-stop services related to user, account, payment, clearing and financing, with a transaction scale exceeding 10.0 billion.

The role of the middle office was further developed. A total of 24,000 sets of market strategies have been deployed in the market middle office, which actively reached about 35 million customers on a daily basis; the operation middle office realised the omni-channel scheduling of manual tasks, improved the task scheduling and processing capabilities, and increased the average monthly scheduling tasks by 8 million; the risk middle office launched 221 risk model assets to further consolidate the risk data foundation and enhance the risk monitoring as well as anti-money laundering capabilities.

The Bank further strengthened the deployment of artificial intelligence (AI). The Bank actively explored the AIGC advanced technologies, developed generative artificial intelligence (AI) construction plans, established a special research team for GPT large models, and laid the foundation for systematic and large-scale application. Focusing on the target of "cost reduction, risk control, experience optimisation and efficiency improvement", the Bank enhanced the depth and range of AI applications, piloted the automation scenarios of corporate account management processes, sorting scenarios of anti-money laundering suspicious events as well as retail customers' interest and preference scenarios, so as to reduce the manpower input, improve the quality and efficiency of risk analysis, and empower customers for refined operations. The Bank also participated in the 2023 World Artificial Intelligence Conference and held the "New Generation of AI, New Era of Finance" forum to enhance the influence of BoCom's FinTech brand.

2. Strengthen the foundation of digital technology and improve the continuity of IT services.

The Bank accelerated the construction of the new data centre. The Bank strived to promote the construction of a new local data centre in Pujiang District and scientifically planned the construction of new remote data centres to provide safe, stable, sufficient, sustainable, green and energy-saving arithmetic capability for business development.

The Bank improved the autonomous and controllable capabilities of the digital infrastructure. The Bank drove the cloud-based transformation of the infrastructure and built a new data centre in Pujiang District for the cloud-based IT application innovation, and provided sufficient basic guarantees for the cloud uploading based on the distributed new technology application system. The Bank also continuously promoted the cloud platform nanotube multi-chip servers to strengthen the supporting capability with multiple cores in one cloud platform.

The Bank adhered to the bottom line of safety production. During the Reporting Period, the overall operation of the Bank's production systems was stable, the safety production guarantees for the important periods (such as the Spring Festival, "Two Sessions" and the Labour Day holiday) in the first half of the year were successfully completed. Meanwhile, the efficiency of incident handling was gradually enhanced and the ability to prevent production incidents was steadily improved to guarantee the reliable and stable operation of the information systems.

3. Deepen data governance and Enhance data support capabilities.

The Bank promoted the implementation of enterprise-level data standards and guaranteed the uniformity of data standards in the systems. The Bank also drove the application of the data quality management platform in various business scenarios and enhanced the online management capability of data quality. The enterprise-level data middle office provided integrated and efficient big-data foundation support and data application services for the risk control middle office, marketing middle office and operation middle office as well as for the key areas such as the customer manager work platform as well as the value analysis and decision-making platform. Besides, the Bank improved and unified the data analysis platform, upgraded various data analysis tools, and enhanced the level of self-service data usage across the Bank. The management was strengthened to support the management decision-making of the digital operation at all levels. The Bank developed the unified data portal and established the statement governance and operation mechanism to support the one-stop query of the statement resources. Besides, the Bank improved the data security management system, strengthened the security management of data movement, and deepened the security control of key data application scenarios.

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 risks including credit, market, operation, liquidity, interest rate of banking book, information technology and country to exercise strict control over various risk types. During the Reporting Period, the Group closely focused on the "three major tasks" under the financial planning, strictly adhered to the bottom-line thinking, coordinated the development and security, and mainly considered the battle for asset quality to continuously improve its comprehensive risk management capability. Besides, the Bank deepened the reform of risk credit and anti-money laundering, strengthened the modernisation of risk governance system and governance capability, and promoted the digital transformation of risk management. Also, the annual risk management objectives and tasks were successfully completed, which strongly facilitating the Bank's high-quality development.

(I) Risk Management Framework

The Board of Directors of the Bank assumed the ultimate responsibility, served the highest function of decision-making and monitored 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 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 full-process, full-coverage digital risk management under the guideline of being market-driven, customer-based, grass roots-oriented and urgency-prioritised. The Bank built a strong foundation for risk data across the Group and enterprise-grade risk management applications, and enhanced intelligent risk management. During the Reporting Period, the bank accelerated the construction of risk measurement centres centring on the requirements of "Four Transformations", strengthened the unified risk measurement and monitoring throughout the Group, steadily improved the risk measurement capacity of the whole group. The Bank constructed the unified model management platform, promoted the implementation of new capital regulations, adjusted and improved the implementation plans and system functions.

(III) Credit Risk Management

During the Reporting Period, the Bank continued to strengthen unified credit risk management. The Bank actively served the real economy, optimised the structure of credit assets, vigorously developed the green finance, and adopted the structural monetary policy tools (such as the special refinancing) to support key areas such as carbon emission reduction, clean and efficient use of coal, transportation and logistics, scientific and technological innovation, inclusive pensions, equipment renovation, and "guaranteed delivery of houses". The Bank continuously improved the credit granting policy framework system, actively implemented the national major strategies and regulatory requirements, and closely tracked market changes. Based on the outline of credit granting and risk policy, the guidelines on industry investment and "one policy for one bank", the Bank expanded the coverage of special strategy guidelines on green and low-carbon transformation of industry, biomedicine, etc. The Bank also promoted the optimisation of the entire credit process with digitalisation and intelligence, continuously enhanced the quality and efficiency of loan management. Moreover, the Bank enriched the post-loan (post-investment) management and risk monitoring methods, introduced quantitative rules to improve the risk classification management system. The bank further standardised the credit risk management mechanism of subsidiaries and continuously improved the level of consolidated management.

The Group promoted risk disposal and resolution continuously. During the Reporting Period, the Bank focused on the significant risks and key sectors, brought into play the professional disposal capability, steadily and orderly performed the risk disposals on significant items. In addition, the Bank steadily responded to new risk trends and actively explored new solutions of market and legal risks in local state-owned enterprises, real estate and other fields. During the Reporting Period, the disposal of non-performing loans reached 29.58 billion. Among them, the substantive settlement was 17.72 billion.

During the Reporting Period, the Group reinforced risk identification and continuously promoted risk management. The business accountability mechanism for credit granting of key customers was continuously deepened, the approval procedures of credit business were also continuously deepened, the post-loan management was continuously improved and enhanced. The Bank continuously strengthened the credit risk identification and management in key sectors, further optimised systems and models of risk monitoring, assessment and measurement, and the direct operation and management mechanism for the asset preservation was significantly effective. By maintaining strict asset quality classification standards, the foundation of asset quality was continuously strengthened, and the asset quality was steadily improved. As at the end of the Reporting Period, the balance of non-performing loans was 104.964 billion, representing an increase of 6.438 billion, and the non-performing loan ratio was 1.35%, which remained stable as compared with the end of last year. The period also witnessed an increase in proportion of overdue loans. 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 and accounted for 70%. Loans overdue for over 90 days were included in non-performing loans and accounted for 63% of non-performing loans.

Distribution of loans by five categories of loan classification

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022		31 December 2021	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Pass loan	**7,572,532**	**97.14**	7,091,355	97.21	6,374,975	97.17
Special mention loan	**118,209**	**1.52**	105,084	1.44	88,629	1.35
Total performing loan balance	**7,690,741**	**98.65**	7,196,439	98.65	6,463,604	98.52
Sub-standard loan	**41,551**	**0.53**	40,465	0.55	52,960	0.81
Doubtful loan	**30,143**	**0.39**	33,257	0.46	25,978	0.40
Loss loan	**33,270**	**0.43**	24,804	0.34	17,858	0.27
Total non-performing loan Balance	**104,964**	**1.35**	98,526	1.35	96,796	1.48
Total	**7,795,705**	**100.00**	7,294,965	100.00	6,560,400	100.00

Distribution of special mention loans and overdue loans by business type

(in millions of RMB unless otherwise stated)

	30 June 2023				31 December 2022			
	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	**92,913**	**1.81**	**53,945**	**1.05**	84,584	1.80	46,309	0.98
Personal loans	**25,281**	**1.05**	**45,858**	**1.90**	20,499	0.87	38,483	1.63
Mortgage	**8,616**	**0.58**	**13,253**	**0.89**	8,051	0.53	13,023	0.86
Credit cards	**14,964**	**3.11**	**26,681**	**5.55**	10,808	2.26	20,122	4.21
Personal business loans	**574**	**0.19**	**2,227**	**0.75**	436	0.18	1,985	0.83
Others	**1,127**	**0.81**	**3,697**	**2.65**	1,204	0.88	3,353	2.45
Discounted bills	**15**	**0.01**	**24**	**0.01**	1	0.00	36	0.02
Total	**118,209**	**1.52**	**99,827**	**1.28**	105,084	1.44	84,828	1.16

The balance of corporate overdue loan was 53.945 billion, representing an increase of 7.636 billion over the end of the previous year. The overdue ratio was 1.05%, representing an increase of 0.07 percentage points over the end of the previous year. The balance of personal overdue loan was 45.858 billion, representing an increase of 7.375 billion over the end of the previous year. The overdue loan ratio was 1.90%, representing an increase of 0.27 percentage points 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 2023				31 December 2022			
	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)
Corporate loans	5,134,956	65.87	81,661	1.59	4,711,353	64.58	78,487	1.67
Personal loans	2,416,037	30.99	23,279	0.96	2,365,317	32.43	20,003	0.85
Mortgage	1,496,827	19.20	7,104	0.47	1,512,648	20.74	6,731	0.44
Credit cards	480,828	6.17	11,714	2.44	477,746	6.55	9,310	1.95
Personal business	298,769	3.83	1,829	0.61	239,271	3.28	1,716	0.72
Others	139,613	1.79	2,632	1.89	135,652	1.86	2,246	1.66
Discounted bills	244,712	3.14	24	0.01	218,295	2.99	36	0.02
Total	7,795,705	100.00	104,964	1.35	7,294,965	100.00	98,526	1.35

Distribution of loans and non-performing loans by industry

(in millions of RMB unless otherwise stated)

	30 June 2023				31 December 2022			
	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)
Corporate loans	5,134,956	65.87	81,661	1.59	4,711,353	64.58	78,487	1.67
Transportation, storage and postal services	876,686	11.25	5,958	0.68	823,156	11.28	5,645	0.69
Manufacturing	953,919	12.24	20,456	2.14	836,532	11.46	21,934	2.62
Leasing and commercial services	793,513	10.18	7,972	1.00	729,818	10.00	9,079	1.24
Real estate	506,589	6.50	17,172	3.39	519,857	7.13	14,560	2.80
Water conservancy, environmental and other public facilities	458,767	5.88	5,080	1.11	429,222	5.88	5,343	1.24
Production and supply of electric power, heat, gas and water	375,619	4.82	3,101	0.83	342,617	4.70	3,237	0.94
Wholesale and retail trade	306,165	3.93	7,450	2.43	254,447	3.49	3,911	1.54
Construction	204,618	2.62	1,997	0.98	176,696	2.42	2,000	1.13
Finance	182,638	2.34	1,913	1.05	148,747	2.04	1,874	1.26
Education, science, culture and public health	141,116	1.81	2,929	2.08	128,762	1.77	2,861	2.22
Mining	124,015	1.59	1,678	1.35	118,246	1.62	2,162	1.83
Others	103,703	1.33	1,208	1.16	94,839	1.30	1,012	1.07
Information transmission, software and information technology services	72,094	0.92	465	0.64	68,246	0.94	648	0.95
Accommodation and catering	35,514	0.46	4,282	12.06	40,168	0.55	4,221	10.51
Personal loans	2,416,037	30.99	23,279	0.96	2,365,317	32.43	20,003	0.85
Discounted bills	244,712	3.14	24	0.01	218,295	2.99	36	0.02
Total	7,795,705	100.00	104,964	1.35	7,294,965	100.00	98,526	1.35

The Group actively implemented the national policies and deployment, continuously increased financing support for the real economy. Manufacturing loans represents an increase of 117.387 billion or 14.03% over the end of the previous year, higher than the average growth rate of all loans. In stabilising investments and growth in key sectors, the loans of Transportation, storage and postal services increased by 53.531 billion or 6.50% over the end of the previous year. Leasing and commercial services loans increased by 63.695 billion or 8.73% over the end of the previous year. Wholesale and retail trade increased by 51.718 billion or 20.33% over the end of the previous year.

Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

	30 June 2023				31 December 2022			
	Loans	**Proportion (%)**	**Non-performing Loan**	**Non-performing loan ratio (%)**	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)
Yangtze River Delta	**2,179,884**	**27.96**	**19,848**	**0.91**	1,999,175	27.40	21,107	1.06
Pearl River Delta	**1,061,872**	**13.62**	**8,647**	**0.81**	978,749	13.42	8,403	0.86
Bohai Rim Economic Zone	**1,210,249**	**15.52**	**14,190**	**1.17**	1,137,282	15.59	10,707	0.94
Central China	**1,285,421**	**16.49**	**15,290**	**1.19**	1,196,075	16.40	14,520	1.21
Western China	**924,395**	**11.86**	**8,737**	**0.95**	875,476	12.00	9,333	1.07
North Eastern China	**258,556**	**3.32**	**12,883**	**4.98**	250,190	3.43	13,595	5.43
Overseas	**375,740**	**4.82**	**13,656**	**3.63**	376,277	5.16	11,551	3.07
Head office	**499,588**	**6.41**	**11,713**	**2.34**	481,741	6.60	9,310	1.93
Total	**7,795,705**	**100.00**	**104,964**	**1.35**	7,294,965	100.00	98,526	1.35

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)

	30 June 2023		31 December 2022	
Overdue Period	**Amount**	**Proportion (%)**	Amount	Proportion (%)
Within 3 months	**34,202**	**0.44**	27,737	0.38
3 months to 1 year	**34,791**	**0.45**	33,480	0.46
1 to 3 years	**24,506**	**0.31**	19,083	0.26
Over 3 years	**6,328**	**0.08**	4,528	0.06
Total	**99,827**	**1.28**	84,828	1.16

As at the end of the Reporting Period, the balance of overdue loans was 99.827 billion, representing an increase of 14.999 billion over the end of the previous year. The overdue ratio was 1.28%, representing an increase of 0.12 percentage point over the end of the previous year. The balance of loans overdue for over 90 days was 65.625 billion, representing an increase of 8.534 billion over the end of the previous year.

Restructured loans

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Restructured loans	**14,171**	**0.18**	13,660	0.19
Including: Restructured loans overdue over three months	**2,281**	**0.03**	1,533	0.02

Loan migration rates

(%)	January to June 2023	2022	2021
Pass loan migration rate	**0.85**	1.89	1.86
Special mention loan migration rate	**15.93**	26.55	45.72
Sub-standard loan migration rate	**19.19**	52.87	29.61
Doubtful loan migration rate	**18.09**	26.61	17.42

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 5.66% of the Group's net capital, and the total loans to top 10 customers accounted for 19.04% 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 2023		
	Industry	**Amount**	**Percentage of total loans (%)**
Customer A	**Production and supply of electric power, heat, gas and water**	**72,000**	**0.92**
Customer B	**Transportation, storage and postal services**	**34,319**	**0.44**
Customer C	**Production and supply of electric power, heat, gas and water**	**30,700**	**0.39**
Customer D	**Real estate**	**19,946**	**0.26**
Customer E	**Manufacturing**	**15,360**	**0.20**
Customer F	**Transportation, storage and postal services**	**15,113**	**0.19**
Customer G	**Transportation, storage and postal services**	**15,038**	**0.19**
Customer H	**Transportation, storage and postal services**	**13,541**	**0.17**
Customer I	**Transportation, storage and postal services**	**13,507**	**0.17**
Customer J	**Transportation, storage and postal services**	**12,864**	**0.17**
Total of Top 10 Customers		**242,388**	**3.11**

(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 and general market risk of interest rate risk of trading book of legal persons were assessed with the use of the internal model-based approach to measure capital at risk by the Group, while the market risk not covered by the internal model-based approach was assessed under the standardised approach to measure capital at risk. 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 had a historical observation period of 1 year, a holding period of 10 working days and a 99% confidence interval. Daily capital transaction positions of the Group and the most updated market data were obtained to perform position valuation and sensitivity analysis in a timely manner. In addition, using the historical simulation method, the Group measured VaR of market risk on a daily basis from different perspectives, including 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 of internal model approach were 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, improved management policies and procedures, optimised the risk management system, strengthened product management, optimised limit setting, and improved derivatives business risk management. The Group closely monitored the financial market fluctuations, strengthened market research and judgement 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

Liquidity risk is the risk that occurs when the commercial bank cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet other funding needs in the normal course of business. The main factors affecting the liquidity risk include early withdrawal by deposit customers, deferred repayment by loan customers, mismatch of asset and liability structure, difficulty in asset realisation, decline in financing capability, etc.

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 Audit Supervision and an executive body comprised Financial Management Department, Financial Markets Department, Risk Management Division, Operations and Channel Management Department, branches, subsidiaries and the Head Office's departments in charge of each business.

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 legal entity level and group level, subsidiaries, branches and business lines to ensure that the liquidity needs can be timely satisfied at a reasonable cost.

The Group annually determined liquidity risk appetite and formulated liquidity risk management strategies and policies according to business strategies, business characteristics, financial strength, financing abilities, overall risk appetite and market influence. The strategies and policies covered all on- and off-balance sheet businesses, as well as all business departments, branches and subsidiaries that might have a significant impact on liquidity risk at home and abroad and included liquidity risk management under normal and stressful conditions.

During the Reporting Period, the Group continuously improved its liquidity risk management system, adhered to the balance between capital source and utilization, timely and flexibly adjusted its liquidity management strategies and business development structure and rhythm, and promoted the coordinated development of the entire bank's asset liability business. The Group adhered to the balance between sources and utilisation of funds, and actively promoted the stable growth of total deposits; strengthened the coordination and scheduling, dynamically adjusted the pace of absorbing interbank liabilities and the pace of non-credit business; expanded diversified financing channels and issued longer-term bonds to supplement stable funds. The Group conducted cash flow calculation and analysis on a daily basis and strengthened daytime liquidity management and financing management to ensure liquidity safety during major holidays, key time points, and epidemic situations. The Bank strictly monitored liquidity risk related indicators, strengthened proactive risk early warning and prediction, and timely made strategic adjustments to ensure the smooth operation of liquidity risk indicators throughout the Bank. Also, the Bank organised the liquidity risk emergency drills for overseas branches and subsidiaries to improve the response speed and liquidity risk handling capabilities.

The Group launched regular stress testing for liquidity risk, in which the stressed scenarios and various factors which may affect liquidity situation were reasonably considered. The results of stress tests showed that the Bank's liquidity risk was in a controllable range under various pressures scenarios.

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

	Standard value	**30 June 2023**	31 December 2022	31 December 2021
Liquidity ratios (%)	≥25	**70.69**	69.76	67.11

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

The daily average liquidity coverage ratio of the Group during the second quarter of 2023 was 136.52% (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 13.46 percentage points over the previous quarter mainly due to decreased in net cash outflows; The Group' s qualified HQLA mainly included cash, reserves that can be withdrawn from the central bank under stress scenarios and bonds that meet the definition of primary and secondary assets *in the Administrative Measures for Liquidity Risk Management of Commercial Banks.*

In the first quarter of 2023, the quarter-end net stable funding ratio of the Group was 110.41%, representing an increase of 1.25 percentage points over the previous quarter, which was mainly due to the increase of deposits and wholesale funding to retail and small business customers. In the second quarter of 2023, the quarter-end net stable funding ratio was 109.88%, representing a decrease of 0.53 percentage points over the previous quarter, which was mainly due to the decrease of wholesale financing.

For more details about the LCR and the average of detailed items during the second quarter and the net stable capital ratio and detailed items in the first two quarters of 2023, please refer to "Supplementary Information on Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio".

(VI) Operational Risk Management

The Group developed comprehensive operational risk management system dealing with the nature, scale and product complexity of the Group's businesses. The Group also standardised the procedures of operational risk controls, control self-assessment, loss data collection, key risk indicator monitoring and operational risk event management. During the Reporting Period, the Group further enhanced the operational risk classification and matrix evaluation mechanism, strengthened the integrated management of operational risks of subsidiaries, and strengthened operational risk monitoring assessment on key areas. The Group also strengthened business continuity and outsourcing risk management.

(VII) Legal Compliance and Anti-money Laundering

During the Reporting Period, the Group strengthened the legal knowledge education and the construction of compliance culture, improved the legal compliance management system, and promoted various legal compliance works in an orderly manner, contributing to steady legal and compliance management. During the Reporting Period, the Group took the measures to enhance anti-money laundering management capabilities, including strengthening the anti-money laundering customer due diligence, optimising the customer money laundering risk ratings and risk controls, improving the quality and efficiency of large-sum transactions and suspicious transactions' reports, promoting the digital transformation of the anti-money laundering, and promoting the anti-money management capability continuously.

(VIII) Reputation Risk Management

The Group strictly complied with the regulatory requirements and established a long-term mechanism for the Group's reputation risk management through two dimensions, namely, the full-process management and the normalisation, in accordance with the management strategy of "prevention first, effective handling, timely modification, and comprehensive coverage", so as to prevent and resolve the reputation risk as well as maintain the Group's reputation and market image. During the Reporting Period, the Group's reputational risk management system operated well, and the reputational risk was under control.

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

The Group set up the risk management system across industries and boarders, characterised by "centralised management, clear allocation, adequate tools, IT support, risk quantification, and consolidation of substantially controlled entities". All subsidiaries and overseas branches take into account both the Group's standardised requirements and the respective requirements from local regulatory governing bodies while performing risk management. During the Reporting Period, considering the uncertainties caused by external changes, the Group strengthened risk management in overseas institutions, improved the institutional system, advanced assessment mechanism, and strengthened the development and drilling of various emergency plans to ensure stable operation of business. In addition, the Group also strengthened management of key areas such as liquidity, business continuity and asset quality in overseas institutions. The Group enhanced the consolidation management, improved unified risk management of the Group, refined the full lifecycle management of subsidiaries, and optimised risk information reporting mechanism. The Group strengthened by-country risk management, increased the frequency of monitoring by-country risk exposure, improved the management of by-country risk limits, carried out by-country risk analysis and rating, continuously paid attention to and responded to by-country risk events in a timely manner, and integrated by country risk management requirements throughout the entire process of relevant business development.

(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, continuously monitored situations of large exposure risk, and strictly adhered to various delegated authorities' standards, 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 supported the target of "Carbon Peak and Carbon Neutrality" and promoted the further integration of climate and environmental risks into the comprehensive risk management system. During the Reporting Period, the Group added relevant provisions on climate risk management in the revised Comprehensive Risk Management Policy of Bank of Communications Co., Ltd., which included climate risk as a separate category in the identification of major risks, took climate factors into account in the internal capital adequacy assessment process (ICAAP), and guided operating units to continuously improve the governance structure, strengthen the institutional constraints, enhance the risk assessment, optimise the management and control methods so as to effectively respond to new challenges brought about by climate change and the low-carbon transformation of the socio-economy.

IV. OUTLOOK

Amid the sophisticated and challenging international environment, domestic economy is facing new difficulties and challenges. However, on the whole, China's economy has a strong development resilience and ample potential, the fundamentals sustaining China's sound economic growth in the long run stay unchanged. With the accumulation of positive factors for sustainable development, the economy is expected to continue showing an upward trend of recovery.

At the next stage, the Group will continue to implement deployment requirements of the CPC Central Committee, adhere to the general guideline of making progress while maintaining stability, implement the new development concept completely, accurately and comprehensively. Besides, the Group will help construct the new development pattern, actively fulfil its responsibilities as a major state-owned bank, and promote the implementation of the Group's strategies to achieve high-quality development, focusing on the following aspects:

I. **Serve the the real economy accurately.** The Group continues to increase the financial supply in key areas and weak links, and plays a "Combined Fist" to serve the real economy from the aspects of business strategy, mechanism, resources and products. the Group has focused on key areas such as boosting consumption, increasing people's livelihood protection, self-reliance and self-improvement in science and technology, and pilot reform and opening up, proactively improved the supply of financial services, fully tap the full demand of customers, and actively show new achievements while firmly grasping policy priorities.

II. **Deepen the construction of business features.** Centring on the requirements of stabilising growth, stabilising employment and stabilising prices, the Group focused on the needs of small and medium-sized enterprises and individual customers, and promoted the expansion of inclusive finance. Furthermore, based on "Chain Finance", the Group built the high-quality and modernised service industry system, and supported the development of strategic emerging industries and advanced manufacturing industries, enhanced the accuracy and directness of the "BoCom Sci-tech Innovation" series products, continuously improved the customer experience, and specialised in sci-tech finance.

III. **Enhance and optimise the construction of Shanghai Base.** Focusing on the construction of "Four Functions" and "Five Centres" in Shanghai, the Group strengthened scientific and technological innovation, high-level systematic opening up, financial functions of urban construction of international consumption centers and global resource allocation, integrated resources to deepen the business of free trade zones, accelerated the localization of home field experience, the replication and promotion, so as to better play the leading role of home field innovation.

IV. **Consolidate and enhance the comprehensive risk management.** The Group strengthened its overall risk management, implemented the requirements of the centralised operation, strict management, unified management of matters under the same category and comprehensive consolidated statement management, improved the governance and risk management system of its subsidiaries, and conducted the joint prevention and control in cross-border, cross-industry and cross-market areas. Besides, the Group strengthened the prevention and control of risks in key areas such as the real estate market, local government debts, continuously enhanced its risk management and control capabilities, and adhered to the bottom line of the safeguard on systemic financial risks.

V. HOT ISSUES OF CAPITAL MARKET

(I) Interest Margin Trends

Since 2023, the Bank has been acting on the political and people-oriented requirements of financial work and playing its role as a large state-owned bank to stabilise growth, employment and prices. The policy of cross-cycle and counter-cyclical adjustment was implemented to promote the growth of the size and quantity of financial products, optimise structures and reasonably surrender profits, thereby optimising financial resource allocation and making dynamic adjustments to business structure in the process of serving the real economy. However, under the impact of the changing external business environment, during the Reporting Period, the net interest margin of the Group decreased by 22 basis points on a year-on-year basis, among which, the interest margins in Renminbi of domestic branches decreased by 22 basis points on a year-on-year basis. This can be mainly attributable to: the impact of the repricing of existing floating-rate loans, slow growth of higher-yield credit cards and personal housing loans, and consistent profits surrendering to the real economy on the asset side, resulting in the significant decline of the return ratio of loans; and the impact of the insufficient willingness of investment and consumption of enterprises and citizens on the liability side, resulting in the decrease of the cost ratio of deposits, although it was lower than that of the return ratio of loans. The interest margins in foreign currencies increased on a year-on-year basis. This is mainly because the Bank, during the cycle of general overseas interest rate hikes, flexibly adjusted the allocation of assets and liabilities in foreign currencies by increasing the proportion of bond investments with higher yields and appropriately shrinking the size of placements from banks with higher costs, so as to promote the year-on-year increase of interest margins in foreign currencies through continuous structure refinement.

Looking ahead to the interest margin trends throughout the year, the Bank is still facing certain downward pressure in the short term. At the next stage, the Bank will continue to make reasonable allocations of major categories of assets, increase the granting of loans (especially retail loans) to customers, and consolidate loan pricing management to increase comprehensive income from customers. In addition, efforts were made to step up the construction of the Group's integrated payment and settlement system to promote the growth of demand deposits, while continuing to manage and control the quantity and price of high-cost deposits. Moreover, the Bank flexibly allocated market-oriented funds based on the trend of the market interest rate and decreased the overall debt-to-cost ratio to hedge the downward pressure on return on assets and promote the steady upturn of interest margins.

(II) Credit Granting

During the Reporting Period, the Bank took solid steps in practising the political and people-oriented requirements of financial work and made active measures to facilitate the continuous recovery of national economy and the upgrading of industries. The Bank made further efforts to make up the shortcomings by increasing credit granting to areas such as infrastructure networking, network replenishment, and chain strengthening as well as ecological and environmental protection; closely followed up on the updates to infrastructure such as transport, water resources, energy, information technology, logistics, renovation of old residential neighbourhoods, and underground tunnels; and seized the opportunities of constructing national security infrastructure and major technological innovation infrastructure by offering funding support and optimising financial resource allocation.

As at the end of the Reporting Period, the balance of corporate loans was 5.13 trillion, representing an increase of 423.6 billion or 8.99% over the end of the previous year and an increase of 8.3 billion on a year-on-year basis. Among these loans, loans to strategic emerging industries, green industries, manufacturing industry, inclusive small and micro enterprises, and agriculture industry achieved double-digit growth. As for personal loans, with an aim of promoting consumption and expanding domestic demand, the Bank continuously advanced digital transformation and accelerated the update of consumer finance product. As at the end of the Reporting Period, the balance of personal consumption loans increased by 39.30% over the end of the previous year. In addition, the Bank continued to step up credit granting support for key areas. The balance of loans of three major regions including the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, the Beijing-Tianjin-Hebei Region increased by 7.64% over the end of the previous year, exceeding the average growth rate of the Group's loans by 0.78 percentage points. The balance of loans in these three major regions accounted for 53.84%, representing an increase of 0.39 percentage points over the end of the previous year.

(III) Capital Management

The Group adopts a light-capital development philosophy and consistently optimises its capital management system to promote intensified capital transformation and refined capital management and boost capital use efficiency and return, thereby laying a solid foundation for the Group's high-quality development. During the Reporting Period, the Group fuelled the business development of the entire bank with a sound level of capital adequacy, increased our efforts to serve the real economy and continued to increase credit allocation. We also continuously optimised and improved the economic capital management and assessment mechanism, adhered to the performance assessment and evaluation system that emphasised on economic value added (EVA) and return on capital, strengthened capital constraints and returns and promoted capital light development. We continued to keep track of international and domestic capital regulatory rules, optimised and improved the internal capital adequacy assessment mechanism, dynamically balanced capital demand and supply and ensured that the capital level can withstand various risks.

During the Reporting Period, the Group's capital supplement was mainly sourced from internal accumulated retained earnings, with a cumulative increase of 22.654 billion in net capital. As for the plan of capital supplement from external sources, the Bank's Board of Directors and the shareholders' general meeting deliberated and approved the Proposal on Issuing Capital Instruments during 2023-2024 on 28 April 2023 and 27 June 2023 respectively, according to which the Bank shall issue undated capital bonds of no more than 40 billion or an equivalent amount in foreign currency, as well as tier-2 capital bonds of no more than 100 billion or an equivalent amount in foreign currency in domestic and foreign markets, which will help the Bank further consolidate capital foundation and optimise capital structures.

(IV) Business Related to Local Government Finance

The Bank's business related to local government financing focuses on areas such as infrastructure construction, which is the focus of stabilizing economic policies. For a long time, the Bank has always maintained a stable and prudent risk appetite, strictly complied with the regulatory requirements, adhered to the principle of "compliance with the law and commercial sustainability". Meanwhile, the Bank preferred high-level, financially strong and debt-controllable regions and entities with standardized corporate governance, prominent main business, high-quality operating assets and sound operation and finance, as well as projects with clear and compliant business models and guaranteed operating cash flow, while strictly abide by the bottom line of no new hidden local government debt and no systemic risk as well. On the basis of the return period of project investments and regulatory requirements, the relevant loans were assessed and granted in accordance with the principle of commercial sustainability and the maturity of the business was stably and prudently determined. Business related to local government finance was in a steady development with the asset quality maintained at a good level.

As a next step, the Bank will continue to adhere to its stable and prudent risk appetite and strictly abide by the bottom line of no new hidden local government debt and no systemic risk. Additionally, the Bank will strengthen the tracking and monitoring of key regions and business operations and continue to ensure access control. Besides, through investing in bonds issued by local governments and adopting compliant business models, the Bank will actively support the construction of key areas and major projects identified by government.

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 2023			31 December 2022	
	Amount (share)	**Percentage (%)**	Increase or decrease during the Reporting Period (share)	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. SHAREHOLDERS OF ORDINARY SHARES

As at the end of the Reporting Period, the total number of shareholders of ordinary shares of the Bank was 325,945, of which 295,155 were holders of A shares and 30,790 were holders of H shares.

(I) Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period[1]

Name of shareholders (Full name)	**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**	**Shares pledged or frozen**	**Nature of shareholders**
The Ministry of Finance of the People's Republic of China	–	13,178,424,446	17.75	A Share	Nil	Government
	–	4,553,999,999	6.13	H Share	Nil	
The Hongkong and Shanghai Banking Corporation Limited ("HSBC") [2, 4]	–	14,135,636,613	19.03	H Share	Nil	Foreign legal entity
The National Council for Social Security Fund ("SSF") [3, 4]	–	3,105,155,568	4.18	A Share	Nil	Government
	–	8,433,333,332	11.36	H Share	Nil	
Hong Kong Securities Clearing Company Nominees Limited [4, 5]	1,982,003	7,708,596,852	10.38	H Share	Unknown	Foreign legal entity
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")	189,173,360	1,257,458,070	1.69	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 and the information provided by shareholders to the Bank.
2. According to the Bank's register of members, the "HSBC" held 13,886,417,698 H shares of the Bank. 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 Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited").
3. Including the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the National Council for Social Security Fund ("SSF"). Other than the above shareholdings, the SSF held additional 637,338,000 H shares, which 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 12,175,826,900 A shares and H shares of the Bank, representing 16.40% of the Bank's total ordinary shares issued.**
4. HKSCC Nominees Limited held the H shares of the Bank as a nominee. 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 an account with it as at the end of the Reporting Period. The data did not include 249,218,915 and 7,027,777,777 H shares indirectly held by HSBC and 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 as well, which were registered in the Bank's register of members.
5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under the *Provisional Measures on Shareholdings Administration of Commercial Banks (China Banking Regulatory Commission 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 present at the Shareholders' General Meeting of the Bank and to exercise the voting rights on their behalf. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Furthermore, 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 Bank (CBIRC Decree [2018] No. 1)*, as at the date of disclosing this Report, the Bank's substantial shareholders including the Ministry of Finance, HSBC, SSF, Capital Airports Holdings Company Limited, Shanghai Haiyan Investment Management Co., Ltd., and Daqing Petroleum Administration Bureau are detailed as follows:

1. Substantial shareholders holding 5% or more shares of the Bank[6]

(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 11100000000013186G. 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.

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

(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 HKD123.948 billion and USD7.198 billion, which was divided into 49.579 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 related transactions between the Bank and the Ministry of Finance, HSBC and the SSF are disclosed in Note 45. Related party transactions to the Consolidated Financial Statements.

2. Other substantial shareholders under regulatory standards

Pursuant to the Provisional Measures on the *Shareholdings Administration of Commercial Banks (CBIRC 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 Liu Ying, and its main business scopes include industrial investment and investment management, etc. Its sole controlling shareholder is Shanghai Tabacco 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.

According to the *Measures for the Administration of Related Party Transactions of Banking and Insurance Institutions (China Banking and Insurance Regulatory Commission Order [2022] No. 1),* as at the end of the Reporting Period, the Bank was involved in credit related transactions including loans, debt investments and other on-balance sheet credit granting with 4 substantial shareholders[7]: HSBC, Capital Airports Holdings Limited, Shanghai Haiyan Investment Management Co., Ltd., and Daqing Petroleum Administration Bureau and their related parties. As at the end of the Reporting Period, the on- and off-balance sheet net amount of credit granted was 47.195 billion. Besides, the Bank was involved in non-credit related transactions concerning services, deposits, and derivatives with the above-mentioned substantial shareholders and their related parties. Pursuant to the Specification for Data Filling in the Supervision System of Related Transactions in the Banking and Insurance Industries, derivatives were calculated based on the nominal amount determined by the agreement. During the Reporting Period, the total transaction amount was 1,650.937 billion. The transactions between the Bank and its substantial shareholders and all related parties were conducted in accordance with general commercial terms and conditions, and the terms were fair and reasonable.

(IV) 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 (the "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:

7 The related parties included were the main shareholders of the Bank declared based on the *Provisional Measures on Administration of Equities of Commercial Banks and Administrative Measures on Related-party Transactions of Banking and Insurance Institutions,* including: controlling shareholders of the key shareholders, actual controlling party, parties acting in concert, and ultimate beneficiaries; legal person or unincorporated organization controlled by institutions mentioned before; and the related parties recognised by the key shareholders based on the *Accounting Standards for Business Enterprises No. 36 Related Party Disclosure.*

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest[1]	Percentage of total issued A shares (%)	Percentage of total issued shares (%)
The 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

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest[1]	Percentage of total issued A shares (%)	Percentage of total issued shares (%)
The 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 corporation	14,135,636,613[3]	Long position	40.37	19.03
The National Council for Social Security Fund	Beneficial owner	9,070,671,332[4]	Long position	25.91	12.21

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 held 4,553,999,999 H shares and 13,178,424,446 A shares of the Bank, respectively representing 6.13% and 17.75% of the total ordinary 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 a total of 9,070,671,332 H shares and 3,105,155,568 A shares (please refer to the details in Shareholdings of Top 10 Ordinary Shareholders and relevant notes) of the Bank, respectively representing 12.21% and 4.18% of the Bank's total ordinary shares issued.

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) Information of Preference Shareholders

As at the end of the Reporting Period, the shareholders of preference shares of the Bank were 61.

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	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
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
Avic Trust Co.,Ltd. – AVIC Trust-Tianji Win-Win No. 2 Securities Investment Pooled Fund Trust Plan	10,000,000	20,000,000	4.44	Domestic preference share	Nil	Others
China Ping An Life Insurance Co., Ltd. – Self-owned fund	–	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
China Ping An Life Insurance Co., Ltd.– Traditional – Common insurance product	9,800,000	13,800,000	3.07	Domestic preference share	Nil	Others

Notes:

1. Shareholdings of preference shareholders are summarised according to the Bank's register 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. According to the Administrative Measures on the Connected Transactions of Banking and Insurance Institutions issued by the CBIRC, to the knowledge of the Bank, China National Tobacco Corporation Henan Branch is related with Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd., which are among top 10 ordinary shareholders of the Bank.
4. 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.

(II) Dividend Distribution of Preference Shares

In accordance with the resolution and authorisation of the Shareholders' General Meeting, the 7th meeting of the 10th Session of Board of Directors of the Bank was held on 28 April 2023, 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 RMB1,831,500,000, which will be distributed on 7 September 2023. 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 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, PURCHASE OR SALE AND REDEMPTION OF SECURITIES

During the Reporting Period, the Bank did not issue any ordinary share or convertible bond, or any corporate bond that was 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 Interim 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 of the Bank.

The Bank has no employee stock.

(I) Issuance of Bonds

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 March 2023 with a term of 3 years and a coupon rate of 2.80%. The proceeds were all used for loans to small and micro enterprises.

The Bank issued a 30.0 billion green financial bond in China's National Interbank Bond Market in April 2023 with a term of 3 years and a coupon rate of 2.77%. The proceeds were all used for green industry projects stipulated in *the Green Bond Endorsed Projects Catalogue (2021 Edition)*.

The Bank issued a 38.0 billion financial bond in China's National Interbank Bond Market in July 2023 with a term of 3 years and a coupon rate of 2.59%. The proceeds were all used for optimising the Bank's debt structure, enriching working capital, and promoting business development.

Please refer to No.30 Debt securities issued to the Consolidated Financial Statements for other bonds issued and still in existence by the Bank and subsidiaries.

(II) Equity Linked Agreement

The Bank privately issued domestic preference shares with an amount of 450 million 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 No.33 Other equity instruments to the Consolidated Financial Statements for other details of domestic preference shares.

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 1 March 2023, the Bank held the 2023 First Extraordinary General Meeting, at which four proposals were considered including appointing Executive Directors and the approval of the remuneration plan of Directors and supervisors of the Bank for the year 2021. On 27 June 2023, the Bank held the 2022 Annual General Meeting, at which eight proposals were considered and approved, including 2022 Report of the Board of Directors, 2022 Report of the Board of Supervisors and 2022 Financial Report, etc.. 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 2022 Profit Distribution Plan approved at the 2022 Annual General Meeting of the bank, a cash dividend of 0.373 (inclusive of tax) for each share, totalling 27.700 billion, which was calculated based on a total share capital of 74.263 billion ordinary shares as at 31 December 2022 was approved. The aforementioned dividend was distributed to holders of A share and H share of the Bank on 12 July 2023 and 2 August 2023 respectively.

The Bank will not distribute an interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2023.

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	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

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Note: The Bank's first extraordinary general meeting of shareholders in 2023 deliberated and approved the resolution of election of Yin Jiuyong as an executive director and the motion on the resolution of Zhou Wanfu as an executive director. The general meeting of shareholders in 2022 deliberated and approved the resolution on the election of Wang Tianzhe as an independent director. The qualification of Yin Jiuyong and Zhou Wanfu to serve as executive directors of the Bank and the qualification of Wang Tianzhe to serve as an independent director of the Bank are subject to regulatory approval.

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	Tu Hong	Chief Business Officer (Interbank and Market Business Sector)
Yin Jiuyong	Executive Vice President	He Zhaobin	Secretary of the Board
Huang Hongyuan	Executive Vice President	Lin Hua	Chief Business Officer (Retail & Private Business)
Zhou Wanfu	Executive Vice President	Liu Jianjun	Chief Risk Officer
Hao Cheng	Executive Vice President	Wang Wenjin	Chief Business Officer (Corporate & Institutional Business)
Qian Bin	Executive Vice President, Chief Information Officer	Cho, Kwok Hung Arthur	BoCom-HSBC Strategic

Changes in Directors, Supervisors and Senior Management

Newly elected

Name	Position	Change
He Zhaobin	Secretary of the Board	Elected
Lin Hua	Chief Business Officer (Retail & Private Business)	Elected
Liu Jianjun	Chief Risk Officer	Elected
Wang Wenjin	Chief Business Officer (Corporate & Institutional Business)	Elected
Cho, Kwok Hung Arthur	BoCom-HSBC Strategic	Elected

Resigned

Name	Ex-Position	Change
Gu Sheng	Secretary of the Board	Retired (Retirement)
Ng Siu On	BoCom-HSBC Strategic	Retired (Retirement)

Changes in the information of Directors, Supervisors and Senior Management

Mr. Chan Siu Chung, non-executive director, served as Consultant for HSBC's Co-chief Executive Officer and ceased to be Head of Capital Market for Greater China Region at HSBC.

Mr. Luo Xiaopeng, a non-executive director, is qualified as a certified public accountant in the PRC.

Ms. Li Xiaohui, ceased to be executive vice president of Jinyu Group Co., Ltd.

Mr. Xu Jiming, chairman of the board of supervisors and supervisor of shareholders, serves as the chairman of the Bank's labor union.

Mr. Wang Xueqing, shareholder supervisor of the Bank, served as executive deputy general manager of Daqing Oilfield Co., Ltd. (Daqing Petroleum Administration Bureau), and ceased to be chief accountant of Daqing Oilfield Co., Ltd. (Daqing Petroleum Administration Bureau).

Mr. Chen Hanwen, an external supervisor, ceased to be an independent director of Dalian Wanda Commercial Management Group Co., Ltd. and an independent director of Shanghai Fuyou Payment Service Co., Ltd.

Ms. Feng Bing, Employee Supervisor, ceased to be executive vice president of the Labour Union of the Bank and president of the Head Office Authority Labour Union and served as deputy general manager, anti-corruption commissioner, and principal specialist at the Bank's Singapore Branch.

Ms. Po Ying, an employee supervisor, ceased to be a non-executive director of BOCOM International Holdings Limited.

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
Ren Deqi	Chairman of the Board of Directors and Executive Director	A SHARE	0	0	0	–
		H SHARE	400,000	0	400,000	–
Chan Siu Chung	Non-executive Director	A SHARE	0	0	0	–
		H SHARE	49,357	0	49,357	–
Guan Xingshe	Employee Supervisor	A SHARE	100,000	0	100,000	–
		H SHARE	0	0	0	–
Lin Zhihong	Employee Supervisor	A SHARE	40,000	60,000	100,000	Purchased from secondary market
		H SHARE	0	0	0	–
Po Ying	Employee Supervisor	A SHARE	135,044	0	135,044	–
		H SHARE	0	0	0	–
Tu Hong	Chief Business Officer (Interbank and Market Business Sector)	A SHARE	0	0	0	–
		H SHARE	50,000	0	50,000	–
He Zhaobin	Secretary of the Board	A SHARE	96,700	0	96,700	–
		H SHARE	0	0	0	–
Lin Hua	Chief Business Officer (Retail & Private Business)	A SHARE	132,100	0	132,100	–
		H SHARE	0	0	0	–

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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
Liu Jianjun	Chief Risk Officer	A SHARE	220,000	0	220,000	–
		H SHARE	0	0	0	–
Wang Wenjin	Chief Business Officer (Corporate & Institutional Business)	A SHARE	104,500	0	104,500	–
		H SHARE	0	0	0	–
Resigned/Retired Directors, Supervisors and Senior Management						
Gu Sheng	Ex-Secretary of the Board	A SHARE	66,100	0	66,100	–
		H SHARE	21,000	0	21,000	–
Ng Siu On	Ex-BoCom– HSBC Strategic Cooperation Consultant	A SHARE	0	0	0	–
		H SHARE	30,000	0	30,000	–

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.

IV. HUMAN RESOURCE MANAGEMENT

(I) Basic Information of Employees

As at the end of the Reporting Period, the Group had a total of 91,210 employees, of whom 84,802 employees were based in domestic banking institutions and 2,585 were local employees in overseas branches. The number of employees of the Bank's subsidiaries was 3,823, 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	3,450,619	24.98	704	24.23	27,999	30.70
Pearl River Delta	1,358,511	9.83	320	11.02	9,326	10.22
Bohai Rim Economic Zone	1,940,077	14.04	482	16.59	13,400	14.69
Central China	1,540,543	11.15	519	17.87	13,866	15.20
Western China	1,028,478	7.45	479	16.49	11,191	12.27
North Eastern China	478,383	3.46	331	11.39	8,336	9.14
Overseas	1,284,417	9.30	69	2.38	3,153	3.46
Head Office	5,247,902	37.99	1	0.03	3,939	4.32
Eliminated and unallocated assets	(2,515,570)	(18.20)	–	–	–	–
Total	**13,813,360**	**100.00**	**2,905**	**100.00**	**91,210**	**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. Please refer to Note 12 STAFF COSTS AND BENEFITS for the details of the Bank's expenditure on staff costs and benefits.

(III) Employee's Training Management

During the Reporting Period, the Bank adhered to the guidance of "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era" and fully implemented the spirit of the 20th National Congress of the Communist Party of China. Centring around the "One-Four-Five" Strategy, the Bank focused on political theory education, Party spirit education and professional competence training. By implementing an action plan for enhancing key talent quality, the Bank promoted various trainings for cadres and talents to offer strong ideological and political guarantees, talent supply, and intellectual support for the high-quality development of the Bank.

The Bank held reading classes on the theme of studying and implementing "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era", organised rotational training series on studying and implementing the spirit of the 20th National Congress of the Communist Party of China to involve all management cadres above division chief level, held classes on the theme of "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era" and organised digital transformation and high-quality development training. The Bank held training sessions for 10,000 talents such as FinTech talents, relationship managers/product managers, risk managers, payment and settlement talents, and Party building talents, by continuously stepping up the infrastructure construction of education and training and vigorously promoting the construction of teacher bases, course bases, teaching material bases, and case bases, so as to consolidate the foundational guarantee of education and training. During the Reporting Period, the Bank organised over 2,100 sessions of online and offline training programmes for more than 350,000 participants.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Bank integrated the fulfilment 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 increased financial support for the construction of a beautiful China, helping promote the green development and the harmonious coexistence between human and nature. Based on the "14th Five-Year Plan", the Bank placed more emphasis on the development of green finance at the strategic level, taking "green" as the foundation of the Group's business operation and development. Besides, the Bank focused on key sectors and key regions, enhanced green financial support to serve the real economy, promoted the synergistic development of green finance and four business features, so as to better meet financial demands of various entities in green investment, green consumption and low-carbon transformation. The Bank highlighted the underlying green financial services in terms of product and services, policy procedures as well as risk management and control.

1. Governance structure

The Board of Directors, the Bank's highest decision-making body for green finance, was responsible for establishing and promoting the green concepts such as conservation, low-carbon, environmental protection and sustainable development throughout the Bank. The Board of Directors also reviewed and approved the green finance development strategies and important systems formulated by the senior management. The Social Responsibility (ESG) and Consumer Protection Committee under the Board of Directors was responsible for the green finance and the regular reviewing on green financial reports submitted by senior management. Moreover, The Social Responsibility (ESG) and Consumer Protection Committee was also responsible for monitoring and evaluating the implementation of green finance strategies, reviewing the credit policies related to environmental and sustainable development, and putting forward recommendations to the Board of Directors. During the Reporting Period, the Social Responsibility (ESG) and Consumer Protection Committee of the Board of Directors reviewed the 2022 Report on Green Finance submitted by senior management and proposed suggestions to the Board of Directors on developing a sound green financial product system and related standard systems and strengthening and optimising environmental, social and governance risk management systems.

In accordance with the Group's green finance development strategy, the senior management and its Green Finance Development Committee formulated the Bank's objectives and work initiatives for the purpose of promoting the development of green finance and the achievement of "carbon peak and carbon neutrality", and appropriately submitted major green finance plans to the Board of Directors for approval. During the Reporting Period, the Green Finance Development Committee advanced the implementation of strategies, clarified the objectives and plans for green finance projects in 2023, and guided the performance of climate risk stress tests in order to achieve the integrated advancement of refined assessment, team development, product innovation, and interbank cooperation and promote the high-quality development of green finance business.

2. *Policy system*

The Bank actively acts on the national goal of "carbon peak, carbon neutrality" by promoting the high-quality development of green credit businesses, strengthening customer environmental, social and governance risk management, and continuously improving its own environmental, social and governance performance. The Bank also revised the Implementation Measures for Green Credit of Bank of Communications Co., Ltd., which further specified the key contents of ESG risk identification, optimised the requirements for organisations and due diligence exemption provisions, and classified the use of financial technologies to elevate the management level of green finance.

During the Reporting Period, the Bank added new special credit strategic guidelines for the photovoltaic industry chain, wind energy industry chain, smart grid industry chain, energy storage industry chain, hydrogen energy industry chain, and industrial green and low-carbon transformation, and continuously refined the credit policy for the key areas in achieving the goal of "carbon peak, carbon neutrality", such as energy, manufacturing, urban-rural development, and transportation. Moreover, being green and low-carbon transformation-oriented, the Bank focused on clean energy, industrial low-carbon transformation and other areas with significant carbon emission reduction effects, and increased credit support.

(1) Energy sectors: The Bank focused on supporting the investment and financing demands in the field of modern energy system construction and tilted the credit resources towards the construction of new power system dominated by clean energy under the premise of ensuring the energy supply.

(2) Manufacturing sectors: In combination with the carbon peak plans for key high-carbon-emission industries such as iron and steel, non-ferrous metals, construction materials, petrochemicals and chemicals, the Bank implemented differentiated credit policies with reference to selected projects and customers with standard energy consumption and energy efficiency and adhered to the implementation of capacity replacement and the elimination of outdated production capacity arrangements.

(3) Urban and rural construction sectors: The Bank advanced the concept of green development, seized opportunities such as green upgrade of urban and rural infrastructure, green transformation of consumer industry, rural ecological environmental protection as well as reasonable and moderate development, and enhanced support for key areas and high-quality projects.

(4) Transportation sectors: The Bank followed up the trend of new energy and clean energy applications in transportation sectors, focused on supporting the electrification and low-carbon transformation of public transportation service systems, and supported infrastructure construction projects such as power charging and switching, supporting power grids, refuelling (gas) stations, etc.

3. Practice Effectiveness

During the Reporting Period, the Bank maintained rapid growth in green credit business, and it is developing well. At the end of the reporting period, the balance of green loans of the Bank amounted to 795.741 billion, an increase of 160.310 billion, or 25.23%, compared with the end of the previous year; among them, clean energy loans amounted to RMB189.997 billion, an increase of RMB50.963 billion, or 36.65%, compared with the end of the previous year, which was higher than that of all loans during the same period; the balance of investment in green bonds was 16.216 billion, an increase of RMB4.312 billion, or 36.22%, compared with the end of the previous year. During the Reporting Period, the Bank mainly underwrote green bonds (including carbon neutrality bonds) amounting to 7.082 billion, representing an increase of 70.04% on a year-on-year basis. The Bank launched green M&A loans of 3.1 billion, of which 2.202 billion was invested in new energy equity projects; and issued 30 billion of green financial bonds in the national interbank bond market. As at the end of the Reporting Period, the balance of green financial bonds issued amounted to 60 billion and all the proceeds raised were used for green industry projects under the Green Bond Endorsed Projects Catalogue (2021 Edition).

With regard to the implementation of the central bank's structural monetary policy tools, In the first quarter of 2023, a total of 685 million of carbon-emission-reduction loans that met the requirements of PBOC were issued to 39 projects, with a weighted average loan interest rate of 3.47%, resulting in a carbon reduction amount equivalent to 94,900 tons of carbon dioxide. Since obtaining the carbon-emission-reduction support tools in 2021, a total of 19.046 billion of carbon-emission-reduction loans were issued to 376 projects, with a weighted average loan interest rate of 3.58%, resulting in a carbon reduction amount equivalent to 3,426,800 tons of carbon dioxide.

Subsidiaries of the Group actively carried out green finance businesses. Bank of Communications Financial Leasing Co., Ltd. independently developed a carbon emission analysis system for aviation fleet and invested nearly 11 billion in the ships that met the latest EEDI III (Energy Efficiency Design Index Phase III) standard, accounting for more than 50% of the investments in the shipping leasing business, and launched the world's largest "green hydrogen+" coal-to-olefins project; as at the end of the Reporting Period, calculated with the specific standards of the National Administration of Financial Regulation for green finance, the balance of green leasing assets was 144.246 billion, accounting for 40.34% of its balance of leasing assets. As at the end of the Reporting Period, Bank of Communications International Trust Co., Ltd. held four green asset securitisation projects with a total investment amount of 2.416 billion and five green buildings projects with a total investment amount of 2.370 billion; the total investment amount of green bonds held was 648 million. During the Reporting Period, BOCOM MSIG Life Insurance Company Limited completed green finance product configuration of 4.017 billion, focusing on supporting industries such as urban construction and operation, clean energy, energy conservation and environmental protection.

(II) Green services

The Bank continues to enrich the service connotation of "Cloud BoCom", and developed various online financial service channels to provide green, low-carbon, high-quality and convenient financial services for customers. During the Reporting Period, the channel diversion rate of the Bank's electronic banking services was 98.14%.

	January-June 2023	2022	2021
E-banking business diversion ratio (%)	**98.14**	97.96	97.90

(III) Green operation

The Bank upholds the philosophy of green development and takes green as the underlying colour of the Group's business operation and development by giving priority to ecological development, intensive energy conservation, and green and low-carbon development to enhance governance capability for green development. During the Reporting Period, carbon footprint assessment was carried out throughout the Bank to account for historical carbon emission data and analyse the Bank's potential for energy conservation and carbon emission reduction. The Implementation Plan for Green Operation of Bank of Communication Co., Ltd. was formulated, which clarified 24 measures such as creating a green office model, strengthening energy management and actively using renewable energy. Efforts were also made to step up green and low-carbon operating capability building and raise utilisation efficiency of energy and resources by constructing green and energy-saving buildings, carrying out "empty plate" campaigns at dining halls and catering stores, advocating garbage classification, and creating water-saving business units so as to reduce the impact of the Bank's operations on the environment. During the Reporting Period, the Bank had no environmental violation.

II SOCIAL RESPONSIBILITY

(I) Consumer Right Protection Service

The Bank consistently adopts a people-centred development philosophy and conscientiously implements regulatory requirements of all levels to protect the legitimate rights and interests of consumers. During the Reporting Period, the Bank incorporated consumer right protection into its corporate governance, corporate culture building and business development strategies, consistently optimised the consumer right protection system, and integrated it into the whole process of business operation and management to improve the level and capability of consumer right protection. The Bank also enhanced its management of all procedures concerning complaints to improve the customer experience and service quality. Besides, the Bank popularised knowledge about eight major rights of financial consumers, which focused on senior citizens, young people, new citizens and special groups, to direct financial consumers to establish the concepts of integrity lending, rational investment, and legal rights protection and reveal the essence and hazards of phone fraud and illegal financial advertisements.

During the Reporting Period, the Bank processed 95 thousand complaints from financial consumers, which decreased by 8.1% compared to the second half of the last year. 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, Jiangsu Province, Guangdong Province, Liaoning Province, etc. The Bank was engaged in resolution of 2,848 financial disputes in total, 1,480 of these were successfully mediated, a mediation success rate of 52%.

During the Reporting Period, the Bank was awarded A in the People's Bank of China Consumer Protection Rating in 2022. The Bank had 10 outlets recognised as "Top 100 Demonstration Units for Civilised and Standard Service of Banking Outlets", accounting for 10% of the total awarded outlets in the industry.

(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

The Group resolutely implemented the decision-making and deployment of the CPC Central Committee and the State Council on the strategic deployment of rural revitalization, strictly implemented regulatory requirements, continuously innovated rural financial services, strengthened policy guarantees, optimized product services, and actively improve the availability of credit. As at the end of the Reporting Period, the Bank's balance of agriculture-related loans increased by 122.369 billion or 15.61% from the end of the previous year to 906.114 billion.

The Bank deepened cooperation with government departments. We facilitated the implementation and refinement of strategic cooperation agreement with the Ministry of Agriculture and Rural Affairs and the National Rural Revitalisation Administrative on major areas, while improving the credit system construction achievements of new agricultural business entities, and accelerate replication and promotion.

The Bank optimised exclusive products. We continued to optimise the "Xingnong e-Loan" product system to protect the financing needs of agricultural business entities and innovated and launched special products for rural revitalisation scenarios such as farming loans for Jiangsu crab, Shanghai Shennong e-Loan, Jilin Jinong e-Loan. We promoted rural revitalisation theme cards to enable more farmers to enjoy the Bank's financial services. 2,513,300 cards were issued at the end of the Reporting Period, a net increase of 783,700 cards from the end of the last year.

The Bank strengthened financial support in the three key agricultural areas. We strengthened our financial support for key areas such as safeguarding food and important agricultural by-products, seed and seed industry projects, and nine major agricultural infrastructures such as national high-standard farmland and cold chain logistics. At the end of the Reporting Period, The balance of loans in the agriculture, forestry, animal husbandry and fishery sector amounted to 76.052 billion, a net increase of 11.097 billion from the end of the previous year.

(II) Paired Assistance

In compliance with the requirements of "abstaining from shirking responsibilities, repealing policies, ceasing assistance, and neglecting regulation", the Bank gave full play to its financial expertise, extensively called for the joint efforts of social forces, and continued to provide paired assistance to Tianzhu County in Gansu Province, Litang County in Sichuan Province (a state-level key county for rural revitalisation) and Hunyuan County in Shanxi Province. We continued to step up our efforts of paired assistance as well as select, manage and take care of paired assistance cadres to create a group of "leading geese" to lead the masses out of poverty and promote rural revitalisation in a comprehensive manner.

The Bank assists in industrial revitalisation. By upholding the vision of “one county, one industry and one village, one product”, the Bank developed characteristic industries that increased public wealth in counties according to local conditions, encouraged formerly impoverished people to find jobs nearby, and promoted to consistently increase local people’s income and wealth. The Bank also focused on and provided assistance in industries such as fodder pasture in Tianzhu County, warehousing and logistics in Litang County, and astragalus mongholicus planting in Hunyuan County.

The Bank also assists in talent revitalisation. Through expanding training resources, the Bank trained a total of 3,980 grass-root cadres, technical personnel and rural revitalisation leaders in the counties that received paired assistance to help them broaden horizons, update concepts, and enhance abilities to serve rural revitalisation.

The Bank innovated the methods of offering assistance. We customised online financial products such as loans for Tianzhu mushroom and Litang cattle. We also launched an online channel for rural revitalisation on the Go Pay APP of our credit card to implement the “Good Products in the Countryside, Bank of Communications Helps Revitalise” campaign, helping farmers increase their income through live-streaming activities and broaden the channels for consumer supporting. As at the end of the Reporting Period, we invested 24 million in supporting funds, spent 3.3836 million in supporting funds. We trained 3,980 trainees in the paired assistance counties, invested a balance of 216,000,000 in loans and successfully completed various supporting missions.

SIGNIFICANT EVENTS

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not involved in any material litigation and arbitration that had significant impact[8] on its operating activities. As at the end of the Reporting Period, the Group was involved in certain outstanding litigations and arbitrations as defendant or third party with an amount of approximately 1.565 billion.

II. 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 and tax departments and any other administrative departments, or any situations of being suspected of serious violations of discipline and law or job-related crimes, being detained by the discipline inspection and supervision organ, being unable to perform duties and being taken administrative supervision measures by the CSRC or disciplinary sanctions by the stock exchange.

III. INTEGRITY

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

IV. RELATED PARTY TRANSACTIONS

(I) Connected Transactions with Connected Natural Persons under the Caliber of the CSRC and SSE

According to 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 1.2123 million, and the overdraft limit of credit cards for related natural persons (including the credit undrawn) was 9.6539 million, whose transaction type mainly included loans and credit card overdrafts.

(II) Significant Connected Transactions with Related Parties under the Caliber of the *Administrative Measures on the Connected Transactions of Banking and Insurance Institutions*

During the Reporting Period, the Bank entered into some significant related party transactions with related parties—Bank of Communications Financial Leasing Co., Ltd. ("Bank of Communications Financial Leasing") and Rong Kong United Finance Co., Limited ("Rong Kong United"), under the caliber of the *Administrative Measures on the Connected Transactions of Banking and Insurance Institutions.* The 6rd meeting of the 10th Board of Directors of the Bank deliberated and approved the above transaction, based on which the independent directors issued written opinions before submitting for deliberation. The six independent directors all believed

8 "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".

that the above transactions met the requirements of the regulatory authorities on fairness and compliance of related party transactions and had fulfilled the business review and approval procedures. In accordance with the *Administrative Measures on the Connected Transactions of Banking and Insurance Institutions*, the Bank shall disclose the transactions one by one on its website within 15 working days after the signing of the contract, and report to the regulator in the meantime. The details are as follows:

(I) Basic information of related parties

1. Bank of Communications Financial Leasing

Established in December 2007, The initial registered capital of the company was 2 billion and after several capital increases, its registered capital reached 20 billion. With the registered address on Floors 28 and 29, No. 333, Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone, and the legal representative is Xu Bing. The company is a non-bank financial institution, the Bank consistently maintains its wholly-owned control over the company, and its business scope includes: financial leasing business, accepting lease deposits from lessees, fixed income securities investment business, transferring and accepting financial lease assets, absorbing time deposits (for more than 3 months (inclusive)) of non-bank shareholders, interbank lending, borrowing from financial institutions, overseas borrowing, sale and disposal business of leased properties, economic consulting, setting up project companies in domestic bonded areas to carry out financial leasing business, and providing guarantees for external financing of holding subsidiaries and project companies.

2. Rong Kong United Finance

Established in Hong Kong in February 2015, Rong Kong United Finance is indirectly wholly owned by Bank of Communications Financial Leasing, a wholly-owned subsidiary of the Bank. The registered capital is 1 Hong Kong dollar, the registered place is 1/F., Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, PRC, and the directors of the company are Cai Zichu and Wang Jing.

(II) Related Party Transactions

(1) Pursuant to the Board of Directors' resolutions, the Bank entered into two contracts with Bank of Communications Financial Leasing as follows:

A domestic letter of credit contract is signed. The contract amount is 12 billion, exceeding 1% of the Bank's net capital at the end of 2022; the contract term is 402 days, and the business term does not exceed 1 year; the specific charging items and rates should abide by relevant laws, regulations, rules, regulatory provisions, and the effective *List of Service Charges of Bank of Communications* published by the Bank.

A bank acceptance bill contract is signed. The contract amount is 6 billion, the sum of which together with the contract amount of the above domestic letter of credit contract exceeds 1% of the Bank's net capital at the end of 2022; the contract term is 401 days, and the business term does not exceed 6 months; the acceptance fee is charged at 0.5‰ of the nominal amount of the acceptance bills and the rates of off-balance sheet exposure management fees should be agreed upon by the two parties.

When negotiating the transaction price for the specific transactions under the above-mentioned contracts, the two parties should follow the principle of market-oriented pricing with reference to the quotations provided by the Bank to customers of the same type and level or the quotations provided by third-party banks to BOC Financial Leasing for similar business.

(2) Pursuant to the Board of Directors' resolutions, the Bank entered into an interbank loan contract with Rong Kong United Finance, with the contract amount of USD1.6 billion (equivalent to RMB10.995 billion), accounting for approximately 1% of the Bank's net capital at the end of 2022; the contract term is 249 days, and the maximum business term does not exceed 1 year; currency includes US dollar, Euro, Hong Kong dollar, Japanese yen, Australian dollar, British pound, etc.; the loan interest rate should be separately agreed upon in the withdrawal application.

When negotiating the loan interest rate, the two parties should follow the principle of market-oriented pricing with reference to the market price or quotation for the loans with the same maturity.

V. 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.

VI. 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 Division 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.

VII. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has 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 transactions by the directors, supervisors and senior management no less stringent than the standards set out in the above rules. Upon enquiry, 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.

VIII. APPOINTMENT OF ACCOUNTING FIRM

With the approval at the 2022 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 2022 Annual General Meeting and will end upon the conclusion of the Bank's 2023 Annual General Meeting.

IX. OTHER SIGNIFICANT EVENTS

1. Bank of Communications Financial Leasing, a wholly-owned subsidiary of the Bank, converted 6 billion of undistributed profits into registered capital (without offering cash options to shareholders). Please refer to the announcement the Bank published on 15 June 2023.

2. The Bank signed the 2023 Interbank Transactions Master Agreement with HSBC for a term of three years. For details, please refer to the announcement of the Bank published on 29 May 2023.

The above announcements were published on the websites of the SSE and the Hong Kong Stock Exchange.

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, Shangcheng 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	Building 4, No.156 Shenzhen Road, Laoshan 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, Jianghan 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

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
	Tibet Autonomous Region Branch	101 and 102, 1st floor, Building 3, Jinxiyuan, Dondup Financial City, south of National Highway 318 and west of Financial Road, Lhasa City, Tibet Autonomous Region
	Shanxi 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 75, 60311 Frankfurt am Main, Germany
Macau Branch	16th Floor, AIA Tower, No. 251A-301, Avenida Commercial De Macau

LIST OF INSTITUTIONS

Name	Address
Ho Chi Minh City Branch	17th floor, Vincom Center, 72 Le Thanh Ton, Dist.1, HCMC, VN
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, Shangha
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

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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 2023, 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 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

Certified Public Accountants

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

25 August 2023

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

		Six months ended 30 June	
	Note	2023	2022 (Restated)
Interest income		228,406	202,540
Interest expense		(146,019)	(117,475)
Net interest income	4	82,387	85,065
Fee and commission income	5	26,691	27,072
Fee and commission expense	6	(2,111)	(2,298)
Net fee and commission income		24,580	24,774
Net gains arising from trading activities	7	17,637	9,954
Net (loss)/gains arising from financial investments		(32)	660
Including: Net gains/(loss) on derecognition of financial assets measured at amortised cost		*10*	*(13)*
Share of profits of associates and joint ventures		161	70
Other operating income	8	12,574	10,571
Net operating income		137,307	131,094
Credit impairment losses	9	(36,346)	(36,827)
Other assets impairment losses	10	(594)	(690)
Other operating expenses	11	(50,693)	(47,935)
Profit before tax		49,674	45,642
Income tax	14	(3,108)	(1,491)
Net profit for the period		46,566	44,151

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 2023
(All amounts presented in millions of RMB except when otherwise indicated)

	Note	Six months ended 30 June 2023	2022 (Restated)
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			
Amount recognised in equity		*2,923*	*(6,508)*
Amount reclassified to profit or loss		*(190)*	*(607)*
Expected credit losses of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity		*448*	*296*
Amount reclassified to profit or loss		*–*	*–*
Effective portion of gains or losses on hedging instruments in cash flow hedges			
Amount recognised in equity		*(1,079)*	*709*
Amount reclassified to profit or loss		*888*	*(97)*
Translation differences for foreign operations		3,865	4,122
Others		(1,220)	(69)
Subtotal		5,635	(2,154)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on pension benefits		4	(20)
Changes in fair value of equity investments designated at fair value through other comprehensive income		1,129	(145)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss		(148)	46
Others		(225)	7
Subtotal		760	(112)
Other comprehensive i ncome, net of tax	40	6,395	(2,266)
Total comprehensive income for the period		52,961	41,885
Net profit attributable to:			
Shareholders of the parent company		46,039	44,052
Non-controlling interests		527	99
		46,566	44,151
Total comprehensive income attributable to:			
Shareholders of the parent company		51,959	41,692
Non-controlling interests		1,002	193
		52,961	41,885
Basic and diluted earnings per share for profit attributable to holders of ordinary shares of the parent company (in RMB yuan)	15	0.57	0.55

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

	Note	As at 30 June 2023	As at 31 December 2022 (Restated)
ASSETS			
Cash and balances with central banks	16	815,757	806,102
Due from and placements with banks and other financial institutions	17	834,882	690,421
Derivative financial assets	18	102,325	69,687
Loans and advances to customers	19	7,613,830	7,135,454
Financial investments at fair value through profit or loss	20	664,524	705,357
Financial investments at amortised cost	20	2,541,755	2,450,775
Financial investments at fair value through other comprehensive income	20	823,782	799,075
Investments in associates and joint ventures	22	8,787	8,750
Property and equipment	23	213,955	194,169
Deferred tax assets	24	43,251	39,512
Other assets	25	150,512	92,269
Total assets		13,813,360	12,991,571
LIABILITIES AND EQUITY			
LIABILITIES			
Due to and placements from banks and other financial institutions	26	2,115,896	2,034,894
Financial liabilities at fair value through profit or loss	27	43,708	47,949
Derivative financial liabilities	18	84,750	46,804
Deposits from customers	28	8,579,598	7,949,072
Certificates of deposits issued	29	1,054,383	1,092,366
Income tax payable		5,288	3,937
Debt securities issued	30	586,390	530,861
Deferred tax liabilities	24	2,409	1,786
Other liabilities	31	286,039	250,380
Total liabilities		12,758,461	11,958,049
EQUITY			
Share capital	32	74,263	74,263
Other equity instruments	33	174,790	174,790
Including: Preference shares		*44,952*	*44,952*
Perpetual bonds		*129,838*	*129,838*
Capital surplus	32	111,428	111,429
Other reserves	34	396,871	368,808
Retained earnings	34	285,731	292,734
Equity attributable to shareholders of the parent company		1,043,083	1,022,024
Equity attributable to non-controlling interests of ordinary shares		8,247	8,040
Equity attributable to non-controlling interests of other equity instruments		3,569	3,458
Non-controlling interests	36	11,816	11,498
Total equity		1,054,899	1,033,522
Total equity and liabilities		13,813,360	12,991,571

The condensed consolidated financial statements were approved and authorised for issuance by the Board of Directors on 25 August 2023 and signed on its behalf by:

Ren Deqi
Chairman and Executive Director

Liu Jun
Vice Chairman, Executive Director and President

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 2023
(All amounts presented in millions of RMB except when otherwise indicated)

	Equity attributable to shareholders of the parent company															Attributable to non-controlling interests		
		Other equity instruments			Other reserves													
	Share capital Note 32	Preference Share Note 33	Perpetual bonds Note 33	Capital surplus Note 32	Statutory reserve Note 34	Discretionary surplus reserve Note 34	Statutory general reserve Note 34	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, 35	Attributable to the shareholders of the parent company	Non-controlling interests of ordinary shares	Non-controlling interests of other equity instruments Note 33	Total
As at 31 December 2022 (Restated)	74,263	44,952	129,838	111,429	88,154	140,182	144,541	(6,664)	(157)	693	1,164	(121)	1,016	292,734	1,022,024	8,040	3,458	1,033,522
Impact of adoption of accounting policies amendments	-	-	-	-	-	-	-	191	-	-	-	-	-	127	318	190	-	508
As at 1 January 2023	74,263	44,952	129,838	111,429	88,154	140,182	144,541	(6,473)	(157)	693	1,164	(121)	1,016	292,861	1,022,342	8,230	3,458	1,034,030
Total comprehensive income	-	-	-	-	-	-	-	3,463	(148)	(191)	3,701	4	(909)	46,039	51,959	826	176	52,961
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,700)	(27,700)	(290)	-	(27,990)
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(65)	(65)
Transferred to reserves	-	-	-	-	8,468	-	13,579	-	-	-	-	-	-	(22,047)	-	-	-	-
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	(95)	-	-	-	-	-	95	-	-	-	-
Others	-	-	-	(1)	-	-	-	-	-	-	-	-	-	-	(1)	(519)	-	(520)
As at 30 June 2023	74,263	44,952	129,838	111,428	96,622	140,182	158,120	(3,105)	(305)	502	4,865	(117)	107	285,731	1,043,083	8,247	3,569	1,054,899
As at 31 December 2021 (Restated)	74,263	44,952	129,838	111,428	79,967	140,022	130,280	1,530	(24)	(104)	(6,884)	(87)	1,379	257,187	963,747	8,881	3,165	975,793
Total comprehensive income	-	-	-	-	-	-	-	(6,848)	46	618	3,834	(20)	10	44,052	41,692	(12)	205	41,885
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	(5,310)	22	514	(3,050)	(107)	1,389	250,239	975,559	8,489	3,311	987,359

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

	Note	Six months ended 30 June 2023	2022 (Restated)
Cash flows from operating activities:			
Profit before tax:		**49,674**	45,642
Adjustments for:			
Provision for credit impairment losses		**36,346**	36,827
Provision for other assets impairment losses		**594**	690
Depreciation and amortization		**8,927**	7,980
(Reversal)/provision for outstanding litigation and unsettled obligation		**(22)**	103
Net gains on the disposal of property, equipment and other assets		**(416)**	(246)
Interest income on financial investments		**(55,162)**	(46,923)
Fair value net (gains)/losses		**(600)**	3,429
Net gains on investments in associates and joint ventures		**(161)**	(70)
Net losses/(gains) on financial investments		**32**	(660)
Interest expense on debt securities issued		**8,036**	7,627
Interest expense on lease liabilities		**84**	90
Operating cash flows before movements in operating assets and liabilities		**47,332**	54,489
Net increase in balances with central banks		**(30,155)**	(47,139)
Net increase in due from and placements with banks and other financial institutions		**(139,134)**	(137,891)
Net increase in loans and advances to customers		**(493,878)**	(525,819)
Net decrease/(increase) in financial assets at fair value through profit or loss		**40,397**	(27,867)
Net increase in other assets		**(47,053)**	(23,508)
Net increase/(decrease) in due to and placements from banks and other financial institutions		**76,117**	(39,037)
Net (decrease)/increase in financial liabilities at fair value through profit or loss		**(7,721)**	2,659
Net increase in deposits from customers and certificates of deposit issued		**545,780**	815,909
Net increase in other liabilities		**7,519**	24,254
Net increase/(decrease) in value-added tax and other taxes payable		**564**	(67)
Income tax paid		**(4,891)**	(6,874)
Net cash flows (used)/generated in operating activities		**(5,123)**	89,109

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

	Note	Six months ended 30 June 2023	2022 (Restated)
Cash flows from investing activities:			
Cash payment for investment in subsidiaries, associated ventures and joint ventures		–	(1,588)
Cash payments for financial investments		(588,084)	(551,750)
Proceeds from disposal or redemption of financial investments		493,374	407,104
Dividends received		236	722
Interest received from financial investments		53,712	45,072
Acquisition of intangible assets and other assets		(1,145)	(621)
Cash received from the sale of intangible assets and other assets		2	12
Acquisition of property and equipment		(25,723)	(11,486)
Cash received from disposal of property and equipment		5,400	4,257
Net cash flows used in investing activities		(62,228)	(108,278)
Cash flows from financing activities:			
Proceeds from issue of debt securities		80,566	66,892
Repayment of principal and interest of lease liabilities		(1,340)	(1,234)
Repayment of principals of debt securities issued		(30,585)	(56,324)
Payment of interest on debt securities		(5,690)	(5,481)
Dividends paid		(1,685)	(1,685)
Dividends paid to non-controlling interests		(280)	(59)
Net cash flows generated from financing activities		40,986	2,109
Effect of exchange rate fluctuations on cash and cash equivalents held		1,760	1,895
Net decrease in cash and cash equivalents		(24,605)	(15,165)
Cash and cash equivalents at the beginning of the period		248,803	194,308
Cash and cash equivalents at the end of the period	41	224,198	179,143
Net cash flows from operating activities include:			
Interest received		172,545	155,120
Interest paid		(117,538)	(95,563)

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

(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 2023 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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 2022.

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 2022, which have been audited.

(2) Changes in accounting policies

(a) Standards and amendments effective in 2023 relevant to and adopted by the Group

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

		Note
IFRS 17	Insurance Contracts	(i)
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	(ii)
Amendments to IAS 8	Definition of Accounting Estimates	(ii)
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	(ii)
Amendments to IAS 12	Income taxes: International tax reform – Pillar Two model rules	(iii)

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies *(Continued)*

(a) ***Standards and amendments effective in 2023 relevant to and adopted by the Group*** *(Continued)*

(i) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. Amendments to IFRS 17 were issued in June 2020 and December 2021 to address stakeholder concerns and implementation challenges. IFRS 17 sets out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers.

In accordance with IFRS 17, the Group: (1) adjusted the recognition principles for insurance revenue. Insurance revenue will be recognized over the coverage period based on the provision of services, and the investment component and other non-insurance services that can be clearly distinguished will be split from the insurance contract. The premium corresponding to the investment component, other non-insurance services and the inseparable investment component were excluded from the insurance revenue; (2) revised the measurement of insurance contract liabilities, including revising measurement models for insurance contracts, revising the measurement of contractual service margin ("CSM"), the methods for measuring CSM at the transition date, and the method for determining the discount rate of insurance contract liabilities, etc.

The Group adopted IFRS 17 on 1 January 2023. According to the transitional provisions of IFRS 17, for insurance contracts that occurred before the the transition date (1 January 2023) of which measurements were not was in inconformity to IFRS 17, the Group has made retrospective adjustments and recognised the cumulative effect as an adjustment to retained earnings and other equity items as at 1 January 2022, and comparative information was adjusted meanwhile. In addition, according to the transitional provisions of IFRS 17, the Group also reassessed the business model for managing financial assets and revoked the previous designation, to reclass the category and measurement of financial assets. The Group recognised the cumulative effect as an adjustment to retained earnings and other equity items as at 1 January 2023, without adjusting the comparative information.

– The effects on the comparative financial statements

The effects of adopting IFRS 17 on the consolidated net profit for the six months ended 30 June 2022, and opening and closing balances of consolidated shareholders' equity in consolidated statement of changes in equity as at 30 June 2022 are summarised as follows:

	Net profit for the six months ended 30 June 2022	Total equity as at 30 June 2022	Total equity as at 1 January 2022
Net profit and shareholders' equity before adjustments	44,132	988,936	977,236
The effects of IFRS 17	19	(1,577)	(1,443)
Net profit and shareholders' equity after adjustments	44,151	987,359	975,793

The effects of adopting IFRS 17 on each of the line items in the consolidated balance sheet as at 31 December 2022 are as follows:

	Before adjustments	Adjustments	After adjustments
ASSETS			
Loans and advances to customers	7,136,677	(1,223)	7,135,454
Deferred tax assets	38,771	741	39,512
Other assets	92,635	(366)	92,269
LIABILITIES			
Other liabilities	249,010	1,370	250,380
EQUITY			
Other reserves	369,259	(451)	368,808
Retained earnings	293,668	(934)	292,734
Equity attributable to non-controlling interests of ordinary shares	8,873	(833)	8,040

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies *(Continued)*

(a) ***Standards and amendments effective in 2023 relevant to and adopted by the Group*** *(Continued)*

(i) IFRS 17: Insurance Contracts (Continued)

The effects of adopting IFRS 17 on each of the line items in the consolidated income statement for the six months ended 30 June 2022 are as follows:

	Before adjustments	Adjustments	After adjustments
Interest income	202,568	(28)	202,540
Net interest income	85,093	(28)	85,065
Fee and commission expense	(2,418)	120	(2,298)
Net fee and commission income	24,654	120	24,774
Other operating income	23,137	(12,566)	10,571
Net operating income	143,568	(12,474)	131,094
Other operating expenses	(60,434)	12,499	(47,935)
Profit before tax	45,617	25	45,642
Income tax	(1,485)	(6)	(1,491)
Net profit for the period	44,132	19	44,151
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			
Amount recognised in equity	(7,739)	1,231	(6,508)
Amount reclassified to profit or loss	630	(1,237)	(607)
Others	131	(200)	(69)
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity investments designated at fair value through other comprehensive income	(192)	47	(145)
Others	1	6	7
Total comprehensive income for the period	42,019	(134)	41,885
Net profit attributable to:			
Shareholders of the parent company	44,040	12	44,052
Non-controlling interests	92	7	99
Total comprehensive income attributable to:			
Shareholders of the parent company	41,776	(84)	41,692
Non-controlling interests	243	(50)	193

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies *(Continued)*

(a) Standards and amendments effective in 2023 relevant to and adopted by the Group *(Continued)*

(i) IFRS 17: Insurance Contracts (Continued)

– After retrospective adjustments of the above accounting policy changes, the consolidated balance sheet and company balance sheet as at 1 January 2022 are as follows:

ASSETS	
Cash and balances with central banks	734,728
Due from and placements with banks and other financial institutions	632,708
Derivative financial assets	39,220
Loans and advances to customers	6,410,965
Financial investments at fair value through profit or loss	638,483
Financial investments at amortised cost	2,203,037
Financial investments at fair value through other comprehensive income	681,729
Investments in associates and joint ventures	5,779
Property and equipment	171,194
Deferred tax assets	32,544
Other assets	114,363
Total assets	11,664,750
LIABILITIES AND EQUITY	
LIABILITIES	
Due to and placements from banks and other financial institutions	1,947,768
Financial liabilities at fair value through profit or loss	50,048
Derivative financial liabilities	36,074
Deposits from customers	7,039,777
Certificates of deposits issued	892,020
Income tax payable	4,725
Debt securities issued	503,525
Deferred tax liabilities	1,889
Other liabilities	213,131
Total liabilities	10,688,957
EQUITY	
Share capital	74,263
Other equity instruments	174,790
Including: Preference shares	44,952
Perpetual bonds	129,838
Capital surplus	111,428
Other reserves	346,079
Retained earnings	257,187
Equity attributable to shareholders of the parent company	963,747
Equity attributable to non-controlling interests of ordinary shares	8,881
Equity attributable to non-controlling interests of other equity instruments	3,165
Non-controlling interests	12,046
Total equity	975,793
Total equity and liabilities	11,664,750

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies *(Continued)*

(a) ***Standards and amendments effective in 2023 relevant to and adopted by the Group*** *(Continued)*

(i) *IFRS 17: Insurance Contracts (Continued)*

– The Group adopted IFRS 17, recognising the cumulative effect of class and measurement of financial assets as an adjustment to retained earnings and other equity items as at 1 January 2023. The effects on each of the line items in the consolidated balance sheet as at 1 January 2023 are as follows:

	Before adjustments	Adjustments	After adjustments
ASSETS			
Financial investments at fair value through profit or loss	705,357	688	706,045
Financial investments at amortised cost	2,450,775	(19,151)	2,431,624
Financial investments at fair value through other comprehensive income	799,075	18,971	818,046
EQUITY			
Other reserves	368,808	191	368,999
Retained earnings	292,734	127	292,861
Equity attributable to non-controlling interests of ordinary shares	8,040	190	8,230

(ii) Description of this standard and amendment was disclosed in the Group's consolidated financial statements for the year ended 31 December 2022. The adoption of this standard and amendment does not have a significant impact on the financial position or comprehensive income of the Group.

(iii) *Amendments to IAS 12, Income taxes: International tax reform – Pillar Two model rules*

The Group has adopted International Tax Reform-Pillar Two Model Rules-Amendments to IAS 12 upon their release on 23 May 2023.The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from 31 December 2023. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Group's condensed interim financial statements.

The relief and the new disclosures will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

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

For the six months ended 30 June 2023
(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	Note
(1)	Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	(i)
(2)	Amendments to IAS 1 (2020)	Classification of Liabilities as Current or Non-current	1 January 2024	(i)
(3)	Amendments to IAS 1 (2022)	Non-current Liabilities with Covenants	1 January 2024	(i)
(4)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred.	(i)

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

(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 2022.

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.

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 and Institutional Banking Department, Inclusive Finance Department/Rural Revitalization Finance Department, Retail Credit Department, Pacific Credit Card Center, International Banking Department/Offshore Banking Center, Credit Management Department, Credit Approval Department, Risk Management Department/Office of Internal Control and Crime Prevention, Non-Performing Asset Management Department, Financial institution Department (Commercial Papre Center)/Asset Management Center and Global Markets Department (Commercial Paper Center). 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 2023
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Risk management framework *(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 customer classification 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 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Risk management framework *(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 2023
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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.

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 2023, the Group forecasts the 2023 year-on-year growth rate of GDP to be around 5.5% in the Basic Scenario. The Group fully considered the macroeconomic forecast for 2023 when evaluating the forecast information used in the impairment models.

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)

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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 2023, 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 adopts credit rating methods to monitor the credit risk status of its debt instrument portfolio. 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 following table is the summary of the group's credit risk exposure of the main financial instruments included in the ECL assessment scope. The maximum exposure to credit risk represents the worst credit risk exposure at the end of each reporting period, without taking account of any collateral held or other credit enhancements. The credit risk exposure to the Group at the end of each reporting period primarily arises from credit and treasury operations. For on balance sheet assets, the maximum credit risk exposure refers to the book value of financial assets after deducting loss provisions. In addition, off balance sheet items such as loan commitment, credit card commitment, Banker's acceptance, letter of guarantee, guarantee and letter of credit also include credit risk. And the maximum credit risk exposure of these off balance sheet items is the balance after the provision of estimated liabilities.

For the six months ended 30 June 2023
(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 2023	Low risk	Medium risk	High risk	Domestic branches	Overseas and subsidiaries	Group total	Allowance for Impairment losses	Maximum exposure to credit risk
On-balance sheet item								
Cash and balances with central banks (Stage 1)	781,696	–	–	781,696	22,719	804,415	–	804,415
Loans and advances to customers-Corporate (Excluding accrued interest)								
at amortised cost	4,317,937	86,089	61,589	4,465,615	535,032	5,000,647	(151,877)	4,848,770
Stage 1	4,239,572	–	–	4,239,572	493,809	4,733,381	(64,157)	4,669,224
Stage 2	78,365	86,089	–	164,454	21,175	185,629	(36,074)	149,555
Stage 3	–	–	61,589	61,589	20,048	81,637	(51,646)	29,991
at FVOCI	378,934	15	24	378,973	23	378,996	–	378,996
Stage 1	375,305	–	–	375,305	23	375,328	–	375,328
Stage 2	3,629	15	–	3,644	–	3,644	–	3,644
Stage 3	–	–	24	24	–	24	–	24
Loans and advances to customers-Personal (Excluding accrued interest)								
at amortised cost	2,297,996	25,022	22,968	2,345,986	70,051	2,416,037	(48,532)	2,367,505
Stage 1	2,281,104	–	–	2,281,104	69,551	2,350,655	(19,613)	2,331,042
Stage 2	16,892	25,022	–	41,914	190	42,104	(12,528)	29,576
Stage 3	–	–	22,968	22,968	310	23,278	(16,391)	6,887
Due from and placements with banks and other financial institutions	481,545	–	–	481,545	355,031	836,576	(1,694)	834,882
Stage 1	481,545	–	–	481,545	351,193	832,738	(1,692)	831,046
Stage 2	–	–	–	–	3,838	3,838	(2)	3,836
Financial investments at amortised cost	2,422,312	2,584	1,147	2,426,043	119,398	2,545,441	(3,686)	2,541,755
Stage 1	2,422,312	–	–	2,422,312	116,691	2,539,003	(1,689)	2,537,314
Stage 2	–	2,584	–	2,584	2,001	4,585	(1,006)	3,579
Stage 3	–	–	1,147	1,147	706	1,853	(991)	862
Debt investments at FVOCI	362,363	–	–	362,363	445,437	807,800	–	807,800
Stage 1	362,363	–	–	362,363	441,898	804,261	–	804,261
Stage 2	–	–	–	–	3,330	3,330	–	3,330
Stage 3	–	–	–	–	209	209	–	209
On-balance sheet total	11,042,783	113,710	85,728	11,242,221	1,547,691	12,789,912	(205,789)	12,584,123

As at 30 June 2023	Domestic branches	Overseas and subsidiaries	Group total	Provisions	Maximum exposure to credit risk
Credit related commitments and financial guarantees					
Stage 1	2,143,326	58,173	2,201,499	(10,238)	2,191,261
Stage 2	11,375	616	11,991	(861)	11,130
Off-balance sheet total	2,154,701	58,789	2,213,490	(11,099)	2,202,391

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

For the six months ended 30 June 2023
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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 31 December 2022	Low risk	Medium risk	High risk	Domestic branches	Overseas and subsidiaries	Group total	Allowance for Impairment losses	Maximum exposure to credit risk
On-balance sheet item								
Cash and balances with central banks (Stage 1)	766,436	–	–	766,436	25,827	792,263	–	792,263
Loans and advances to customers-Corporate (Excluding accrued interest)								
at amortised cost	3,945,613	79,199	60,506	4,085,318	521,838	4,607,156	(134,409)	4,472,747
Stage 1	3,866,961	–	–	3,866,961	485,011	4,351,972	(51,219)	4,300,753
Stage 2	78,652	79,199	–	157,851	18,873	176,724	(35,112)	141,612
Stage 3	–	–	60,506	60,506	17,954	78,460	(48,078)	30,382
at FVOCI	322,364	2	36	322,402	63	322,465	–	322,465
Stage 1	315,497	–	–	315,497	63	315,560	–	315,560
Stage 2	6,867	2	–	6,869	–	6,869	–	6,869
Stage 3	–	–	36	36	–	36	–	36
Loans and advances to customers-Personal (Excluding accrued interest)								
at amortised cost	2,261,444	20,181	19,743	2,301,368	63,949	2,365,317	(41,769)	2,323,548
Stage 1	2,247,634	–	–	2,247,634	62,332	2,309,966	(17,576)	2,292,390
Stage 2	13,810	20,181	–	33,991	1,357	35,348	(10,273)	25,075
Stage 3	–	–	19,743	19,743	260	20,003	(13,920)	6,083
Due from and placements with banks and other financial institutions	366,086	–	–	366,086	325,369	691,455	(1,034)	690,421
Stage 1	366,086	–	–	366,086	321,673	687,759	(1,032)	686,727
Stage 2	–	–	–	–	3,696	3,696	(2)	3,694
Financial investments at amortised cost	2,318,706	1,341	1,125	2,321,172	132,367	2,453,539	(2,764)	2,450,775
Stage 1	2,318,706	–	–	2,318,706	129,095	2,447,801	(1,547)	2,446,254
Stage 2	–	1,341	–	1,341	2,641	3,982	(260)	3,722
Stage 3	–	–	1,125	1,125	631	1,756	(957)	799
Debt investments at FVOCI	380,020	–	–	380,020	403,732	783,752	–	783,752
Stage 1	380,020	–	–	380,020	400,510	780,530	–	780,530
Stage 2	–	–	–	–	2,794	2,794	–	2,794
Stage 3	–	–	–	–	428	428	–	428
On-balance sheet total	10,360,669	100,723	81,410	10,542,802	1,473,145	12,015,947	(179,976)	11,835,971

As at 31 December 2022	Domestic branches	Overseas and subsidiaries	Group total	Provisions	Maximum exposure to credit risk
Credit related commitments and financial guarantees					
Stage 1	2,153,567	54,654	2,208,221	(10,226)	2,197,995
Stage 2	11,469	765	12,234	(1,065)	11,169
Off-balance sheet total	2,165,036	55,419	2,220,455	(11,291)	2,209,164

(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 2023	As at 31 December 2022
Financial assets at fair value through profit or loss		
Derivative financial instruments	102,325	69,687
Loans and advances to customers	25	27
Debt securities	226,562	252,953
Fund and asset management products	210,951	209,180
Equity investments and other investments	70,652	72,204
Precious metal contracts	10,409	24,557
Other debt investments	145,950	146,463
Total	766,874	775,071

(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 2023
(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:

As at 30 June 2023	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	104,915	(68,037)	36,878	52,296
Loans and advances to customers at fair value through other comprehensive income	24	–	24	24
Financial investments				
Financial investments at amortised cost	2,800	(1,519)	1,281	972
Financial investments at fair value through other comprehensive income	209	–	209	–

(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)*

As at 31 December 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	98,463	(61,998)	36,465	50,145
Loans and advances to customers at fair value through other comprehensive income	36	–	36	36
Financial investments				
Financial investments at amortised cost	1,756	(957)	799	876
Financial investments at fair value through other comprehensive income	428	–	428	–

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 2023	As at 31 December 2022
Counterparty credit risk-weighted amount	40,499	39,298

The credit risk-weighted amounts are the amounts calculated with reference to the guidelines issued by the CBIRC and are dependent on, amongst other factors, 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 2023	As at 31 December 2022
Buildings	1,425	1,400
Land use rights	8	8
Others	4	4
Gross	1,437	1,412
Less: Impairment allowances	(424)	(412)
Net	1,013	1,000

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 2023
(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 2023	Chinese Mainland	Hong Kong	Others	Total
Financial assets				
Balances with central banks	781,696	969	21,750	804,415
Due from and placements with banks and other financial institutions	480,263	118,417	236,202	834,882
Derivative financial assets	50,015	42,890	9,420	102,325
Loans and advances to customers	7,244,986	226,492	142,352	7,613,830
Financial investments at FVTPL	578,131	10,032	5,709	593,872
Debt investments at FVOCI	402,683	229,821	175,296	807,800
Financial investments at amortised cost	2,456,862	53,400	31,493	2,541,755
Other financial assets	80,744	6,238	6,173	93,155
Total	12,075,380	688,259	628,395	13,392,034
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	1,124,603	6,518	11,568	1,142,689
Loan commitments and other credit related commitments	1,031,248	26,013	13,540	1,070,801
Total	2,155,851	32,531	25,108	2,213,490

As at 31 December 2022	Chinese Mainland	Hong Kong	Others	Total
Financial assets				
Balances with central banks	768,985	1,874	21,404	792,263
Due from and placements with banks and other financial institutions	423,549	109,971	156,901	690,421
Derivative financial assets	23,345	38,787	7,555	69,687
Loans and advances to customers	6,764,444	232,934	138,076	7,135,454
Financial investments at FVTPL	616,906	11,249	4,998	633,153
Debt investments at FVOCI	400,661	225,274	157,817	783,752
Financial investments at amortised cost	2,369,077	48,398	33,300	2,450,775
Other financial assets	24,569	5,456	5,930	35,955
Total	11,391,536	673,943	525,981	12,591,460
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	1,118,222	12,737	9,499	1,140,458
Loan commitments and other credit related commitments	1,049,643	18,257	12,097	1,079,997
Total	2,167,865	30,994	21,596	2,220,455

(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 2023		As at 31 December 2022	
		%		%
Yangtze River Delta	**2,179,884**	**27.96**	1,999,175	27.40
Central China	**1,285,421**	**16.49**	1,196,075	16.40
Bohai Rim Economic Zone	**1,210,249**	**15.52**	1,137,282	15.59
Pearl River Delta	**1,061,872**	**13.62**	978,749	13.42
Western China	**924,395**	**11.86**	875,476	12.00
Head Office	**499,588**	**6.41**	481,741	6.60
Overseas	**375,740**	**4.82**	376,277	5.16
North Eastern China	**258,556**	**3.32**	250,190	3.43
Gross amount of loans and advances to customers	**7,795,705**	**100.00**	7,294,965	100.00

Note: The definitions of geographical operating segments are set out in Note 46.

Industry analysis for loans and advances to customers

	As at 30 June 2023		As at 31 December 2022	
		%		%
Corporate loans				
Manufacturing	**953,919**	**12.24**	836,532	11.46
Transportation, storage and postal service	**876,686**	**11.25**	823,156	11.28
Leasing and commercial services	**793,513**	**10.18**	729,818	10.00
Real estate	**506,589**	**6.50**	519,857	7.13
Water conservancy, environmental and other public services	**458,767**	**5.88**	429,222	5.88
Production and supply of power, heat, gas and water	**375,619**	**4.82**	342,617	4.70
Wholesale and retail	**306,165**	**3.93**	254,447	3.49
Construction	**204,618**	**2.62**	176,696	2.42
Finance	**182,638**	**2.34**	148,747	2.04
Education, science, culture and public health	**141,116**	**1.81**	128,762	1.77
Mining	**124,015**	**1.59**	118,246	1.62
Information transmission, software and IT services	**72,094**	**0.92**	68,246	0.94
Accommodation and catering	**35,514**	**0.46**	40,168	0.55
Others	**103,703**	**1.33**	94,839	1.30
Discounted bills	**244,712**	**3.14**	218,295	2.99
Total corporate loans	**5,379,668**	**69.01**	4,929,648	67.57
Personal loans				
Mortgages	**1,496,827**	**19.20**	1,512,648	20.74
Credit cards	**480,828**	**6.17**	477,746	6.55
Others	**438,382**	**5.62**	374,923	5.14
Total personal loans	**2,416,037**	**30.99**	2,365,317	32.43
Gross amount of loans and advances before impairment allowances	**7,795,705**	**100.00**	7,294,965	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 2023
(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:

		Six months ended 30 June 2023		
Item	30 June 2023	Average	Maximum	Minimum
VaR	252	504	681	243
Including: Interest rate risk	250	448	572	250
Foreign exchange risk	145	116	195	36

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(a) ***VaR*** *(Continued)*

Item	30 June 2022	Six months ended 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

(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 2023	As at 31 December 2022
+100 basis points parallel shift in yield curves	**7,109**	10,860
– 100 basis points parallel shift in yield curves	**(7,109)**	(10,860)

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 2023	As at 31 December 2022
+100 basis points parallel shift in yield curves	**(20,108)**	(17,667)
– 100 basis points parallel shift in yield curves	**22,459**	17,861

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.

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(b) Sensitivity analysis (Continued)

Interest rate sensitivity analysis (Continued)

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.

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 2023	As at 31 December 2022
5% appreciation of RMB	(336)	(327)
5% depreciation of RMB	336	327

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 2023	As at 31 December 2022
5% appreciation of RMB	(3,363)	(1,138)
5% depreciation of RMB	3,363	1,138

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 risk due to maturity mismatching of asset and liability businesses, and basis risk due to inconsistent pricing benchmarks.

(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)*

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.

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. As at 30 June 2023, all LIBOR priced products discontinued quoting. The Group steadily promoted the conversion work in strict accordance with the scheduled exit time of each LIBOR product to achieve a smooth transition between the old and new benchmark interest rates, and carries out related businesses in an orderly manner.

The Group has 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:

As at 30 June 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	802,358	–	–	–	–	13,399	815,757
Due from and placements with banks and other financial institutions	357,950	122,244	289,818	57,629	1,668	5,573	834,882
Derivative financial assets	–	–	–	–	–	102,325	102,325
Loans and advances to customers	836,818	1,059,941	4,784,990	408,687	209,091	314,303	7,613,830
Financial investments at FVTPL	19,496	54,014	54,706	67,544	59,603	409,161	664,524
Financial investments at amortised cost	32,082	90,784	217,182	1,048,423	1,122,894	30,390	2,541,755
Financial investments at FVOCI	77,681	86,664	123,035	298,525	213,036	24,841	823,782
Other assets	705	–	–	–	–	415,800	416,505
Total assets	2,127,090	1,413,647	5,469,731	1,880,808	1,606,292	1,315,792	13,813,360
Liabilities							
Due to and placements from banks and other financial institutions	(1,164,067)	(251,518)	(634,504)	(49,181)	(4,913)	(11,713)	(2,115,896)
Financial liabilities at FVTPL	(3,244)	(514)	(6,938)	(26,065)	–	(6,947)	(43,708)
Derivative financial liabilities	–	–	–	–	–	(84,750)	(84,750)
Deposits from customers	(4,063,606)	(674,787)	(1,642,922)	(2,064,080)	(5)	(134,198)	(8,579,598)
Other liabilities	(51,675)	(337,684)	(840,296)	(237,811)	(273,119)	(193,924)	(1,934,509)
Total liabilities	(5,282,592)	(1,264,503)	(3,124,660)	(2,377,137)	(278,037)	(431,532)	(12,758,461)
Total interest sensitivity gap	(3,155,502)	149,144	2,345,071	(496,329)	1,328,255	884,260	1,054,899

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

For the six months ended 30 June 2023
(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)

As at 31 December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	787,224	–	–	–	–	18,878	806,102
Due from and placements with banks and other financial institutions	335,968	104,925	205,097	38,075	1,592	4,764	690,421
Derivative financial assets	–	–	–	–	–	69,687	69,687
Loans and advances to customers	1,811,554	958,019	3,474,803	342,512	205,882	342,684	7,135,454
Financial investments at FVTPL	12,769	24,727	143,074	50,189	65,437	409,161	705,357
Financial investments at amortised cost	27,790	52,466	510,213	790,849	1,040,333	29,124	2,450,775
Financial investments at FVOCI	47,273	110,274	240,595	195,614	181,231	24,088	799,075
Other assets	495	–	–	–	–	334,205	334,700
Total assets	3,023,073	1,250,411	4,573,782	1,417,239	1,494,475	1,232,591	12,991,571
Liabilities							
Due to and placements from banks and other financial institutions	(1,221,722)	(256,095)	(518,409)	(24,137)	(3,433)	(11,098)	(2,034,894)
Financial liabilities at FVTPL	(3,009)	(4,475)	(4,068)	(21,484)	–	(14,913)	(47,949)
Derivative financial liabilities	–	–	–	–	–	(46,804)	(46,804)
Deposits from customers	(3,896,914)	(624,232)	(1,444,736)	(1,863,246)	(19)	(119,925)	(7,949,072)
Other liabilities	(121,683)	(255,607)	(842,246)	(228,927)	(266,551)	(164,316)	(1,879,330)
Total liabilities	(5,243,328)	(1,140,409)	(2,809,459)	(2,137,794)	(270,003)	(357,056)	(11,958,049)
Total interest sensitivity gap	(2,220,255)	110,002	1,764,323	(720,555)	1,224,472	875,535	1,033,522

(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 2023, the exchange rates for US dollar and HK dollar are 1 US dollar to RMB7.2258 (As at 31 December 2022: RMB6.9646) and 1 HK dollar to RMB0.92198 (As at 31 December 2022: RMB0.89327), respectively.

(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:

As at 30 June 2023	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
Assets					
Cash and balances with central banks	774,024	20,176	1,800	19,757	815,757
Due from and placements with banks and other financial institutions	464,514	285,233	33,927	51,208	834,882
Derivative financial assets	63,254	31,075	4,909	3,087	102,325
Loans and advances to customers	7,079,234	230,285	210,214	94,097	7,613,830
Financial investments at FVTPL	584,060	60,260	852	19,352	664,524
Financial investments at amortised cost	2,402,174	99,951	18,336	21,294	2,541,755
Financial investments at FVOCI	410,092	325,551	18,283	69,856	823,782
Other assets	210,976	185,933	6,452	13,144	416,505
Total assets	11,988,328	1,238,464	294,773	291,795	13,813,360
Liabilities					
Due to and placements from banks and other financial institutions	(1,706,428)	(318,870)	(21,876)	(68,722)	(2,115,896)
Financial liabilities at FVTPL	(31,213)	(8,990)	(1,159)	(2,346)	(43,708)
Derivative financial liabilities	(63,881)	(10,055)	(7,578)	(3,236)	(84,750)
Deposits from customers	(7,838,582)	(429,397)	(251,674)	(59,945)	(8,579,598)
Other liabilities	(1,691,491)	(190,211)	(24,524)	(28,283)	(1,934,509)
Total liabilities	(11,331,595)	(957,523)	(306,811)	(162,532)	(12,758,461)
Net position	656,733	280,941	(12,038)	129,263	1,054,899
Credit related commitments and financial guarantees	2,041,025	126,446	19,148	26,871	2,213,490

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

For the six months ended 30 June 2023
(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)*

As at 31 December 2022	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
Assets					
Cash and balances with central banks	761,360	24,466	3,029	17,247	806,102
Due from and placements with banks and other financial institutions	355,917	284,404	30,206	19,894	690,421
Derivative financial assets	34,610	27,496	4,928	2,653	69,687
Loans and advances to customers	6,584,029	255,653	205,170	90,602	7,135,454
Financial investments at FVTPL	605,884	62,679	4,513	32,281	705,357
Financial investments at amortised cost	2,316,741	92,370	20,047	21,617	2,450,775
Financial investments at FVOCI	421,630	304,276	15,846	57,323	799,075
Other assets	154,748	166,603	6,089	7,260	334,700
Total assets	11,234,919	1,217,947	289,828	248,877	12,991,571
Liabilities					
Due to and placements from banks and other financial institutions	(1,637,331)	(324,092)	(17,291)	(56,180)	(2,034,894)
Financial liabilities at FVTPL	(26,181)	(9,147)	(1,119)	(11,502)	(47,949)
Derivative financial liabilities	(32,994)	(7,062)	(5,292)	(1,456)	(46,804)
Deposits from customers	(7,191,205)	(431,120)	(272,029)	(54,718)	(7,949,072)
Other liabilities	(1,667,539)	(178,479)	(10,258)	(23,054)	(1,879,330)
Total liabilities	(10,555,250)	(949,900)	(305,989)	(146,910)	(11,958,049)
Net position	679,669	268,047	(16,161)	101,967	1,033,522
Credit related commitments and financial guarantees	2,043,649	133,379	14,386	29,041	2,220,455

(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 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk

Overview

Liquidity risk is the risk that occurs when the Group is not able to 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.

(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.

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

For the six months ended 30 June 2023
(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)*

As at 30 June 2023	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	718,286	97,146	–	325	–	–	–	815,757
Due from and placements with banks and other financial institutions	–	–	128,445	220,477	124,273	294,069	72,411	13,937	853,612
Loans and advances to customers	58,733	–	–	545,943	490,768	2,002,165	2,511,894	3,886,088	9,495,591
Financial investments at FVTPL	93	69,535	265,574	34,183	75,745	73,649	102,395	66,452	687,626
Financial investments at amortised cost	862	–	–	33,674	103,057	291,439	1,293,238	1,280,389	3,002,659
Financial investments at FVOCI	212	15,982	–	25,876	47,341	162,490	439,268	262,545	953,714
Other financial assets	2,250	–	102,632	–	–	–	–	–	104,882
Assets held for managing liquidity risk (contractual maturity dates)	62,150	803,803	593,797	860,153	841,509	2,823,812	4,419,206	5,509,411	15,913,841
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(798,032)	(369,006)	(249,708)	(650,763)	(55,726)	(15,509)	(2,138,744)
Financial liabilities at FVTPL	–	(670)	(8,402)	(338)	(947)	(7,428)	(27,421)	–	(45,206)
Deposits from customers	–	–	(3,278,031)	(891,921)	(678,209)	(1,665,732)	(2,121,348)	(5)	(8,635,246)
Certificates of deposit issued	–	–	–	(38,971)	(278,745)	(725,696)	(11,035)	–	(1,054,447)
Debt securities issued	–	–	–	(7,178)	(63,758)	(126,541)	(242,233)	(233,639)	(673,349)
Other financial liabilities	–	–	(100,540)	(2,832)	(565)	(2,372)	(7,483)	(3,194)	(116,986)
Total liabilities (contractual maturity dates)	–	(670)	(4,185,005)	(1,310,246)	(1,271,932)	(3,178,532)	(2,465,246)	(252,347)	(12,663,978)
Net position	62,150	803,133	(3,591,208)	(450,093)	(430,423)	(354,720)	1,953,960	5,257,064	3,249,863

(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)*

As at 31 December 2022	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	688,101	117,662	–	339	–	–	–	806,102
Due from and placements with banks and other financial institutions	–	–	135,461	167,626	94,515	217,059	78,603	15,386	708,650
Loans and advances to customers	52,307	–	–	541,086	375,055	1,915,727	2,323,574	3,995,721	9,203,470
Financial investments at FVTPL	276	54,776	282,208	10,734	45,012	189,021	73,448	76,065	731,540
Financial investments at amortised cost	799	–	–	28,653	56,763	652,487	931,575	1,223,543	2,893,820
Financial investments at FVOCI	477	15,323	–	11,022	41,574	340,732	271,680	215,671	896,479
Other financial assets	2,054	–	41,394	–	–	–	–	–	43,448
Assets held for managing liquidity risk (contractual maturity dates)	55,913	758,200	576,725	759,121	613,258	3,315,026	3,678,880	5,526,386	15,283,509
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(812,999)	(391,858)	(246,329)	(538,680)	(46,374)	(13,610)	(2,049,850)
Financial liabilities at FVTPL	–	–	(10,901)	(3,928)	(6,209)	(5,338)	(23,437)	–	(49,813)
Deposits from customers	–	–	(3,119,909)	(869,509)	(629,734)	(1,460,728)	(1,923,273)	(20)	(8,003,173)
Certificates of deposit issued	–	–	–	(97,197)	(241,229)	(753,631)	(14,860)	(234)	(1,107,151)
Debt securities issued	–	–	–	(16,125)	(10,346)	(123,394)	(234,952)	(227,919)	(612,736)
Other financial liabilities	–	–	(98,112)	(2,461)	(701)	(2,057)	(5,168)	(21,217)	(129,716)
Total liabilities (contractual maturity dates)	–	–	(4,041,921)	(1,381,078)	(1,134,548)	(2,883,828)	(2,248,064)	(263,000)	(11,952,439)
Net position	55,913	758,200	(3,465,196)	(621,957)	(521,290)	431,198	1,430,816	5,263,386	3,331,070

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 withdrew 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.

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

For the six months ended 30 June 2023
(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

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.

As at 30 June 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Derivative financial instruments						
– Foreign exchange and commodity contracts	5	5	12	–	–	22
– Interest rate contracts and others	1,223	3,624	9,560	25,212	4,568	44,187
Total	1,228	3,629	9,572	25,212	4,568	44,209
Liabilities						
Derivative financial instruments						
– Foreign exchange and commodity contracts	(181)	(13)	(1)	–	–	(195)
– Interest rate contracts and others	(621)	(429)	(5,062)	(11,002)	(1,965)	(19,079)
Total	(802)	(442)	(5,063)	(11,002)	(1,965)	(19,274)

As at 31 December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Derivative financial instruments						
– Foreign exchange and commodity contracts	42	2	6	1	–	51
– Interest rate contracts and others	1,078	2,057	7,949	22,168	4,691	37,943
Total	1,120	2,059	7,955	22,169	4,691	37,994
Liabilities						
Derivative financial instruments						
– Foreign exchange and commodity contracts	(111)	(4)	(57)	–	–	(172)
– Interest rate contracts and others	(525)	(1,136)	(3,976)	(7,073)	(740)	(13,450)
Total	(636)	(1,140)	(4,033)	(7,073)	(740)	(13,622)

(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

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.

As at 30 June 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivative financial instruments settled on						
– Cash inflow	1,247,610	1,135,437	1,858,431	163,173	10,075	4,414,726
– Cash outflow	(1,250,359)	(1,138,259)	(1,858,888)	(164,825)	(9,902)	(4,422,233)
Total	(2,749)	(2,822)	(457)	(1,652)	173	(7,507)

As at 31 December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivative financial instruments settled on						
– Cash inflow	923,004	899,228	1,213,145	141,467	11,248	3,188,092
– Cash outflow	(924,062)	(898,343)	(1,211,701)	(141,797)	(11,106)	(3,187,009)
Total	(1,058)	885	1,444	(330)	142	1,083

(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.

As at 30 June 2023	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	718,286	97,146	–	325	–	–	–	815,757
Due from and placements with banks and other financial institutions	–	–	128,217	219,834	123,209	287,952	64,638	11,032	834,882
Derivative financial assets	–	–	–	13,016	16,999	33,605	24,413	14,292	102,325
Loans and advances to customers	37,870	–	–	534,904	444,471	1,835,452	1,988,215	2,772,918	7,613,830
Financial investments at FVTPL	93	69,535	265,574	33,549	74,205	69,836	90,749	60,983	664,524
Financial investments at amortised cost	862	–	–	31,797	95,929	232,117	1,057,368	1,123,682	2,541,755
Financial investments at FVOCI	212	15,982	–	25,206	45,250	143,902	376,084	217,146	823,782
Other assets	2,250	242,648	128,356	–	–	5,307	37,944	–	416,505
Total assets	41,287	1,046,451	619,293	858,306	800,388	2,608,171	3,639,411	4,200,053	13,813,360
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(798,050)	(368,073)	(247,649)	(640,667)	(50,421)	(11,036)	(2,115,896)
Financial liabilities at FVTPL	–	(670)	(8,402)	(338)	(945)	(7,288)	(26,065)	–	(43,708)
Derivative financial liabilities	–	–	–	(15,521)	(19,610)	(33,137)	(13,503)	(2,979)	(84,750)
Deposits from customers	–	–	(3,276,036)	(891,682)	(676,231)	(1,654,720)	(2,080,924)	(5)	(8,579,598)
Other liabilities	–	–	(112,771)	(95,468)	(347,424)	(852,079)	(251,267)	(275,500)	(1,934,509)
Total liabilities	–	(670)	(4,195,259)	(1,371,082)	(1,291,859)	(3,187,891)	(2,422,180)	(289,520)	(12,758,461)
Net amount on liquidity gap	41,287	1,045,781	(3,575,966)	(512,776)	(491,471)	(579,720)	1,217,231	3,910,533	1,054,899

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(d) ***Maturity analysis*** *(Continued)*

As at 31 December 2022	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	688,101	117,662	–	339	–	–	–	806,102
Due from and placements with banks and other financial institutions	–	–	135,359	167,125	93,769	212,200	70,862	11,106	690,421
Derivative financial assets	–	–	–	7,404	11,392	14,522	21,553	14,816	69,687
Loans and advances to customers	31,901	–	–	523,562	339,907	1,762,551	1,822,050	2,655,483	7,135,454
Financial investments at FVTPL	276	54,776	282,208	10,301	43,907	178,534	66,400	68,955	705,357
Financial investments at amortised cost	799	–	–	25,067	46,691	523,131	804,463	1,050,624	2,450,775
Financial investments at FVOCI	477	15,323	–	9,069	38,363	306,910	243,875	185,058	799,075
Other assets	2,054	223,001	70,133	–	–	1,908	37,604	–	334,700
Total assets	35,507	981,201	605,362	742,528	574,368	2,999,756	3,066,807	3,986,042	12,991,571
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(812,938)	(391,535)	(245,168)	(530,014)	(44,293)	(10,946)	(2,034,894)
Financial liabilities at FVTPL	–	–	(10,866)	(3,923)	(6,196)	(5,257)	(21,707)	–	(47,949)
Derivative financial liabilities	–	–	–	(8,133)	(10,589)	(13,964)	(10,858)	(3,260)	(46,804)
Due to customers	–	–	(3,118,072)	(869,185)	(628,192)	(1,452,998)	(1,880,606)	(19)	(7,949,072)
Other liabilities	–	–	(110,657)	(131,467)	(266,303)	(865,454)	(233,651)	(271,798)	(1,879,330)
Total liabilities	–	–	(4,052,533)	(1,404,243)	(1,156,448)	(2,867,687)	(2,191,115)	(286,023)	(11,958,049)
Net amount on liquidity gap	35,507	981,201	(3,447,171)	(661,715)	(582,080)	132,069	875,692	3,700,019	1,033,522

(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.

As at 30 June 2023	Up to 1 year	1-5 years	Over 5 Years	Total
Loan commitments and other credit related commitments	995,519	38,143	37,139	1,070,801
Guarantees, acceptances and letters of credit	984,836	155,846	2,007	1,142,689
Total	1,980,355	193,989	39,146	2,213,490

As at 31 December 2022	Up to 1 year	1-5 years	Over 5 Years	Total
Loan commitments and other credit related commitments	1,011,599	36,001	32,397	1,079,997
Guarantees, acceptances and letters of credit	962,440	175,396	2,622	1,140,458
Total	1,974,039	211,397	35,019	2,220,455

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:

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) 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

(iii) 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 and 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, restricted stock units, unlisted equities, unlisted funds 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. 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 2023
(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 2023		As at 31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial investments at amortised cost	2,541,755	2,599,343	2,450,775	2,484,041
Financial liabilities				
Debt securities issued	(559,834)	(577,053)	(516,353)	(514,389)

Fair value hierarchy of financial instruments not measured at fair value

As at 30 June 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments at amortised cost	37,215	2,492,977	69,151	2,599,343
Financial liabilities				
Debt securities issued	–	(577,053)	–	(577,053)

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments at amortised cost	64,532	2,346,708	72,801	2,484,041
Financial liabilities				
Debt securities issued	–	(514,389)	–	(514,389)

The carrying amounts and fair values of other financial assets and liabilities (including loans and advances to customers at amortised cost, deposits from customers, 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.

(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 2023	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Placements with banks and other financial institutions	–	14,160	–	14,160
Fund and asset management products	142,539	44,374	24,038	210,951
Equity investments and other investments	4,995	1,403	64,254	70,652
Precious metal contracts	–	10,409	–	10,409
Other debt investments	–	145,950	–	145,950
Precious metal contracts	–	10,409	–	10,409
Derivative financial instruments	–	101,063	1,262	102,325
Loans and advances to customers	–	25	–	25
Subtotal	154,530	534,213	92,291	781,034
At fair value through other comprehensive income				
Debt Investments at FVOCI	132,885	673,142	1,773	807,800
Investments in equity instruments designated at FVOCI	8,570	1,589	5,823	15,982
Loans and advances to customers at FVOCI	–	378,972	24	378,996
Subtotal	141,455	1,053,703	7,620	1,202,778
Total assets	295,985	1,587,916	99,911	1,983,812

As at 30 June 2023	Level 1	Level 2	Level 3	Total
Placements from banks and other financial institutions	–	(10,764)	–	(10,764)
Financial liabilities at FVTPL	–	(43,038)	(670)	(43,708)
Derivative financial instruments	–	(84,750)	–	(84,750)
Debt securities issued	–	(26,556)	–	(26,556)
Total liabilities	–	(165,108)	(670)	(165,778)

As at 31 December 2022	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Debt securities	6,585	243,646	2,722	252,953
Fund and asset management products	154,825	32,506	21,849	209,180
Equity investments and other investments	5,725	4,164	62,315	72,204
Precious metal contracts	–	24,557	–	24,557
Other debt investments	–	146,463	–	146,463
Derivative financial instruments	–	68,509	1,178	69,687
Loans and advances to customers	–	27	–	27
Subtotal	167,135	519,872	88,064	775,071
At fair value through other comprehensive income				
Debt Investments at FVOCI	145,987	636,929	836	783,752
Investments in equity instruments designated at FVOCI	7,929	1,603	5,791	15,323
Loans and advances to customers at FVOCI	–	322,429	36	322,465
Subtotal	153,916	960,961	6,663	1,121,540
Total assets	321,051	1,480,833	94,727	1,896,611

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL	–	(47,949)	–	(47,949)
Derivative financial instruments	–	(46,804)	–	(46,804)
Debt securities issued	–	(14,508)	–	(14,508)
Total liabilities	–	(109,261)	–	(109,261)

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

For the six months ended 30 June 2023
(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	Financial liabilities at FVTPL
Balance at 1 January 2023	88,064	6,663	–
Total gains or losses			
– Net gains/(losses) arising from trading activities	2,414	(15)	–
– Other comprehensive income	–	86	–
Additions	14,781	999	(670)
Disposals and settlement	(12,968)	(116)	–
Transfer from other levels	–	3	–
Balance at 30 June 2023	92,291	7,620	(670)
Total gains generated by financial assets held by the Group as at 30 June 2023			
– Realised gains	1,937	69	–
– Unrealised gains	1,579	12	–

	Financial assets at FVTPL	Financial assets at FVOCI
Balance at 1 January 2022	71,376	7,575
Total gains or losses		
– Net gains arising from trading activities	1,278	787
– Other comprehensive income	–	(2,275)
Additions	18,657	634
Disposals and settlement	(3,369)	(85)
Transfer to other levels	122	27
Balance at 31 December 2022	88,064	6,663
Total gains/(losses) generated by financial assets held by the Group as at 31 December 2022		
– Realised gains	2,384	785
– Unrealised losses	(1,106)	(2,273)

These financial instruments with fair values determined based on unobservable inputs are primarily convertible bonds, restricted stock units, 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 interest's 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.

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 China's National Financial Regulatory Administration (the "NFRA").

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 2023
(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 CBIRC in 2018. According to the implementation scope of the advanced methods of capital management approved by the CBIRC, 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 2023	As at 31 December 2022
Core tier-1 capital adequacy ratio (%)	**9.84**	10.06
Tier-1 capital adequacy ratio (%)	**11.86**	12.18
Capital adequacy ratio (%)	**14.57**	14.97
Core tier-1 capital	**866,843**	847,105
Core tier-1 capital deductions	**(6,790)**	(6,941)
Net core tier-1 capital	**860,053**	840,164
Additional tier-1 capital	**176,418**	176,480
Net tier-1 capital	**1,036,471**	1,016,644
Tier-2 capital	**236,500**	233,673
Net capital	**1,272,971**	1,250,317
Risk-weighted assets	**8,735,997**	8,350,074

4 NET INTEREST INCOME

	Six months ended 30 June	
	2023	2022
Interest income		
Loans and advances to customers	**153,272**	143,149
Financial investments	**55,162**	46,923
Due from and placements with banks and other financial institutions	**13,950**	7,204
Balances with central banks	**6,022**	5,264
Subtotal	**228,406**	202,540
Interest expense		
Deposits from customers	**(95,767)**	(76,882)
Due to and placements from banks and other financial institutions	**(26,488)**	(20,766)
Certificates of deposit issued	**(15,728)**	(12,200)
Debt securities issued	**(8,036)**	(7,627)
Subtotal	**(146,019)**	(117,475)
Net interest income	**82,387**	85,065

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

5 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2023	2022
Bank cards business	**10,005**	9,923
Custody and other fiduciary business	**4,887**	4,249
Wealth management business	**4,088**	5,232
Agency services	**3,518**	3,394
Investment banking	**1,676**	1,968
Guarantee and commitment	**1,661**	1,489
Settlement services	**750**	720
Others	**106**	97
Total	**26,691**	27,072

6 FEE AND COMMISSION EXPENSE

	Six months ended 30 June	
	2023	2022
Bank card business	**1,130**	1,252
Settlement and agency services	**858**	827
Others	**123**	219
Total	**2,111**	2,298

7 NET GAINS ARISING FROM TRADING ACTIVITIES

	Six months ended 30 June	
	2023	2022
Financial instruments at FVTPL	**13,014**	2,542
Interest rate instruments and others	**4,538**	3,021
Foreign exchange	**85**	4,391
Total	**17,637**	9,954

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 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 arising from trading activities for the six months ended 30 June 2023 included a net gain of RMB18 million (for the six months ended 30 June 2022: a net gain of RMB59 million) in relation to changes in the fair value of financial liabilities designated at fair value through profit or loss.

8 OTHER OPERATING INCOME

	Six months ended 30 June	
	2023	2022
Leasing income	**9,390**	6,849
Insurance business income	**1,065**	929
Net gain on the disposal of fixed and foreclosed assets	**416**	246
Income from sales of precious metal merchandise	**195**	709
Revaluation of investment properties	**(1)**	–
Other miscellaneous income	**1,509**	1,838
Total	**12,574**	10,571

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

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

9 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2023	2022
Loans and advances to customers at amortised cost	**33,800**	34,316
Due from and placements with banks and other financial institutions	**634**	(176)
Financial investments at amortised cost	**401**	16
Debt investments at FVOCI	**313**	117
Loans and advances to customers at FVOCI	**162**	204
Credit related commitments and financial guarantees	**(112)**	1,599
Others	**1,148**	751
Total	**36,346**	36,827

10 OTHER ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2023	2022
Operating lease assets	**581**	672
Foreclosed assets	**19**	4
Precious metal	**(6)**	14
Total	**594**	690

11 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2023	2022
Staff costs and benefits (Note 12)	**15,414**	14,797
General operating and administrative expenses	**19,933**	19,365
Costs of operating lease business	**6,432**	4,460
Depreciation and amortisation	**4,732**	4,210
Insurance business expense	**1,907**	2,154
Tax and surcharges	**1,605**	1,607
(Reversal)/provision for outstanding litigations	**(22)**	103
Others	**692**	1,239
Total	**50,693**	47,935

12 STAFF COSTS AND BENEFITS

		Six months ended 30 June	
	Note	**2023**	2022
Salaries, bonuses, allowances and subsidies		**9,808**	9,776
Post-employment benefit	(1)	**2,216**	1,971
Other social security and benefit costs		**3,390**	3,050
Total		**15,414**	14,797

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

12 STAFF COSTS AND BENEFITS *(Continued)*

(1) Post-employment benefit

Defined contribution plans

The Group participates in various defined contribution retirement benefit plans organised by municipal and provincial governments in Chinese Mainland, under which it is required to make monthly contributions to these plans based on certain percentage 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 2023, 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	
	2023	2022
Expenses incurred for retirement benefit plans and unemployment insurance	**1,378**	1,198
Expenses incurred for annuity plan	**831**	762
Total	**2,209**	1,960

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

	As at 30 June 2023	As at 31 December 2022
Payable for retirement benefit plans and unemployment insurance	**69**	85
Payable for annuity plan	**33**	41
Total	**102**	126

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

For the six months ended 30 June 2023
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12 STAFF COSTS AND BENEFITS *(Continued)*

(1) Post-employment benefit *(Continued)*

Defined benefit plans

The Group pays supplementary retirement benefits to employees in Chinese Mainland, 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 Chinese Mainland are immaterial and are made in accordance with the relevant local policies and regulations.

	As at 30 June 2023	As at 31 December 2022
Statement of financial position		
– Net obligations for pension benefits	375	396

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

	Six months ended 30 June	
	2023	2022
Components of defined benefit costs recognised in profit or loss	7	11
Components of defined benefit (gains)/costs recognised in other comprehensive income	(4)	20
Total	3	31

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 2023 is 11.17 years (As at 31 December 2022: 11.43 years).

The Group expects to make a contribution of RMB38 million (2022: 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 or an increase in inflation rate 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 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 2.71% (As at 31 December 2022: 2.99%) and 1.68% (As at 31 December 2022: 1.99%) respectively as at 30 June 2023. In the meantime, assumptions regarding future mortality rate are set based on published statistics by the CBIRC. As at 30 June 2023, an average longevity of a pensioner after retirement at age 60 for male is 23.13 years (As at 31 December 2022: 23.13 years) while a pensioner after retirement at age 55 for female is 33.13 years (As at 31 December 2022: 33.13 years).

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

13 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

	Six months ended 30 June	
	2023	2022
Remuneration	7	7

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

For the six months ended 30 June 2023, RMB0.32 million was accrued for independent non-executive directors' emolument (for the six months ended 30 June 2022, RMB0.63 million).

14 INCOME TAX

	Six months ended 30 June	
	2023	2022
Current income tax		
– Enterprise income tax	5,252	5,618
– Hong Kong profits tax	420	1,055
– Other countries or regions	329	246
Subtotal	6,001	6,919
Deferred income tax (Note 24)	(2,893)	(5,428)
Total	3,108	1,491

The provision for enterprise income tax in Chinese Mainland is calculated based on the statutory rate of 25% of the assessable income of the Bank and each of the subsidiary established in Chinese Mainland. 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 Chinese Mainland 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:

		Six months ended 30 June	
	Note	2023	2022
Profit before tax		49,674	45,642
Tax calculated at statutory rate of 25%		12,419	11,410
Effects of different tax rates prevailing in other countries or regions		(29)	48
Effects of non-deductible expenses	(1)	3,074	1,812
Effects of non-taxable income	(2)	(12,086)	(10,871)
Adjustments for income tax filing of prior years		151	(487)
Others		(421)	(421)
Income tax		3,108	1,491

(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)

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15 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	
	2023	2022
Net profit attributable to shareholders of the parent company	**46,039**	44,052
Less: Dividends paid to preference shareholders	**(1,832)**	(1,832)
Interest paid to perpetual bond holders	**(1,685)**	(1,685)
Net profit attributable to holders of ordinary shares of the parent company	**42,522**	40,535
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)	**0.57**	0.55

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 2023, and therefore the conversion feature of preference shares has no effect on the calculation of the basic and diluted earnings per share.

16 CASH AND BALANCES WITH CENTRAL BANKS

	As at 30 June 2023	As at 31 December 2022
Cash	**11,342**	13,839
Mandatory reserve deposits	**716,554**	683,401
Surplus reserve deposits	**85,804**	103,823
Fiscal deposits	**1,732**	4,700
Accrued interest	**325**	339
Total	**815,757**	806,102

The Group is required to place statutory reserves with the PBOC and overseas central banks, including RMB and foreign currency deposit reserves and foreign exchange risk reserves for forward foreign exchange sales businesses, which are not allowed to be used in the Group's daily operations.

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

Reserve rate for deposits denominated in RMB of the Group's subsidiaries in Chinese Mainland 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.

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

17 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023	As at 31 December 2022
Due from banks and other financial institutions		
– Banks and other financial institutions operating in Chinese Mainland	121,032	120,905
– Banks and other financial institutions operating outside Chinese Mainland	32,479	34,371
Accrued interest	262	368
Less: Allowance for impairment losses	(268)	(209)
Financial assets purchased under repurchase agreements		
– Securities	95,514	49,715
– Bills	35,342	6,995
Accrued interest	8	11
Less: Allowance for impairment losses	(272)	(88)
Placements with and loans to banks		
– Banks operating in Chinese Mainland	101,388	80,566
– Banks operating outside Chinese Mainland	158,264	126,829
Placements with and loans to other financial institutions		
– Placements with and loans to other financial institutions in Chinese Mainland	221,349	196,730
– Placements with and loans to other financial institutions outside Chinese Mainland	65,619	70,572
Accrued interest	5,319	4,393
Less: Allowance for impairment losses	(1,154)	(737)
Total	834,882	690,421

As at 30 June 2023 and 31 December 2022, 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.

18 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 and contractual/notional amount of derivative financial instruments held are set out in the following tables.

As at 30 June 2023	Contractual/notional amount	Fair values Assets	Fair values Liabilities
Foreign exchange and commodity contracts	4,305,047	62,111	(68,816)
Interest rate contracts and others	3,569,381	40,214	(15,934)
Total amount of derivative financial instruments recognised	7,874,428	102,325	(84,750)

As at 31 December 2022	Contractual/notional amount	Fair values Assets	Fair values Liabilities
Foreign exchange and commodity contracts	3,406,796	34,499	(34,648)
Interest rate contracts and others	3,076,875	35,188	(12,156)
Total amount of derivative financial instruments recognised	6,483,671	69,687	(46,804)

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

18 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 2023	Contractual/notional amount	Fair values Assets	Liabilities
Derivative financial instruments designated as hedging instruments in fair value hedges	**217,653**	**18,067**	**(24)**
Derivative financial instruments designated as hedging instruments in cash flow hedges	**88,888**	**909**	**(2,513)**
Total	**306,541**	**18,976**	**(2,537)**

As at 31 December 2022	Contractual/notional amount	Fair values Assets	Liabilities
Derivative financial instruments designated as hedging instruments in fair value hedges	177,797	15,934	(20)
Derivative financial instruments designated as hedging instruments in cash flow hedges	75,883	2,043	(1,202)
Total	253,680	17,977	(1,222)

(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, debt securities issued and financial investments at amortised cost.

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

	Six months ended 30 June 2023	2022
Net gains/(losses) from fair value hedges:		
Hedging instruments	**457**	10,554
Hedged items attributable to the hedged risk	**(334)**	(10,764)
Total	**123**	(210)

(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, placements with/from banks and other financial institutions, debt securities issued, loans and advances to customers and receivables. 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 2023, the Group recognised RMB-1,423 million (for the six months ended 30 June 2022: RMB875 million) from effective portion of cash flow hedge in other comprehensive income. The Group reclassifies RMB-1,184 million from other comprehensive income to profit or loss (for the six months ended 30 June 2022: RMB130 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.

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

19 LOANS AND ADVANCES TO CUSTOMERS

(1) Loans and advances to customers

	As at 30 June 2023	As at 31 December 2022
Loans and advances to customers		
– Carried at amortised cost	**7,416,684**	6,972,473
– Carried at FVOCI	**378,996**	322,465
– Carried at FVTPL	**25**	27
Less: Allowance for impairment losses	**(200,409)**	(176,178)
Accrued interest	**20,955**	18,575
Less: Allowance for impairment losses of accrued interest	**(2,421)**	(1,908)
	7,613,830	7,135,454

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

	As at 30 June 2023	As at 31 December 2022
Unsecured loans	**2,729,462**	2,461,988
Guaranteed loans	**1,296,753**	1,179,381
Loans secured by collateral	**2,608,465**	2,579,866
Pledged loans	**1,161,025**	1,073,730
Total	**7,795,705**	7,294,965

(3) Movements of ECL allowance

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

	For the six months ended 30 June 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	68,795	45,385	61,998	176,178
Transfers:				
Transfer to Stage 1	*4,324*	*(3,875)*	*(449)*	–
Transfer to Stage 2	*(2,241)*	*4,765*	*(2,524)*	–
Transfer to Stage 3	*(269)*	*(6,648)*	*6,917*	–
Provision	13,049	8,869	11,333	33,251
Written-offs and disposals	–	–	(11,859)	(11,859)
Recovery of loans and advances written off in previous years	–	–	2,787	2,787
Others	112	106	(166)	52
As at 30 June 2023	83,770	48,602	68,037	200,409

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For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

19 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(3) Movements of ECL allowance *(Continued)*

	For the year ended 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	57,403	38,892	63,794	160,089
Transfers:				
Transfer to Stage 1	*3,904*	*(3,553)*	*(351)*	–
Transfer to Stage 2	*(5,520)*	*7,051*	*(1,531)*	–
Transfer to Stage 3	*(261)*	*(13,341)*	*13,602*	–
Provision	13,044	15,867	28,351	57,262
Written-offs and disposals	–	–	(46,242)	(46,242)
Recovery of loans and advances written off in previous years	–	–	5,146	5,146
Others	225	469	(771)	(77)
As at 31 December 2022	68,795	45,385	61,998	176,178

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

	For the six months ended 30 June 2023			
	Stage 1 **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
As at 1 January 2023	**1,522**	**240**	**79**	**1,841**
Transfers:				
Transfer to Stage 1	***9***	***(9)***	**–**	**–**
Transfer to Stage 2	***(5)***	***5***	**–**	**–**
Transfer to Stage 3	**–**	**–**	**–**	**–**
Provision/(reversal)	**327**	**(171)**	**6**	**162**
Recovery of loans and advances written off in previous years	**–**	**–**	**17**	**17**
Others	**–**	**–**	**(3)**	**(3)**
As at 30 June 2023	**1,853**	**65**	**99**	**2,017**

	For the year ended 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	937	48	88	1,073
Transfers:				
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	*(1)*	*(22)*	*23*	–
Provision	586	214	40	840
Written-offs and disposals	–	–	(71)	(71)
Others	–	–	(1)	(1)
As at 31 December 2022	1,522	240	79	1,841

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

19 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(4) Overdue loans analysed by security type

	As at 30 June 2023				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**15,974**	**12,767**	**6,250**	**116**	**35,107**
Guaranteed loans	**3,843**	**9,256**	**5,802**	**834**	**19,735**
Loans secured by collateral	**12,352**	**10,341**	**7,830**	**5,257**	**35,780**
Pledged loans	**2,033**	**2,427**	**4,624**	**121**	**9,205**
Total	**34,202**	**34,791**	**24,506**	**6,328**	**99,827**

	As at 31 December 2022				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	12,049	10,165	5,279	100	27,593
Guaranteed loans	2,626	8,632	3,532	1,315	16,105
Loans secured by collateral	11,399	9,193	8,867	2,584	32,043
Pledged loans	1,663	5,490	1,405	529	9,087
Total	27,737	33,480	19,083	4,528	84,828

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

20 FINANCIAL INVESTMENTS

	As at 30 June 2023	As at 31 December 2022
Financial investments at FVTPL		
– Listed in Hong Kong	43,741	72,510
– Listed outside Hong Kong	188,064	210,783
– Unlisted	432,719	422,064
Total	664,524	705,357
Financial investments at amortised cost		
– Listed in Hong Kong	25,118	27,336
– Listed outside Hong Kong	2,357,392	2,265,215
– Unlisted	133,298	132,584
Accrued interest	29,633	28,404
Less: Allowance for impairment losses	(3,686)	(2,764)
Total	2,541,755	2,450,775
Financial investments at FVOCI		
Debt investments at FVOCI		
– Listed in Hong Kong	145,861	157,408
– Listed outside Hong Kong	553,021	536,770
– Unlisted	100,220	81,242
Accrued interest	8,698	8,332
Subtotal	807,800	783,752
Equity investments at FVOCI		
– Listed in Hong Kong	6,146	5,600
– Listed outside Hong Kong	4,035	3,932
– Unlisted	5,801	5,791
Subtotal	15,982	15,323
Total	823,782	799,075

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.

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

20 FINANCIAL INVESTMENTS *(Continued)*

For the six months ended 30 June 2023, the Group's cash dividends received from equity investments at FVOCI was RMB147 million (for the six months ended 30 June 2022: RMB650 million).

Debt securities analysed by issuer are as follows:

	As at 30 June 2023	As at 31 December 2022
Financial investments at FVTPL		
– Governments and central banks	85,300	102,349
– Banks and other financial institutions	78,651	80,601
– Corporate entities	62,449	69,443
– Public sector entities	162	560
Total	226,562	252,953
Bond investments at amortised cost		
– Governments and central banks	2,254,467	2,148,425
– Banks and other financial institutions	149,213	164,060
– Corporate entities	48,342	44,734
– Public sector entities	21,073	22,708
Total	2,473,095	2,379,927
Debt investments at FVOCI		
– Governments and central banks	360,591	375,231
– Banks and other financial institutions	319,845	294,348
– Corporate entities	111,913	99,511
– Public sector entities	15,451	14,662
Total	807,800	783,752

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

	For the six months ended 30 June 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 31 December 2022	1,547	260	957	2,764
Changes in accounting policies	(8)	–	–	(8)
As at 1 January 2023	1,539	260	957	2,756
Transfers:				
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	*(5)*	*5*	–	–
Transfer to Stage 3	–	*(6)*	*6*	–
Provision	147	226	28	401
Others	8	521	–	529
As at 30 June 2023	1,689	1,006	991	3,686

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20 FINANCIAL INVESTMENTS *(Continued)*

	For the year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2022	1,695	371	892	2,958
Transfers:				
Transfer to Stage 1	*126*	*(126)*	–	–
Transfer to Stage 2	*(2)*	*2*	–	–
Transfer to Stage 3	–	–	–	–
(Reversal)/provision	(274)	12	64	(198)
Others	2	1	1	4
As at 31 December 2022	1,547	260	957	2,764

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

	For the six months ended 30 June 2023			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 31 December 2022	**628**	**13**	**890**	**1,531**
Changes in accounting policies	**8**	**–**	**–**	**8**
As at 1 January 2023	**636**	**13**	**890**	**1,539**
Transfers:				
Transfer to Stage 1	**–**	**–**	**–**	**–**
Transfer to Stage 2	***(1)***	***1***	**–**	**–**
Transfer to Stage 3	**–**	**–**	**–**	**–**
Provision	**169**	**12**	**132**	**313**
Others	**23**	**–**	**235**	**258**
As at 30 June 2023	**827**	**26**	**1,257**	**2,110**

	For the year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2022	555	10	456	1,021
Transfers:				
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	*(3)*	*3*	–	–
Transfer to Stage 3	*(1)*	*(20)*	*21*	–
Provision	1	24	573	598
Others	76	(4)	(160)	(88)
As at 31 December 2022	628	13	890	1,531

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

21 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 Direct	Proportion of shares held Indirect	Means of acquisition
Bank of Communications Financial Leasing Co., Ltd.	Xu Bin	RMB14,000,000,000	Limited liability company	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai	Chinese Mainland	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	Chinese Mainland	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	Chinese Mainland	Financial industry	Fund management	65.00	–	Establishment
BOCOM Wealth Management Co., Ltd.	Zhang Hongliang	RMB8,000,000,000	Limited liability company	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai	Chinese Mainland	Financial industry	Financial products issuing and financial consulting	100.00	–	Establishment
BOCOM MSIG Life Insurance Company Limited	Wang Qingyan	RMB5,100,000,000	Limited liability company	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai	Chinese Mainland	Financial industry	Life Insurance	62.50	–	Investment
Bank of Communications Financial Assets Investment Co., Ltd.	Chen Wei	RMB15,000,000,000	Limited liability company	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai	Chinese Mainland	Financial industry	Debt-to-equity swaps	100.00	–	Establishment
BoCom International Holdings 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.	Zhu Junxian	HKD400,000,000	Foreign legal entity	No. 8 Cotton Tree Drive, Central, Hong Kong	Hong Kong China	Financial industry	General insurance and reinsurance	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	Chinese Mainland	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	Chinese Mainland	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	Chinese Mainland	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	Chinese Mainland	Financial industry	Commercial banking	100.00	–	Establishment
Bank of Communications (Hong Kong) Limited	Meng yu	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, 34-21ander-Saúde, Rio de Janeiro-RJ, Brazil, 20220-460	Brazil	Financial industry	Commercial banking	–	80.00	Investment

As at 30 June 2023, the amount of non-controlling interests of these subsidiaries is insignificant to the Group.

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22 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2023	As at 31 December 2022
Investments in associates		
Investment cost	6,474	6,474
Share of net profit of associates	2,019	1,866
Share of other equity changes of associates	91	114
Dividend income	(371)	(283)
Subtotal	8,213	8,171
Investments in joint ventures	574	579
Total	8,787	8,750

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 2023 (As at 31 December 2022: 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 2023 (As at 31 December 2022: 10.60%).

23 PROPERTY AND EQUIPMENT

	Buildings	Construction in progress	Equipments and transportation equipments	Operating leased aircrafts, vessels and equipments	Total
Cost					
As at 1 January 2023	75,563	3,515	30,312	175,378	284,768
Additions	129	515	623	32,556	33,823
Construction in progress transfer in/(out)	304	(304)	–	–	–
Transfer into investment properties	635	–	–	–	635
Decreases	(491)	(2)	(822)	(7,126)	(8,441)
As at 30 June 2023	76,140	3,724	30,113	200,808	310,785
Accumulated depreciation					
As at 1 January 2023	(32,070)	–	(21,087)	(33,294)	(86,451)
Charge for the period	(1,392)	–	(1,727)	(5,501)	(8,620)
Decreases	243	–	664	1,832	2,739
As at 30 June 2023	(33,219)	–	(22,150)	(36,963)	(92,332)
Allowance for impairment losses					
As at 1 January 2023	–	(16)	–	(4,132)	(4,148)
Charge for the period	–	–	–	(581)	(581)
Decreases	–	–	–	231	231
As at 30 June 2023	–	(16)	–	(4,482)	(4,498)
Net book value					
As at 30 June 2023	42,921	3,708	7,963	159,363	213,955

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

23 PROPERTY AND EQUIPMENT *(Continued)*

	Buildings	Construction in progress	Equipments and transportation equipments	Operating leased aircrafts, vessels and equipments	Total
Cost					
As at 1 January 2022	74,687	2,963	27,454	143,867	248,971
Additions	417	1,060	4,858	38,830	45,165
Construction in progress transfer in/(out)	505	(505)	–	–	–
Transfer from investment properties	329	–	–	–	329
Transfer into investment properties	(139)	–	–	–	(139)
Decreases	(236)	(3)	(2,000)	(7,319)	(9,558)
As at 31 December 2022	75,563	3,515	30,312	175,378	284,768
Accumulated depreciation					
As at 1 January 2022	(29,395)	–	(20,329)	(25,549)	(75,273)
Charge for the year	(2,793)	–	(2,612)	(9,629)	(15,034)
Transfer into investment properties	17	–	–	–	17
Decreases	101	–	1,854	1,884	3,839
As at 31 December 2022	(32,070)	–	(21,087)	(33,294)	(86,451)
Allowance for impairment losses					
As at 1 January 2022	–	(16)	–	(2,488)	(2,504)
Charge for the year	–	–	–	(1,882)	(1,882)
Decreases	–	–	–	238	238
As at 31 December 2022	–	(16)	–	(4,132)	(4,148)
Net book value					
As at 31 December 2022	43,493	3,499	9,225	137,952	194,169

As at 30 June 2023, the net book value of the operating leased aircrafts, vessels and equipments used as collateral for borrowings was RMB64,675 million (As at 31 December 2022: RMB52,416 million).

As at 30 June 2023, the property and equipment with incompleted re-registration procedure not completed amounted to RMB174 million (As at 31 December 2022: RMB174 million). However, this registration process does not affect the rights of the Group on these assets.

24 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 2023 (for the year ended 31 December 2022: 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 2022: 16.5%).

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24 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets and liabilities are attributable to the following items:

	As at 30 June 2023		As at 31 December 2022	
	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	145,992	36,498	134,772	33,693
Changes in fair value of derivative financial liabilities	91,632	22,908	57,312	14,328
Provisions	11,704	2,926	11,928	2,982
Changes in fair value of financial instruments at FVTPL	9,948	2,487	9,824	2,456
Changes in fair value of financial assets at FVOCI	9,396	2,349	10,492	2,623
Others	12,649	3,162	16,085	4,022
Subtotal	281,321	70,330	240,413	60,104
Deferred income tax liabilities				
Changes in fair value of derivative financial assets	(99,332)	(24,833)	(68,464)	(17,116)
Changes in fair value of investment properties	(3,232)	(808)	(3,232)	(808)
Changes in fair value of financial instruments at FVTPL	(1,919)	(480)	(1,167)	(292)
Changes in fair value of financial assets at FVOCI	(1,508)	(377)	(1,780)	(445)
Others	(11,960)	(2,990)	(14,866)	(3,717)
Subtotal	(117,951)	(29,488)	(89,509)	(22,378)
Net deferred income tax assets	163,370	40,842	150,904	37,726

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 2023	As at 31 December 2022
Deferred income tax assets	43,251	39,512
Deferred income tax liabilities	(2,409)	(1,786)

	For the six months ended 30 June 2023	2022
Net opening balance	37,726	30,655
Net change in deferred income tax recognised in income tax expense in the current period/year	2,893	4,938
Net changes in deferred income tax recognised in other comprehensive income in the current period/year	223	2,133
Net ending balance	40,842	37,726

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

25 OTHER ASSETS

	Note	As at 30 June 2023	As at 31 December 2022
Accounts receivable and temporary payments		**93,790**	36,409
Less: Allowance for impairment losses	(1)	**(3,590)**	(3,003)
Advance payments		**18,252**	22,100
Precious metal		**12,030**	7,814
Right-of-use assets	(2)	**6,920**	6,931
Investment properties	(3)	**5,781**	6,387
Interest receivable	(4)	**2,250**	2,054
Intangible assets	(5)	**2,004**	1,954
Land use rights and others		**1,957**	1,998
Long-term deferred expenses		**1,080**	879
Foreclosed assets		**1,013**	1,000
Refundable deposits		**705**	495
Goodwill	(6)	**415**	407
Unsettled assets		**31**	31
Others		**7,874**	6,813
Total		**150,512**	92,269

(1) Allowance for impairment losses

	As at 1 January 2023	Amounts accrued	Reversal	Written-offs	Transfers in	Recoveries after written-offs	Exchange differences	As at 30 June 2023
Other receivables and prepayments	**(3,003)**	**(2,640)**	**1,734**	**378**	**(2)**	**(50)**	**(7)**	**(3,590)**

	As at 1 January 2022	Amounts accrued	Reversal	Written-offs	Transfers in	Recoveries after written-offs	Exchange differences	As at 31 December 2022
Other receivables and prepayments	(3,265)	(3,435)	2,798	992	(8)	(77)	(8)	(3,003)

(2) Right-of-use assets

	As at 30 June 2023	As at 31 December 2022
Cost		
Opening balance	**14,330**	13,980
Additions	**1,365**	2,704
Decreases	**(1,137)**	(2,354)
As at the end of the period/year	**14,558**	14,330
Accumulated depreciation:		
Opening balance	**(7,399)**	(7,203)
Additions	**(1,209)**	(2,380)
Decreases	**970**	2,184
As at the end of the period/year	**(7,638)**	(7,399)
Net book value	**6,920**	6,931
Lease liabilities	**6,718**	6,775

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

25 OTHER ASSETS *(Continued)*

(2) Right-of-use assets *(Continued)*

As at 30 June 2023, the lease payment related to lease contracts signed but not yet commenced amounted to RMB136 million (As at 31 December 2022: RMB97 million).

The Group's right-of-use assets include the above assets and land use rights.

(3) Investment properties

	As at 1 January 2023	Decreases	Losses on property revaluation	Exchange differences	As at 30 June 2023
Investment properties	6,387	(635)	(1)	30	5,781

	As at 1 January 2022	Decreases	Gains on property revaluation	Exchange differences	As at 31 December 2022
Investment properties	6,340	(190)	166	71	6,387

The Group's investment properties are located in active real estate markets. The external appraisers make reasonable estimation of fair value using market prices and other related information of the similar properties.

As at 30 June 2023, fair value hierarchies of the investment properties of the Group are as follows:

	Level 1	Level 2	Level 3	As at 30 June 2023
Commercial property units located in Hong Kong	–	–	830	830
Commercial property units located outside Hong Kong	–	–	4,951	4,951

The valuation of investment properties was performed by independent qualified professional valuers who are 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

	Computer software
Cost	
As at 1 January 2023	5,116
Additions	309
Decreases	(4)
As at 30 June 2023	5,421
Accumulated amortization	
As at 1 January 2023	(3,162)
Charge for the period	(258)
Decreases	3
As at 30 June 2023	(3,417)
Net book value	2,004

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

25 OTHER ASSETS *(Continued)*

(5) Intangible assets *(Continued)*

	Computer software
Cost	
As at 1 January 2022	4,504
Additions	627
Decreases	(15)
As at 31 December 2022	5,116
Accumulated amortization	
As at 1 January 2022	(2,707)
Charge for the year	(467)
Decreases	12
As at 31 December 2022	(3,162)
Net book value	1,954

(6) Goodwill

	For the six months ended 30 June 2023				
	As at 1 January 2023	**Addition during the period**	**Decrease during the period**	**Exchange differences**	**As at 30 June 2023**
Bank of Communications International Trust Co., Ltd.	**200**	**–**	**–**	**–**	**200**
BOCOM MSIG Life Insurance Company Limited	**122**	**–**	**–**	**–**	**122**
BANCO Bocom BBM S.A.	**85**	**–**	**–**	**8**	**93**
Total	**407**	**–**	**–**	**8**	**415**

	For the year ended 31 December 2022				
	As at 1 January 2022	Addition during the year	Decrease during the year	Exchange differences	As at 31 December 2022
Bank of Communications International Trust Co., Ltd.	200	–	–	–	200
BOCOM MSIG Life Insurance Company Limited	122	–	–	–	122
BANCO Bocom BBM S.A.	73	–	–	12	85
Total	395	–	–	12	407

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 2023
(All amounts presented in millions of RMB except when otherwise indicated)

26 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023	As at 31 December 2022
Borrowing from central banks	467,294	398,293
Accrued interest	5,637	4,787
Due to banks		
– Banks operating in Chinese Mainland	211,888	254,973
– Banks operating outside Chinese Mainland	8,314	8,839
Due to other financial institutions		
– Other financial institutions operating in Chinese Mainland	776,784	803,430
– Other financial institutions operating outside Chinese Mainland	5,935	7,699
Accrued interest	3,171	3,652
Placements from banks		
– Banks operating in Chinese Mainland	298,681	210,818
– Banks operating outside Chinese Mainland	220,380	201,042
Placements from other financial institutions		
– Other financial institutions operating in Chinese Mainland	1,500	200
– Other financial institutions operating outside Chinese Mainland	9,431	10,204
Accrued interest	2,683	2,344
Financial assets sold under repurchase agreements		
Securities	102,604	128,298
Bills	1,287	–
Accrued interest	307	315
Total	2,115,896	2,034,894

27 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023	As at 31 December 2022
Certificates of deposit issued	32,676	22,253
Financial liabilities related to precious metal contracts	2,346	11,502
Notes issued	1,257	1,701
Short position of securities held for trading	856	5
Others (1)	6,573	12,488
Total	43,708	47,949

(1) As at 30 June 2023 and 31 December 2022, others mainly are liabilities of consolidated structured entities and shares held by other parties rather than the Group.

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

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

28 DEPOSITS FROM CUSTOMERS

	As at 30 June 2023	As at 31 December 2022
Corporate demand deposits	2,124,907	1,989,383
Corporate time deposits	3,043,669	2,887,650
Personal demand deposits	889,001	885,013
Personal time deposits	2,387,987	2,070,711
Other deposits	2,061	4,227
Subtotal	8,447,625	7,836,984
Accrued interest	131,973	112,088
Total	8,579,598	7,949,072

As at 30 June 2023, deposits from customers comprised deposits pledged as collateral of RMB342,376 million (As at 31 December 2022: RMB331,318 million).

29 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.

30 DEBT SECURITIES ISSUED

	Note	As at 30 June 2023	As at 31 December 2022
Carried at amortised cost:			
Bonds	(1)	346,999	306,030
Tier-2 capital bonds	(2)	199,209	198,951
Subordinated bonds	(3)	4,800	4,800
Accrued interest		8,826	6,572
Subtotal		559,834	516,353
Carried at fair value:			
Bonds	(1)	26,556	14,508
Total		586,390	530,861

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

30 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								
20 Bocomm 01	RMB	Chinese Mainland	3.18	50,000	2020/08/05	3 years	50,000	50,000
20 Bocomm 02	RMB	Chinese Mainland	3.50	40,000	2020/11/11	3 years	40,000	40,000
21 Bocom Micro Small Enterprises Bond	RMB	Chinese Mainland	3.40	40,000	2021/04/06	3 years	40,000	40,000
22 Bocom Micro Small Enterprises Bond 01	RMB	Chinese Mainland	2.75	30,000	2022/06/15	3 years	29,999	29,999
22 Bocom Micro Small Enterprises Bond 02	RMB	Chinese Mainland	2.98	30,000	2022/12/09	3 years	29,999	29,998
22 Bocom Green Financial Bond	RMB	Chinese Mainland	2.42	20,000	2022/08/05	3 years	19,999	19,999
22 Bocom Green Financial Bond 02	RMB	Chinese Mainland	2.96	10,000	2022/12/09	3 years	9,999	9,999
23 Bocom Micro Small Enterprises Bond 01	RMB	Chinese Mainland	2.80	30,000	2023/03/27	3 years	29,998	–
23 Bocom Green Financial Bond 01	RMB	Chinese Mainland	2.77	30,000	2023/04/25	3 years	29,999	–
23 Hong Kong medium-term notes 04	USD	Chinese Mainland	5.07	60	2023/06/29	3 years	433	–
23 Hong Kong medium-term notes 05	USD	Chinese Mainland	5.07	20	2023/06/29	3 years	144	–
23 Hong Kong medium-term notes 06	USD	Chinese Mainland	5.07	50	2023/06/29	3 years	361	–
23 Hong Kong medium-term notes 07	USD	Chinese Mainland	5.07	40	2023/06/29	3 years	288	–
23 Hong Kong medium-term notes 08	USD	Chinese Mainland	5.07	15	2023/06/29	3 years	108	–
18 medium-term notes 02	USD	Hong Kong, China	3MLibor+0.85	700	2018/05/17	5 years	–	4,876
20 Hong Kong medium-term notes 02	USD	Hong Kong, China	3MLibor+0.58	1,300	2020/01/22	3 years	–	9,055
20 Hong Kong medium-term notes 04	USD	Hong Kong, China	3MLibor+0.75	100	2020/06/05	3 years	–	696
20 Hong Kong medium-term notes 05	USD	Hong Kong, China	3MLibor+0.80	650	2020/07/20	3 years	4,695	4,528
20 Hong Kong medium-term notes 06	USD	Hong Kong, China	3MLibor+0.90	400	2020/07/20	5 years	2,889	2,786
20 Hong Kong medium-term notes 07	USD	Hong Kong, China	1.20	800	2020/09/10	5 years	5,768	5,560
20 Hong Kong medium-term notes 08	USD	Hong Kong, China	3MLibor+0.80	350	2020/09/10	3 years	2,528	2,438
21 Macau PA-medium-term notes	MOP	Macau, China	0.85	1,200	2021/12/15	2 years	1,074	1,038
P14JHTP1D	RMB	Taiwan, China	4.00	200	2014/12/04	10 years	203	199
Subtotal							298,484	251,171

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

30 DEBT SECURITIES ISSUED *(Continued)*

(1) Bonds *(Continued)*

Detailed information of bonds held at amortised cost is as follows: (Continued)

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Ending balance	Opening balance
Subsidiaries								
20 Leasing 01	RMB	Chinese Mainland	3.65	3,000	2020/11/05	3 years	2,999	2,998
21 Leasing 01	RMB	Chinese Mainland	3.62	4,000	2021/03/01	3 years	3,998	3,996
21 Leasing 02	RMB	Chinese Mainland	3.45	3,000	2021/04/22	3 years	2,629	2,627
22 Pearl notes	RMB	Chinese Mainland	2.90	2,400	2022/12/15	3 years	1,681	1,680
19 USD medium-term notes 02	USD	Hong Kong, China	4.375	700	2019/01/22	5 years	3,148	3,001
19 USD medium-term notes 04	USD	Hong Kong, China	3M Synthetic Libor + 1.175	400	2019/09/05	5 years	1,276	1,228
19 USD medium-term notes 05	USD	Hong Kong, China	2.625	200	2019/09/05	5 years	819	809
19 USD medium-term notes 07	USD	Hong Kong, China	3M Synthetic Libor + 1.075	600	2019/12/10	5 years	1,800	1,450
20 USD medium-term notes 01	USD	Hong Kong, China	3M Synthetic Libor + 0.95	500	2020/03/02	5 years	1,933	1,842
20 USD medium-term notes 02	USD	Hong Kong, China	3M Synthetic Libor + 0.83	300	2020/03/02	3 years	–	1,628
20 USD medium-term notes 03	USD	Hong Kong, China	1.75	350	2020/07/14	3 years	1,719	1,661
20 USD medium-term notes 04	USD	Hong Kong, China	3M Synthetic Libor + 1.70	450	2020/07/14	5 years	1,522	1,616
21 USD medium-term notes 01	USD	Hong Kong, China	1.125	500	2021/06/18	3 years	2,116	2,181
21 HKD medium-term notes 02	HKD	Hong Kong, China	1.07	775	2021/09/27	3 years	715	692
23 RMB Private Bond 01	RMB	Hong Kong, China	4.55	1,000	2023/03/07	2 years	998	–
23 HKD medium-term notes 01	HKD	Hong Kong, China	4.55	750	2023/03/08	1 year	715	–
23 HKD medium-term notes 02	HKD	Hong Kong, China	4.85	385	2023/03/10	1 year	354	–
23 USD medium-term notes 03	USD	Hong Kong, China	5.15	450	2023/03/10	1 year	3,241	–
23 USD medium-term notes 04	USD	Hong Kong, China	4.55	150	2023/03/10	6 months	1,098	–
23 USD medium-term notes 05	USD	Hong Kong, China	5.55	55	2023/03/15	1 year	–	–
23 USD medium-term notes 06	USD	Hong Kong, China	5.50	50	2023/03/15	1 year	18	–
23 USD medium-term notes 07	USD	Hong Kong, China	5.00	37	2023/03/28	10 months	266	–
23 USD medium-term notes 08	USD	Hong Kong, China	5.50	115	2023/06/21	11 months	827	–
13 Azure Orbit	USD	Hong Kong, China	3.75	500	2013/03/06	10 years	–	3,482
5 Year USD bond	USD	Hong Kong, China	3.75	950	2018/01/25	5 years	–	6,615
10 Year USD bond	USD	Hong Kong, China	4.00	250	2018/01/25	10 years	1,794	1,728
Azure Nova	USD	Hong Kong, China	4.25	250	2017/03/21	10 years	1,802	1,736
20 Financial Investing 01	RMB	Chinese Mainland	2.70	3,000	2020/03/11	3 years	–	2,998
20 Financial Investing 02	RMB	Chinese Mainland	2.80	7,000	2020/03/11	5 years	6,995	6,995
21 Bocomm International 01	USD	Hong Kong, China	1.75	500	2021/06/22	5 years	3,323	3,223
19 Brazil bonds	BRL	Brazil	110%SELIC	200	2019/01/30	5 years	56	52
22 Brazil bonds 01	BRL	Brazil	CDI + 2.60	270	2022/02/07	10 years	387	357
22 Brazil bonds 02	BRL	Brazil	CDI + 2.40	200	2022/11/29	10 years	286	264
Subtotal							48,515	54,859
Total							346,999	306,030

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

30 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
The Bank								
23 Hong Kong medium-term notes 09	USD	Chinese Mainland	5.24	50	2023/06/26	5 years	357	–
23 Hong Kong medium-term notes 10	USD	Chinese Mainland	5.24	40	2023/06/26	5 years	285	–
23 Hong Kong medium-term notes 11	USD	Chinese Mainland	5.24	50	2023/06/26	5 years	357	–
19 Hong Kong medium-term notes	HKD	Hong Kong, China	2.85	3,500	2019/03/21	5 years	3,209	3,120
21 Hong Kong medium-term notes 01	HKD	Hong Kong, China	0.95	1,200	2021/12/13	2 years	1,094	1,031
21 Hong Kong medium-term notes 02	RMB	Hong Kong, China	3.15	1,000	2021/12/13	3 years	1,002	1,004
22 Hong Kong medium-term notes 01	HKD	Hong Kong, China	1.80	1,200	2022/03/21	2 years	1,089	1,039
22 Hong Kong medium-term notes 02	RMB	Hong Kong, China	3.20	2,800	2022/03/21	2 years	2,819	2,834
22 Hong Kong medium-term notes 03	USD	Hong Kong, China	2.375	400	2022/03/21	3 years	2,764	2,661
22 Hong Kong medium-term notes 04	RMB	Hong Kong, China	3.05	1,420	2022/11/30	2 years	1,422	1,426
22 Hong Kong medium-term notes 05	USD	Hong Kong, China	4.75	200	2022/11/30	3 years	1,429	1,393
23 Hong Kong medium-term notes 01	HKD	Hong Kong, China	4.50	2,700	2023/02/28	2 years	2,530	–
23 Hong Kong medium-term notes 02	RMB	Hong Kong, China	2.97	3,800	2023/02/28	2 years	3,830	–
23 Hong Kong medium-term notes 03	USD	Hong Kong, China	4.875	600	2023/02/28	3 years	4,369	–
Total							26,556	14,508

(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									
19 BoComm 01	RMB	Chinese Mainland	4.10	30,000	2019/08/14	10 years	(a)	29,998	29,998
19 BoComm 02	RMB	Chinese Mainland	4.49	10,000	2019/08/14	15 years	(b)	9,999	9,999
20 BoComm	RMB	Chinese Mainland	3.24	40,000	2020/05/19	10 years	(c)	39,997	39,997
21 BoComm	RMB	Chinese Mainland	3.65	30,000	2021/09/23	10 years	(d)	29,999	29,999
22 BoComm 01	RMB	Chinese Mainland	3.45	30,000	2022/02/23	10 years	(e)	29,999	29,999
22 BoComm 02A	RMB	Chinese Mainland	3.03	37,000	2022/11/11	10 years	(f)	36,999	36,998
22 BoComm 02B	RMB	Chinese Mainland	3.36	13,000	2022/11/11	15 years	(g)	12,999	12,999
Subtotal								189,990	189,989
Subsidiaries									
18 Leasing	RMB	Chinese Mainland	5.15	2,000	2018/09/18	10 years	(h)	1,997	1,996
21 BoComm Hong Kong	USD	Hong Kong, China	2.304	1,000	2021/07/08	10 years	(i)	7,222	6,966
Subtotal								9,219	8,962
Total								199,209	198,951

30 DEBT SECURITIES ISSUED *(Continued)*

(2) Tier 2 capital bonds *(Continued)*

(a) 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 NFRA's permission is acquired in advance and the Group's capital structure fulfills the NFRA requirements on capital if the redemption is exercised.

(b) 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 NFRA's permission is acquired in advance and the Group's capital structure fulfills the NFRA requirements on capital if the redemption is exercised.

(c) 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 NFRA's permission is acquired in advance and the Group's capital structure fulfills the NFRA requirements on capital if the redemption is exercised.

(d) 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 NFRA's permission is acquired in advance and the Group's capital structure fulfills the NFRA requirements on capital if the redemption is exercised.

(e) 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 NFRA's permission is acquired in advance and the Group's capital structure fulfills the NFRA requirements on capital if the redemption is exercised.

(f) The Group has an option to redeem 22 BoComm 02A at the par value partially or as a whole on 15 November 2027, the first day upon the end of the fifth interest-bearing year, provided that the NFRA's permission is acquired in advance and the Group's capital structure fulfills the NFRA requirements on capital if the redemption is exercised.

(g) The Group has an option to redeem 22 BoComm 02B at the par value partially or as a whole on 15 November 2032, the first day upon the end of the fifth interest-bearing year, provided that the NFRA's permission is acquired in advance and the Group's capital structure fulfills the NFRA requirements on capital if the redemption is exercised.

(h) 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 NFRA's permission is acquired in advance and the Group's capital structure fulfills the NFRA requirements on capital if the redemption is exercised.

(i) 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.

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

30 DEBT SECURITIES ISSUED *(Continued)*

(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	Chinese Mainland	4.30	3,000	2021/03/25	10 years	(a)	3,000	3,000
21 Insurance 02	RMB	Chinese Mainland	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 NFRA 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.

31 OTHER LIABILITIES

	Note	As at 30 June 2023	As at 31 December 2022
Insurance liabilities		102,110	90,805
Clearing and settlement		34,070	22,704
Dividends payable		29,986	378
Temporary receipts		21,079	35,912
Expected credit impairment allowance of credit related commitments and financial guarantees	(1)	11,099	11,291
Staff compensation payable		9,091	16,802
Lease liabilities		6,718	6,775
Deposits received for finance lease		6,385	6,414
VAT and other taxes payable		5,375	4,811
Special purpose funding		1,931	1,949
Provision for outstanding litigations	(2)	496	520
Others		57,699	52,019
Total		286,039	250,380

31 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 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	10,226	1,065	–	11,291
Transfers:				
Transfer to Stage 1	*387*	*(387)*	–	–
Transfer to Stage 2	*(111)*	*111*	–	–
Transfer to Stage 3	–	–	–	–
(Reversal)/provision	(247)	135	–	(112)
Others	(17)	(63)	–	(80)
As at 30 June 2023	10,238	861	–	11,099

	For the year ended 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	8,736	506	–	9,242
Transfers:				
Transfer to Stage 1	*24*	*(24)*	–	–
Transfer to Stage 2	*(333)*	*333*	–	–
Transfer to Stage 3	–	–	–	–
Provision	1,798	560	–	2,358
Others	1	(310)	–	(309)
As at 31 December 2022	10,226	1,065	–	11,291

(2) Movements in the provision for outstanding litigations

	As at 1 January 2023	Amounts reversed during the period	Amounts settled during the period	As at 30 June 2023
Provision for outstanding litigations	520	(22)	(2)	496

	As at 1 January 2022	Amounts accrued during the period	Amounts settled during the period	As at 31 December 2022
Provision for outstanding litigations	472	56	(8)	520

32 SHARE CAPITAL AND CAPITAL SURPLUS

	Number of shares (in millions)	Ordinary shares of RMB1 each	Capital surplus
As at 1 January 2023	74,263	74,263	111,429
As at 30 June 2023	74,263	74,263	111,428

	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 31 December 2022	74,263	74,263	111,429

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

32 SHARE CAPITAL AND CAPITAL SURPLUS *(Continued)*

As at 30 June 2023 and 31 December 2022, 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 2023 and 31 December 2022, the Group's capital surplus is listed as follows:

	As at 1 January 2023	Additions	Reductions	As at 30 June 2023
Share premium	110,770	–	–	110,770
Other capital reserve	659	–	(1)	658
Total	111,429	–	(1)	111,428

	As at 1 January 2022	Additions	Reductions	As at 31 December 2022
Share premium	110,770	–	–	110,770
Other capital reserve	658	1	–	659
Total	111,428	1	–	111,429

33 OTHER EQUITY INSTRUMENTS

(1) Preference shares

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

	Issue date	Accounting classification	Original 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	RMB 100/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 2023	Additions	Decreases	As at 30 June 2023
Domestic preferences shares				
Amount (shares)	450,000,000	–	–	450,000,000
In RMB (millions)	44,952	–	–	44,952

33 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 2023
(All amounts presented in millions of RMB except when otherwise indicated)

33 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 NFRA 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(i)	18 September 2019	Equity	4.20	RMB100/bond	400,000,000	40,000	40,000	No fixed maturity date
20 BoComm perpetual bonds(ii)	23 September 2020	Equity	4.59	RMB100/bond	300,000,000	30,000	30,000	No fixed maturity date
21 BoComm perpetual bonds(ii)	8 June 2021	Equity	4.06	RMB100/bond	415,000,000	41,500	41,500	No fixed maturity date
Perpetual bonds in USD(iii)	11 November 2020	Equity	3.80	No less than USD200,000/ bond	Not Applicable	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.

33 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 NFRA 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 2023
(All amounts presented in millions of RMB except when otherwise indicated)

33 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 specified denomination of the bonds is not less than USD200,000, the exceeding part need to be integral multiple of USD1000 and issued at 100% of the specified denomination. 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 NFRA, 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 2023	As at 31 December 2022
Total equity attributable to equity holders of the parent company	1,043,083	1,022,024
– Equity attributable to ordinary shareholders of the parent company	868,293	847,234
– 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	11,816	11,498
– Equity attributable to non-controlling interests of ordinary shares	8,247	8,040
– Equity attributable to non-controlling interests of Non-cumulative Subordinated Additional Tier-1 Capital Securities (Note 36)	3,569	3,458

Dividends paid to preference shareholders and interest paid to perpetual bond holders for the six months ended 30 June 2023 are disclosed in Note 35.

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

34 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.

	For the six months ended 30 June 2023			
	As at 1 January 2023	Appropriate	Decrease	As at 30 June 2023
Statutory reserve	88,154	8,468	–	96,622
Discretionary reserve	140,182	–	–	140,182
Total	228,336	8,468	–	236,804

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.

	For the six months ended 30 June 2023			
	As at 1 January 2023	Appropriate	Decrease	As at 30 June 2023
Statutory general reserve	144,541	13,579	–	158,120

Retained earnings

The movements of retained earnings are set out below:

	Note	
As at 31 December 2022		292,734
Changes in accounting policies		127
As at 1 January 2023		292,861
Profit for the period		46,039
Appropriation to statutory reserve		(8,468)
Appropriation to discretionary reserve		–
Appropriation to general reserve		(13,579)
Dividends payable to ordinary shareholders		(27,700)
Dividends payable to preference shareholders		(1,832)
Interest to perpetual bond holders		(1,685)
Others		95
As at 30 June 2023	(1)	285,731

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

For the six months ended 30 June 2023
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34 OTHER RESERVES AND RETAINED EARNINGS *(Continued)*

Retained earnings *(Continued)*

	Note	
As at 1 January 2022		257,187
Profit for the year		92,102
Appropriation to statutory reserve		(8,187)
Appropriation to discretionary reserve		(160)
Appropriation to general reserve		(14,261)
Dividends payable to ordinary shareholders		(26,363)
Dividends payable to preference shareholders		(1,832)
Interest to perpetual bond holders		(5,651)
Others		(101)
As at 31 December 2022	(1)	292,734

(1) Retained earnings at the end of the period

As at 30 June 2023, the consolidated retained earnings attributable to the Bank included retained earnings transferred to share capital by the Bank's subsidiary amounting to RMB6 billion (As at 31 December 2022: Nil). The Bank's subsidiary did not provide the Bank with the option to receive equivalent cash dividends or profits.

35 DIVIDENDS

	Six months ended 30 June	
	2023	2022
Dividends to ordinary shareholders of the Bank	**27,700**	26,363
Dividends to preference shareholders of the Bank	**1,832**	1,832
Interest to perpetual bond holders of the Bank	**1,685**	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 27 June 2023, the Bank appropriated a cash dividend of RMB0.373 (before tax) for each ordinary share, with total amount of RMB27,700 million, calculated based on 74,263 million shares outstanding as at 31 December 2022, will be distributed to ordinary shareholders.

Pursuant to the approval by the Board meeting on 28 April 2023, 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 2023.

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

36 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 2023, equity attributable to other equity instruments holders was RMB3,569 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	USD500 million
First Call Date	3 March 2025
Coupon 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 RMB65 million during the six months ended 30 June 2023.

37 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 31. 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 2023	As at 31 December 2022
Outstanding litigations	**1,565**	2,017
Provision for outstanding litigation (Note 31)	**496**	520

Future receivables from operating leases

The Group acts as lessor in operating leases principally through aircrafts, vessels and equipments leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft, vessel and equipments under irrevocable operating leases are as follows:

	As at 30 June 2023	As at 31 December 2022
Within 1 year	**19,040**	16,880
After 1 year and within 2 years	**17,403**	15,635
After 2 years and within 3 years	**16,181**	14,209
After 3 years and within 4 years	**15,028**	12,954
After 4 years and within 5 years	**12,778**	11,374
After 5 years	**54,083**	43,924
Total	**134,513**	114,976

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

38 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 2023	As at 31 December 2022
Loan commitments		
– Under 1 year	16,801	10,129
– 1 year and above	79,090	71,743
Credit card commitments	974,910	998,125
Acceptance bills	515,348	536,574
Letters of guarantee	439,712	420,167
Letters of credit commitments	187,629	183,717
Total	2,213,490	2,220,455

Capital expenditure commitments

	As at 30 June 2023	As at 31 December 2022
Contracted but not provided for	99,088	94,654

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 2023, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB67,677 million (As at 31 December 2022: RMB66,715million).

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 2023, The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material (As at 31 December 2022: not material).

As at 30 June 2023, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (As at 31 December 2022: Nil).

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

39 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 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
Investment securities	862,925	751,853	738,324	692,106
Bills	3,389	2,112	3,389	2,112
Total	866,314	753,965	741,713	694,218

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 44 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 2023 amounted to RMB14,564 million in total (As at 31 December 2022: RMB4,217 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.

40 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2023		
	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	3,254	(521)	2,733
Amount recognised in equity	*3,507*	*(584)*	*2,923*
Amount reclassified to profit or loss	*(253)*	*63*	*(190)*
Expected credit losses of debt instruments measured at fair value through other comprehensive income	541	(93)	448
Amount recognised in equity	*541*	*(93)*	*448*
Amount reclassified to profit or loss	*–*	*–*	*–*
Effective portion of gains or losses on hedging instruments in cash flow hedges	(239)	48	(191)
Amount recognised in equity	*(1,423)*	*344*	*(1,079)*
Amount reclassified to profit or loss	*1,184*	*(296)*	*888*
Translation difference on foreign operations	3,865	–	3,865
Changes in fair value of equity investments designated at FVOCI	814	315	1,129
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL	(148)	–	(148)
Actuarial gains on pension benefits	4	–	4
Others	(1,919)	474	(1,445)
Other comprehensive income for the period	6,172	223	6,395

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

40 OTHER COMPREHENSIVE INCOME *(Continued)*

	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	(8,907)	1,792	(7,115)
Amount recognised in equity	*(8,099)*	*1,591*	*(6,508)*
Amount reclassified to profit or loss	*(808)*	*201*	*(607)*
Expected credit losses of debt instruments measured at fair value through other comprehensive income	288	8	296
Amount recognised in equity	*288*	*8*	*296*
Amount reclassified to profit or loss	*–*	*–*	*–*
Effective portion of gains or losses on hedging instruments in cash flow hedges	745	(133)	612
Amount recognised in equity	*875*	*(166)*	*709*
Amount reclassified to profit or loss	*(130)*	*33*	*(97)*
Translation difference on foreign operations	4,122	–	4,122
Changes in fair value of equity investments designated at FVOCI	(216)	71	(145)
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	(117)	55	(62)
Other comprehensive income for the period	(4,059)	1,793	(2,266)

41 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 2023	As at 30 June 2022
Cash and balances with central banks	**97,146**	68,425
Due from and placements with banks and other financial institutions	**127,052**	110,718
Total	**224,198**	179,143

42 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.

43 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.

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

43 UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

As at 30 June 2023, those unconsolidated structured entities sponsored by the Group consist primarily of wealth management products, funds, trusts, asset management products and securitisation products. The Group earns commission income by providing management services to the investors of these structured entities, and 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 2023, the balance of the wealth management products set up by the Group amounted to RMB1,254,462 million (As at 31 December 2022: RMB1,206,901 million), the balance of funds issued by the Group amounted to RMB527,488 million, the balance of trusts and asset management plans and others sponsored by the Group amounted to RMB584,199 million (As at 31 December 2022: the balance of funds issued by the Group amounted to RMB531,253 million, the balance of trusts and asset management plans and others sponsored by the Group amounted to RMB569,762 million).

For the six months ended 30 June 2023, the Group's commission income from providing services to the structured entities managed by the Group was RMB4,088 million (For the six months ended 30 June 2022: RMB5,232 million), and no interest income from placements and repurchase transactions with those unconsolidated wealth management products (For the six months ended 30 June 2022: Nil).

As at 30 June 2023 and 31 December 2022, the carrying amount of interests in unconsolidated structured entities held by the Group through investment was set out as follows:

As at 30 June 2023	**Carrying amount**				
	Financial investments at FVTPL	**Financial investments at amortised cost**	**Financial investments at FVOCI**	**Maximum exposure to loss**	Type of income
Funds	**201,580**	**–**	**352**	**201,932**	Net gains arising from trading activities
Trusts and asset management products	**9,567**	**58,543**	**–**	**68,110**	Net interest income, net gains arising from trading activities
Securitisation products	**177**	**171**	**–**	**348**	Net interest income, net gains arising from trading activities
Total	**211,324**	**58,714**	**352**	**270,390**	

As at 31 December 2022	Carrying amount				
	Financial investments at FVTPL	Financial investments at amortised cost	Financial investments at FVOCI	Maximum exposure to loss	Type of income
Funds	200,349	–	352	200,701	Net gains arising from trading activities
Trusts and asset management products	9,141	60,463	–	69,604	Net interest income, net gains arising from trading activities
Securitisation products	170	261	–	431	Net interest income, net gains arising from trading activities
Total	209,660	60,724	352	270,736	

The information of total size of the unconsolidated structured entities listed above is not readily available from the public domain.

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

44 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 sell 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 2023 and 31 December 2022, 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 26).

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 2023	As at 31 December 2022	**As at 30 June 2023**	As at 31 December 2022
Investment securities	**11,793**	6,030	**10,041**	5,140

(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 2023, the carrying value of debt securities lent to counterparties was RMB13,043 million (As at 31 December 2022: RMB4,513 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 2023, loans with an original value of RMB81,727 million and carrying amount of RMB62,806 million (As at 31 December 2022: RMB88,308 million and RMB63,538 million) have been securitised by the Group, among which the Group transferred financial assets amounted to RMB29,593 million through assets backed securitization transactions, and all have met the requirement of derecognition (As at 31 December 2022: RMB36,174 million, all have met the requirement of derecognition).

As at 30 June 2023, 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 (As at 31 December 2022: RMB5,529 million).

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

44 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 2023, the Group had batch transferred non-performing loans and advances to customers with a gross carrying amount of RMB748 million (For the six months ended 30 June 2022: RMB1,878 million) and collected cash totalling RMB704million (For the six months ended 30 June 2022: RMB1,143 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.

45 RELATED PARTY TRANSACTIONS

(1) Transactions with the MOF

As at 30 June 2023, the MOF held 17,732 million (As at 31 December 2022: 17,732 million) ordinary shares of Bank of Communications Co., Ltd. which represented 23.88% (As at 31 December 2022: 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 2023	As at 31 December 2022
Bonds issued by the MOF investment		
Financial investments at FVTPL	**21,114**	31,464
Financial investments at amortised cost	**985,414**	871,172
Financial investments at FVOCI	**141,299**	201,369

	Six months ended 30 June	
	2023	2022
Interest income	**16,320**	13,710

(2) Transactions with the National Council for Social Security Fund

As at 30 June 2023, the National Council for Social Security Fund held 12,155 million (As at 31 December 2022: 12,155 million) ordinary shares of Bank of Communications Co., Ltd. which represented 16.37% (As at 31 December 2022: 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.

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

45 RELATED PARTY TRANSACTIONS *(Continued)*

(2) Transactions with the National Council for Social Security Fund *(Continued)*

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2023	As at 31 December 2022
Deposits from customers	92,905	92,409

	Six months ended 30 June 2023	2022
Interest expenses	(1,896)	(1,912)

(3) Transactions with the Hongkong and Shanghai Banking Corporation Limited ("HSBC") Group and its joint ventures

As at 30 June 2023, HSBC held 13,886 million (As at 31 December 2022: 13,886 million) ordinary shares of the Bank of Communications Co., Ltd. which represented 18.70% (As at 31 December 2022: 18.70%) 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 2023	As at 31 December 2022
On-balance sheet items		
Due from and placements with banks and other financial institutions	859	2,819
Derivative financial assets	5,462	1,902
Loans and advances to customers	3,597	403
Financial investments at FVTPL	1,853	2,271
Financial investments at amortised cost	2,856	2,755
Financial investments at FVOCI	6,795	6,140
Due to and placements from banks and other financial institutions	26,516	26,508
Financial liabilities at FVTPL	–	1,830
Derivative financial liabilities	3,037	1,722
Certificates of deposits issued	94,153	–
Off-balance sheet items		
Notional principal of derivative financial instruments	269,971	153,484
Credit related commitments and financial guarantees	–	16

	Six months ended 30 June 2023	2022
Interest income	321	112
Interest expense	(1,114)	(27)
Fee and commission income	42	–
Fee and commission expense	(7)	(7)

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

45 RELATED PARTY TRANSACTIONS *(Continued)*

(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.

(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 21.

Details of transaction volumes and outstanding balances are summarised below:

The Bank	As at 30 June 2023	As at 31 December 2022
Due from and placements with banks and other financial institutions	152,513	169,576
Derivative financial assets	287	902
Loans and advances to customers	282	505
Financial investments at FVTPL	246	237
Financial investments at amortised cost	1,907	1,861
Financial investments at FVOCI	10,995	10,280
Other assets	735	734
Due to and placements from banks and other financial institutions	9,908	9,246
Derivative financial liabilities	9,902	9,572
Deposits from customers	8,015	8,313
Other liabilities	141	279

	Six months ended 30 June	
The Bank	2023	2022
Interest income	3,800	1,329
Interest expense	(249)	(174)
Fee and commission income	1,027	960
Fee and commission expense	(23)	(29)
Other operating income	353	301
Other operating expenses	(59)	(51)

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

45 RELATED PARTY TRANSACTIONS *(Continued)*

(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 2023	As at 31 December 2022
Loans and advances to customers	0	1
Deposits from customers	17	10

Compensations of directors and senior management are disclosed in Note 13.

(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 22.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2023	As at 31 December 2022
On-balance sheet items		
Due from and placements with banks and other financial institutions	400	–
Derivative financial assets	1,280	1,212
Loans and advances to customers	10,489	20,765
Financial investments at amortised cost	–	102
Due to and placements from banks and other financial institutions	772	907
Derivative financial liabilities	42	25
Due to customers	998	84
Off-balance sheet items		
Notional principal of derivative financial instruments	4,258	4,594
Credit related commitments and financial guarantees	11,843	6,400

	Six months ended 30 June	
	2023	2022
Interest income	199	175
Interest expense	(5)	(19)

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

45 RELATED PARTY TRANSACTIONS *(Continued)*

(8) Transactions with other related parties

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2023	As at 31 December 2022
On-balance sheet items		
Loans and advances to customers	294	677
Due to and placements from banks and other financial institutions	497	331
Deposits from customers	83,120	70,307
Off-balance sheet items		
Credit related commitments and financial guarantees	–	904

	Six months ended 30 June	
	2023	2022
Interest income	8	8
Interest expense	(1,021)	(1,509)

(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 2023		As at 31 December 2022	
	Balances	%	Balances	%
On-balance sheet items				
Due from and placements with banks and other financial institutions	1,445	0.17	2,819	0.41
Derivative financial assets	6,742	6.59	3,114	4.47
Loans and advances to customers	14,380	0.19	21,846	0.31
Financial investments at FVTPL	22,967	3.46	33,735	4.78
Financial investments at amortised cost	988,270	38.88	874,029	35.66
Financial investments at FVOCI	148,094	17.98	207,509	25.97
Due to and placements from banks and other financial institutions	(27,785)	1.31	(27,746)	1.36
Financial liabilities at FVTPL	–	–	(1,830)	3.82
Derivative financial liabilities	(3,079)	3.63	(1,747)	3.73
Deposits from customers	(177,040)	2.06	(162,810)	2.05
Certificates of deposits issued	(94,153)	8.93	–	–
Off-balance sheet items				
Notional principal of derivative financial instruments	274,229	3.48	158,078	2.44
Credit related commitments and financial guarantees	11,843	0.54	7,320	0.33

	Six months ended 30 June			
	2023		2022	
	Amount	%	Amount	%
Interest income	16,848	7.27	14,005	6.91
Interest expense	(4,036)	2.76	(3,467)	2.95
Fee and commission income	42	0.16	–	–
Fee and commission expense	(7)	0.33	(7)	0.29

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

46 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.

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. 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.

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 tax is managed on a group basis and is not allocated to operating 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:

– Head Office: Head Office, including the Pacific Credit Card Centre;

– Yangtze River Delta: including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province and Anhui Province;

– Central China: including Shanxi Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Hainan Province and Guangxi Zhuang Autonomous Region;

– Bohai Rim Economic Zone: including Beijing, Tianjin, Hebei Province and Shandong Province;

– Pearl River Delta: including Fujian Province and Guangdong Province;

– Western China: including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Inner Mongolia Autonomous Region, Ningxia Autonomous Region, Xinjiang Uyghur Autonomous Region and Tibet Autonomous Region;

– North Eastern 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 and Johannesburg.

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

46 SEGMENTAL ANALYSIS *(Continued)*

Geographical operating segment information *(Continued)*

	Six months ended 30 June 2023								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External net interest income/(expense)	11,909	5,185	(1,251)	11,024	8,414	(711)	6,037	41,780	82,387
Inter-segment net interest income/(expense)	13,585	4,912	13,335	4,669	1,152	3,572	462	(41,687)	–
Net interest income	25,494	10,097	12,084	15,693	9,566	2,861	6,499	93	82,387
Fee and commission income	6,758	2,299	3,151	3,423	1,819	695	1,169	7,377	26,691
Fee and commission expense	(804)	(18)	(36)	(56)	(10)	(7)	(99)	(1,081)	(2,111)
Net fee and commission income	5,954	2,281	3,115	3,367	1,809	688	1,070	6,296	24,580
Net gains arising from trading activities	5,463	227	150	232	25	39	1,420	10,081	17,637
Net gains/(loss) arising from financial investments	261	–	–	–	–	10	(114)	(189)	(32)
Share of (loss)/profits of associates and joint ventures	(7)	–	–	–	–	–	19	149	161
Other operating income	11,137	168	309	212	162	64	325	197	12,574
Total operating income -net	48,302	12,773	15,658	19,504	11,562	3,662	9,219	16,627	137,307
Credit impairment losses	(6,672)	(5,519)	(3,361)	(4,474)	(3,915)	(1,314)	(2,356)	(8,735)	(36,346)
Other assets impairment (losses)/reversal	(596)	–	1	1	(1)	1	–	–	(594)
Other operating expense	(15,984)	(3,773)	(4,646)	(4,924)	(3,403)	(1,738)	(2,806)	(13,419)	(50,693)
Profit/(loss) before tax	25,050	3,481	7,652	10,107	4,243	611	4,057	(5,527)	49,674
Income tax									(3,108)
Net profit for the period									46,566
Depreciation and amortisation	(902)	(470)	(592)	(588)	(472)	(249)	(276)	(1,183)	(4,732)
Capital expenditure	(25,586)	(55)	(72)	(228)	(101)	(80)	(145)	(545)	(26,812)

	Six months ended 30 June 2022								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External net interest income/(expense)	14,940	6,817	(185)	11,644	9,207	(143)	5,246	37,539	85,065
Inter-segment net interest income/(expense)	10,552	3,107	12,512	3,615	677	3,167	(47)	(33,583)	–
Net interest income	25,492	9,924	12,327	15,259	9,884	3,024	5,199	3,956	85,065
Fee and commission income	7,984	2,182	3,224	3,300	1,754	653	1,208	6,767	27,072
Fee and commission expense	(1,506)	(23)	(34)	(72)	(11)	(8)	(105)	(539)	(2,298)
Net fee and commission income	6,478	2,159	3,190	3,228	1,743	645	1,103	6,228	24,774
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
Share of (loss)/profits of associates and joint ventures	(36)	–	–	–	–	–	4	102	70
Other operating income	8,261	245	514	378	378	122	328	345	10,571
Total operating income -net	43,093	12,584	16,311	19,292	12,044	3,841	5,647	18,282	131,094
Credit impairment (losses)/reversal	(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)
Other operating expense	(14,107)	(3,513)	(4,507)	(4,777)	(3,366)	(1,721)	(2,454)	(13,490)	(47,935)
Profit/(loss) before tax	21,003	4,277	2,459	14,842	2,924	325	2,251	(2,439)	45,642
Income tax									(1,491)
Net profit for the period									44,151
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 2023
(All amounts presented in millions of RMB except when otherwise indicated)

46 SEGMENTAL ANALYSIS *(Continued)*

Geographical operating segment information *(Continued)*

	As at 30 June 2023									
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	3,450,619	1,358,511	1,940,077	1,540,543	1,028,478	478,383	1,284,417	5,247,902	(2,558,821)	13,770,109
Including:										
Investments in associates and joint ventures	*1,433*	–	–	*1*	–	–	*994*	*6,359*	–	*8,787*
Unallocated assets										43,251
Total assets										13,813,360
Segment liabilities	(3,341,653)	(1,353,180)	(1,930,439)	(1,511,603)	(1,022,168)	(479,980)	(1,182,746)	(4,493,104)	2,558,821	(12,756,052)
Unallocated liabilities										(2,409)
Total liabilities										(12,758,461)

	As at 31 December 2022									
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	3,194,409	1,234,660	1,889,591	1,410,944	971,233	459,731	1,147,452	4,949,513	(2,305,474)	12,952,059
Including:										
Investments in associates and joint ventures	*1,439*	–	–	*1*	–	–	*1,010*	*6,300*	–	*8,750*
Unallocated assets										39,512
Total assets										12,991,571
Segment liabilities	(2,931,210)	(1,219,145)	(1,872,761)	(1,364,697)	(960,633)	(462,599)	(1,086,247)	(4,364,445)	2,305,474	(11,956,263)
Unallocated liabilities										(1,786)
Total liabilities										(11,958,049)

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.

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.

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

46 SEGMENTAL ANALYSIS *(Continued)*

Business information *(Continued)*

The business information of the Group is summarised as follows:

	Six months ended 30 June 2023				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	41,844	13,012	27,546	(15)	82,387
Inter-segment net interest income/(expense)	3,449	23,246	(26,695)	–	–
Net interest income/(expense)	45,293	36,258	851	(15)	82,387
Net fee and commission income	6,251	15,204	3,037	88	24,580
Net gains/(loss) arising from trading activities	4,867	1,085	11,981	(296)	17,637
Net gains/(loss) arising from financial investments	48	177	(257)	–	(32)
Share of profits/(loss) of associates and joint ventures	26	–	(7)	142	161
Other operating income	10,327	1,640	411	196	12,574
Total operating income-net	66,812	54,364	16,016	115	137,307
Credit impairment losses	(22,478)	(12,773)	(1,095)	–	(36,346)
Other assets impairment (losses)/reversal	(600)	6	–	–	(594)
Other operating expense					
– Depreciation and amortisation	(1,856)	(2,528)	(287)	(61)	(4,732)
– Others	(21,264)	(21,925)	(2,517)	(255)	(45,961)
Profit/(loss) before tax	20,614	17,144	12,117	(201)	49,674
Income tax					(3,108)
Net profit for the period					46,566
Depreciation and amortisation	(1,856)	(2,528)	(287)	(61)	(4,732)
Capital expenditure	(26,193)	(423)	(82)	(114)	(26,812)

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

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

46 SEGMENTAL ANALYSIS *(Continued)*

Business information *(Continued)*

	Six months ended 30 June 2022				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	39,882	24,022	21,147	14	85,065
Inter-segment net interest income/ (expense)	6,256	9,794	(16,050)	–	–
Net interest income	46,138	33,816	5,097	14	85,065
Net fee and commission income	6,030	15,504	3,156	84	24,774
Net gains/(loss) arising from trading activities	2,205	428	7,339	(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
Other operating income	7,904	2,090	473	104	10,571
Total operating income-net	62,310	52,531	15,961	292	131,094
Credit impairment (losses)/reversal	(27,354)	(9,779)	306	–	(36,827)
Other assets impairment losses	(675)	(15)	–	–	(690)
Other operating expense					
– Depreciation and amortisation	(1,647)	(2,267)	(253)	(43)	(4,210)
– Others	(18,685)	(22,575)	(2,204)	(261)	(43,725)
Profit/(loss) before tax	13,949	17,895	13,810	(12)	45,642
Income tax					(1,491)
Net profit for the period					44,151
Depreciation and amortisation	(1,647)	(2,267)	(253)	(43)	(4,210)
Capital expenditure	(20,132)	(1,233)	(146)	(69)	(21,580)

	As at 30 June 2023				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
Segment assets	**6,075,473**	**2,266,300**	**5,313,376**	**114,960**	**13,770,109**
Including:					
Investments in associates and joint ventures	***2,440***	***3***	***1,430***	***4,914***	***8,787***
Unallocated assets					**43,251**
Total assets					**13,813,360**
Segment liabilities	**(5,651,530)**	**(3,493,897)**	**(3,517,448)**	**(87,889)**	**(12,750,764)**
Unallocated liabilities					**(7,697)**
Total liabilities					**(12,758,461)**

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

46 SEGMENTAL ANALYSIS *(Continued)*

Business information *(Continued)*

	As at 31 December 2022				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	5,448,650	2,255,060	5,202,781	45,568	12,952,059
Including:					
Investments in associates and joint ventures	*2,427*	*3*	*1,436*	*4,884*	*8,750*
Unallocated assets					39,512
Total assets					12,991,571
Segment liabilities	(5,312,486)	(3,151,778)	(3,424,365)	(63,697)	(11,952,326)
Unallocated liabilities					(5,723)
Total liabilities					(11,958,049)

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.

47 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

In July 2023, the Bank issued a financial bond of RMB38,000 million with a maturity of 3 years and a coupon rate of 2.59% on the national interbank bond market.

48 COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

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

1 CURRENCY CONCENTRATIONS

	USD	HKD	Others	Total
As at 30 June 2023				
Spot assets	**1,043,500**	**266,770**	**282,022**	**1,592,292**
Spot liabilities	**(947,468)**	**(299,234)**	**(159,295)**	**(1,405,997)**
Forward purchases	**1,484,614**	**212,770**	**151,141**	**1,848,525**
Forward sales	**(1,696,314)**	**(125,449)**	**(222,766)**	**(2,044,529)**
Net option position	**7,197**	**195**	**(854)**	**6,538**
Net (short)/long position	**(108,471)**	**55,052**	**50,248**	**(3,171)**
Net structural position	**167,321**	**29,606**	**7,776**	**204,703**

	USD	HKD	Others	Total
As at 31 December 2022				
Spot assets	908,713	259,892	241,149	1,409,754
Spot liabilities	(942,837)	(300,722)	(145,452)	(1,389,011)
Forward purchases	1,203,294	190,054	141,921	1,535,269
Forward sales	(1,386,509)	(105,679)	(208,133)	(1,700,321)
Net option position	(89)	94	1,292	1,297
Net (short)/long position	(217,428)	43,639	30,777	(143,012)
Net structural position	145,847	29,508	7,788	183,143

The net options position is calculated using the approach set out by the China's National Financial Regulatory Administration 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 Chinese Mainland.

In respect of this unaudited supplementary financial information, Chinese Mainland excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Chinese Taiwan.

International claims include loans and advances to customers, due from and placements with banks and other financial institutions, trade bills and certificates of deposits held 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)

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

2 INTERNATIONAL CLAIMS *(Continued)*

As at 30 June 2023	Bank	Official sector	Non-bank Private sector	Others	Total
Asia Pacific	728,789	104,477	712,901	–	1,546,167
Of which attributed to Hong Kong	*236,500*	*64,173*	*342,673*	–	*643,346*
North and South America	18,513	13,889	30,370	–	62,772
Africa	1,157	1,509	203	–	2,869
Europe	10,164	646	30,480	–	41,290
Total	758,623	120,521	773,954	–	1,653,098

As at 31 December 2022	Bank	Official sector	Non-bank Private sector	Others	Total
Asia Pacific	680,295	109,709	711,608	–	1,501,612
Of which attributed to Hong Kong	*211,057*	*66,346*	*350,515*	–	*627,918*
North and South America	20,389	12,455	28,645	–	61,489
Africa	701	1,702	96	–	2,499
Europe	10,389	593	25,469	–	36,451
Total	711,774	124,459	765,818	–	1,602,051

3 OVERDUE AND RESTRUCTURED ASSETS

(1) Balance of overdue loans

	As at 30 June 2023	As at 31 December 2022
Loans and advances to customers which have been overdue for:		
– Less than 3 months	34,202	27,737
– 3 to 6 months	17,499	16,524
– 6 to 12 months	17,292	16,956
– Over 12 months	30,834	23,611
Total	99,827	84,828
Percentage (%):		
– Less than 3 months	0.44	0.38
– 3 to 6 months	0.22	0.23
– 6 to 12 months	0.22	0.23
– Over 12 months	0.40	0.32
Total	1.28	1.16

(2) Overdue and restructured loans

	As at 30 June 2023	As at 31 December 2022
Total restructured loans and advances to customers	14,171	13,660
Including: Restructured loans and advances to customers overdue above 3 months	*2,281*	*1,533*
Percentage of restructured loans and advances to customers overdue above 3 months in total loans	0.03	0.02

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

4 SEGMENTAL INFORMATION OF LOANS

(1) Impaired loans and advances to customers by geographical area

	As at 30 June 2023		As at 31 December 2022	
	Impaired loans and advances to customers	Allowance for impairment losses	Impaired loans and advances to customers	Allowance for impairment losses
Chinese mainland				
– Yangtze River Delta	19,823	(11,056)	21,107	(11,898)
– Central China	15,290	(7,011)	14,520	(6,287)
– Bohai Rim Economic Zone	14,190	(11,405)	10,707	(8,992)
– North Eastern China	12,883	(10,041)	13,595	(10,588)
– Head Office	11,713	(10,037)	9,310	(8,158)
– Western China	8,737	(5,800)	9,333	(6,022)
– Pearl River Delta	8,647	(5,592)	8,403	(4,872)
Subtotal	91,283	(60,942)	86,975	(56,817)
Hong Kong, Macau, Taiwan and overseas regions	13,656	(7,194)	11,551	(5,260)
Total	104,939	(68,136)	98,526	(62,077)

(2) Overdue loans and advances to customers by geographical area

	As at 30 June 2023		As at 31 December 2022	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Chinese mainland				
– Head Office	26,676	(18,730)	20,116	(15,595)
– Bohai Rim Economic Zone	13,486	(10,098)	9,361	(7,438)
– Central China	12,825	(5,753)	13,298	(5,261)
– Yangtze River Delta	11,011	(5,577)	9,076	(5,276)
– Pearl River Delta	10,121	(5,488)	7,165	(4,091)
– North Eastern China	8,093	(6,074)	9,661	(7,065)
– Western China	7,385	(4,160)	6,707	(3,553)
Subtotal	89,597	(55,880)	75,384	(48,279)
Hong Kong, Macau, Taiwan and overseas regions	10,230	(6,257)	9,444	(4,809)
Total	99,827	(62,137)	84,828	(53,088)

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023
(All amounts presented in millions of RMB except when otherwise indicated)

5 LOANS AND ADVANCES TO CUSTOMERS

(1) The risk concentration analysis for loans and advances to customers by industry sectors (gross)

	As at 30 June 2023			As at 31 December 2022		
Hong Kong		%	Amount covered by collaterals		%	Amount covered by collaterals
Corporate loans						
Real estate	78,680	33.81	26,529	98,548	41.49	24,474
Manufacturing	15,859	6.81	3,777	9,921	4.17	3,711
Wholesale and retail	12,105	5.20	3,686	12,633	5.32	3,425
Leasing and commercial services	11,441	4.92	4,709	10,948	4.61	4,235
Transportation, storage and postal service	10,508	4.52	1,939	10,829	4.56	2,421
Construction	6,796	2.92	1,528	6,961	2.93	1,418
Finance	5,918	2.54	1,661	5,419	2.28	1,136
Information transmission, software and IT services	4,234	1.82	65	4,264	1.79	56
Production and supply of power, heat, gas and water	773	0.33	460	717	0.30	429
Others	26,825	11.53	1,257	23,321	9.82	1,352
Total corporate loans	173,139	74.40	45,611	183,561	77.27	42,657
Personal loans						
Mortgage	43,807	18.83	43,635	39,705	16.71	39,575
Credit cards	103	0.04	–	105	0.04	–
Others	15,667	6.73	293	14,214	5.98	3,467
Total personal loans	59,577	25.60	43,928	54,024	22.73	43,042
Gross amount of loans and advances to customers before impairment allowance	232,716	100.00	89,539	237,585	100.00	85,699
Outside Hong Kong	7,538,077			7,057,380		

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 48% as at 30 June 2023 (As at 31 December 2022: 50%).

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

5 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(2) Allowance on loans and advances to customers by type of loan

	As at 30 June 2023		As at 31 December 2022	
	Impaired loans	**Allowance for impairment losses**	Impaired loans	Allowance for impairment losses
Corporates	**81,661**	**(51,745)**	78,523	(48,157)
Personals	**23,278**	**(16,391)**	20,003	(13,920)
	104,939	**(68,136)**	98,526	(62,077)

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 2023			Six months ended 30 June 2022		
	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	**20,533**	**(4,658)**	**1,598**	24,034	(12,690)	2,644
Personals	**12,880**	**(7,201)**	**1,206**	10,558	(7,685)	879
	33,413	**(11,859)**	**2,804**	34,592	(20,375)	3,523

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 2023	31 December 2022	Code
Core Tier-1 Capital:				
1	Share capital	74,263	74,263	r
2	Retained earnings	677,365	662,987	
2a	Surplus reserve	236,605	228,150	y
2b	General reserve for risk assets	157,941	144,363	z
2c	Retained earnings	282,819	290,474	aa
3	Accumulated other comprehensive income and disclosed reserve	113,285	107,863	
3a	Capital surplus	111,458	111,458	u
3b	Others	1,827	(3,595)	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	1,930	1,992	ab
6	Core tier-1 capital before regulatory adjustments	866,843	847,105	
Core Tier-1 Capital: Regulatory adjustments				
7	Prudent valuation adjustment	–	–	
8	Goodwill (net of deferred tax liabilities)	293	286	m-p
9	Other intangible assets (excluding land use rights) (net of deferred tax liabilities)	2,340	2,308	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	502	693	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	–	–	

APPENDIX 1: GROUP'S CAPITAL BREAKDOWN *(CONTINUED)*

(in millions of RMB)

Items		30 June 2023	31 December 2022	Code
26a	Investments in core tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	3,655	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	6,790	6,941	
29	Core tier-1 capital	860,053	840,164	
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	1,628	1,690	ac
35	Including: Portions not recognised in other tier-1 capital after the transition period	–	–	
36	Other tier-1 capital before regulatory adjustments	176,418	176,480	
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	176,418	176,480	
45	Tier-1 capital (core tier-1 capital + other tier-1 capital)	1,036,471	1,016,644	
Tier-2 Capital:				
46	Tier-2 instruments plus their premiums	189,990	189,989	n
47	Portions not recognised in tier-2 capital after the transition period	–	–	
48	Minority interest recognised in tier-2 capital	5,058	4,949	ad
49	Including: Portions not recognised after the transition period	–	–	
50	Excess loan loss provisions recognized in tier-2 capital	41,452	38,735	
51	Tier-2 capital before regulatory adjustments	236,500	233,673	

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 2023	31 December 2022	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	236,500	233,673	
59	Total capital (tier-1 capital + tier-2 capital)	1,272,971	1,250,317	
60	Total risk-weighted assets	8,735,997	8,350,074	
Capital adequacy ratio and reserve capital requirements				
61	Core tier-1 capital adequacy ratio (%)	9.84	10.06	
62	Tier-1 capital adequacy ratio (%)	11.86	12.18	
63	Capital adequacy ratio (%)	14.57	14.97	
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 (%)	4.84	5.06	
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	30,456	32,357	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	1,922	2,261	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)	39,526	36,855	j-k-o

APPENDIX 1: GROUP'S CAPITAL BREAKDOWN *(CONTINUED)*

(in millions of RMB)

Items	30 June 2023	31 December 2022	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	**18,434**	14,732	
77 Excess loan loss provisions eligible for inclusion in tier-2 capital under riskweighted approach	**5,864**	5,039	
78 Loan loss provisions actually made in respect of exposures subject to internal rating-based approach	**183,993**	163,287	
79 Excess loan loss provisions eligible for inclusion in tier-2 capital under internal rating-based approach	**35,588**	33,696	
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 2023		31 December 2022	
	Assets:	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
1	Cash and balances with central banks	815,757	815,757	806,102	806,102
2	Deposits from banks and other financial institutions Placements to banks and other financial institutions Derivative financial assets	153,505	144,967	155,435	147,761
3	Placements to banks and other financial institutions	550,785	550,799	478,353	478,383
4	Derivative financial assets	102,325	102,325	69,687	69,687
5	Financial assets purchased under reverse agreements	130,592	128,704	56,633	56,481
6	Loans and advances to customers	7,613,830	7,613,893	7,136,677	7,135,517
7	Financial assets at fair value through current profit or loss	664,524	626,593	705,357	668,320
8	Financial investments at amortized cost	2,541,755	2,517,515	2,450,775	2,410,132
9	Financial investments at fair value through other comprehensive income	823,782	777,185	799,075	775,527
10	Long term equity investments	8,787	14,246	8,750	14,190
11	Property and equipment	210,247	209,697	190,670	190,121
12	Land use rights	1,568	1,568	1,599	1,599
13	Deferred income tax assets	43,251	41,859	38,771	38,564
14	Goodwill	415	293	407	286
15	Intangible assets	2,393	2,340	2,353	2,308
16	Other Asset	149,844	148,689	91,775	90,529
17	**Total assets**	13,813,360	13,696,430	12,992,419	12,885,507
	Liabilities:				
18	Borrowings from central banks	472,931	472,931	403,080	403,080
19	Deposits from banks and other financial institutions	1,006,092	1,006,095	1,078,593	1,078,624
20	Placements from banks and other financial institutions	532,675	532,688	424,608	424,638
21	Transactional financial liabilities	43,708	43,708	47,949	47,949
22	Financial assets sold under repurchase agreements	104,198	100,745	128,613	122,814
23	Deposits from customers	8,579,598	8,584,423	7,949,072	7,953,636
24	Derivative financial liabilities	84,750	84,750	46,804	46,804
25	Debt securities issued	586,390	581,492	530,861	525,933
26	Employee benefits payable	9,091	8,958	16,802	16,674
27	Taxes payable	10,663	10,623	8,748	8,733
28	Deferred tax liabilities	2,409	2,333	1,786	1,709
29	Provisions	11,742	11,742	11,938	11,938
30	Other liabilities	1,314,214	1,206,910	1,307,825	1,213,428
31	**Total liabilities**	12,758,461	12,647,398	11,956,679	11,855,960
	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	111,458	111,429	111,458
35	Other comprehensive income	1,947	1,827	-3,618	-3,595
36	Surplus reserve	236,804	236,605	228,336	228,150
37	General risk reserve	158,120	157,941	144,541	144,363
38	Retained earnings	285,731	282,819	293,668	290,474
39	Minority interests	11,816	9,329	12,331	9,644
40	**Total equity**	1,054,899	1,049,032	1,035,740	1,029,547

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	815,757	
Due from banks and other financial institutions	144,967	
Loans to banks and other financial institutions	550,799	
Derivative financial assets	102,325	
Financial assets purchased under reverse agreements	128,704	
Loans and advances to customers	7,613,893	
Financial assets at fair value through profit or loss	626,593	
Including: Core tier-1 capital from significant investments in the capital of financial institutions outside the scope of regulatory consolidation	530	a
Including: Core tier-1 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	434	b
Including: Core tier-2 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	22,335	c
Financial investments at amortized cost	2,517,515	
Financial investment at fair value through other comprehensive income	777,185	
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	–	e
Long term equity investments	14,246	
Including: Investments in core tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	3,655	f
Including: Core tier-1 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	4,687	g
Including: Core tier-1 capital from significant investments in the capital of financial institutions outside the scope of regulatory consolidation	1,392	h
Property and equipment	209,697	
Land use rights	1,568	i
Deferred tax assets	41,859	j
Including: Deferred tax assets arising from operating losses which are expected to offset against future profits	–	k
Including: Other deferred tax assets depending on the Bank's future profits	41,859	
Intangible assets	2,340	l
Goodwill	293	m
Other assets	148,689	
Total assets	13,696,430	

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
Liabilities:		
Borrowings from central banks	472,931	
Deposits from banks and other financial institutions	1,006,095	
Placements from banks and other financial institutions	532,688	
Financial liabilities at fair value through profit or loss	43,708	
Financial assets sold under repurchase agreements	100,745	
Deposits from customers	8,584,423	
Derivative financial liabilities	84,750	
Debt securities issued	581,492	
Including: Recognised in tier-2 capital	189,990	n
Employee benefits payable	8,958	
Taxes payable	10,623	
Deferred tax liabilities	2,333	o
Including: Deferred tax liabilities relating to goodwill	–	p
Including: Deferred tax liabilities relating to other intangible assets	–	q
Provisions	11,742	
Other liabilities	1,206,910	
Total liabilities	12,647,398	
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	–	s
Other equity instruments	174,790	t
Capital surplus	111,458	u
Other comprehensive income	1,827	v
Including: Exchange reserve	4,860	w
Including: Effective portion of gains or losses on hedging instruments in cash flow hedge	502	x
Surplus reserve	236,605	y
General reserve for risk assets	157,941	z
Retained earnings	282,819	aa
Non-controlling interests	9,329	
Including: Those to be included in core tier-1 capital	1,930	ab
Including: Those to be included in other tier-1 Capital	1,628	ac
Including: Those to be included in tier-2 capital	5,058	ad
Total equity	1,049,032	

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	Bank of Communications
2	Unique identifier	3328	601328	360021	1928019	1928020	1928025	2028018
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.	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	Tier-2 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	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	Bank and Group Level
7	Instrument type	Ordinary shares	Ordinary shares	Preference share	Tier-2 capital bonds	Tier-2 capital bonds	Undated capital	Tier-2 capital bonds
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	RMB39,997
9	Par value of instrument (in millions of RMB	RMB35,012	RMB39,251	RMB45,000	RMB30,000	RMB10,000	RMB40,000	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	Bonds issuance
11	Original date of issuance	2005/6/23	2007/4/24	2016/9/2	2019/8/16	2019/8/16	2019/9/20	2020/5/21
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Perpetual	Dated
13	Including: Original maturity date	No maturity date	No maturity date	No maturity date	2029/8/16	2034/8/16	No maturity date	2030/5/21
14	Issuer call subject to prior supervisory approval	No	No	Yes	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	First call date 2025/5/21, 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	Nill	Nill	20 September of each year subsequent to the first call date	Nill

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	Fixed
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	3.24%
19	Including: Existence of a dividend brake mechanism	N/A	N/A	Yes	No	No	Yes	No
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	Without discretion
21	Including: Existence of incentive to call	No	No	No	No	No	No	No
22	Including: Cumulative or noncumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or nonconvertible	No	No	Yes	No	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	N/A

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	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	N/A
27	Including: If convertible, state whether mandatory convertible	N/A	N/A	Mandatory	N/A	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	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	N/A
30	Write-down feature	No	No	No	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	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) CBRC 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.	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	N/A	N/A	N/A	Full	Full	Full or partial	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	Permanent
34	Including: If temporary written down, state reversal to book value mechanism	N/A	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-1 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	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	No	No	No	No	No	No	No
	Including: If yes, state the feature	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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	Bank of Communications
2	Unique identifier	2028040	XS2238561281	2128022	2128030	2228014	92280139	92280140
3	Governing law(s)	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.	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)	Other tier-1 capital	Other tier-1 capital	Other tier-1 capital	Tier-2 capital	Tier-2 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)	Other tier-1 capital	Other tier-1 capital	Other tier-1 capital	Tier-2 capital	Tier-2 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	Bank and Group Level
7	Instrument type	Undated capital	Undated capital	Undated capital	Tier-2 capital bonds	Tier-2 capital bonds	Tier-2 capital bonds	Tier-2 capital bonds
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	RMB29,999	Equivalent to RMB18,347	RMB41,498	RMB29,999	RMB29,999	RMB36,999	RMB12,999
9	Par value of instrument (in millions of RMB	RMB30,000	USD2,800	RMB41,500	RMB30,000	RMB30,000	RMB37,000	RMB13,000
10	Accounting treatment	Other equity instruments	Other equity instruments	Other equity instruments	Bonds issuance	Bonds issuance	Bonds issuance	Bonds issuance
11	Original date of issuance	2020/9/25	2020/11/18	2021/6/10	2021/9/27	2022/2/25	2022/11/15	2022/11/15
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Including: Original maturity date	No maturity date	No maturity date	No maturity date	2031/9/27	2032/2/25	2032/11/15	2037/11/15
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Including: Optional call date, contingent call dates and redemption amount	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	First call date 2026/9/27,full or partial	First call date 2027/2/25,full or partial	First call date 2027/11/15,full or partial	First call date 2032/11/15,full or partial
16	Including: Subsequent call dates, if applicable	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	Nill	Nill	Nill	Nill

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, 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	Fixed	Fixed
18	Including: Coupon rate and any related index	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%	3.03%	3.36%
19	Including: Existence of a dividend brake mechanism	Yes	Yes	Yes	No	No	No	No
20	Including: Discretionary of cancelling dividend distribution or coupon interest	Totally at discretion	Totally at discretion	Totally at discretion	Without discretion	Without discretion	Without discretion	Without discretion

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS *(CONTINUED)*

21	Including: Existence of incentive to call	No	No	No	No	No	No	No
22	Including: Cumulative or noncumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or nonconvertible	No	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	N/A
25	Including: If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	Including: If convertible, state conversation price determination method	N/A	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	N/A
28	Including: If convertible, state the instrument type after conversation	N/A	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	N/A
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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	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	When the non-survivability triggering event occurs, after all other Tier 1 capital instruments have been written down or converted, this bond is partially or fully written down	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	Permanent
34	Including: If temporary written down, state reversal to book value mechanism	N/A	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)*

35	Position in subordination hierarchy in liquidation (state instrument type immediately senior to instrument)	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	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	No	No	No	No	No	No	No
	Including: If yes, state the feature	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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 2023	31 December 2022
1	Total consolidated assets	13,813,360	12,992,419
2	Adjustments of consolidation	(116,930)	(106,912)
3	Adjustments item of customer's assets	–	–
4	Adjustments of derivatives	42,514	36,022
5	Adjustments of securities financing transactions	47,754	23,078
6	Adjustments of off-balance sheet item	1,370,735	1,411,948
7	Other Adjustments	(6,790)	(6,941)
8	Balance of adjusted on- and off-balance sheet assets	15,150,643	14,349,614

Leverage Ratio Information

(in millions of RMB unless otherwise stated)

SN	Item	30 June 2023	31 December 2022
1	On-balance-sheet assets (excluding derivatives and securities financing transactions)	13,364,656	12,636,526
2	Less: Deduction of tier-1 capital	(6,790)	(6,941)
3	**Balance of adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	13,357,866	12,629,585
4	Replacement costs of derivatives (less eligible margin)	102,229	67,164
5	Potential risk exposure of derivatives	42,610	38,544
6	Sum of collaterals deducted from the balance sheet	–	–
7	Less: Assets receivable from providing eligible margin	–	–
8	Less: Derivative assets resulting from the transactions with central counterparties in providing clearing settlement services for customers	–	–
9	Notional principal of sold credit derivatives	–	–
10	Less: Deductible balance of sold credit derivatives	–	–
11	**Derivative asset balance**	144,839	105,708
12	Accounting asset balance of securities financing transactions	229,449	179,295
13	Less: Balance of deductible securities financing transaction assets	–	–
14	Counterparty credit risk exposure of securities financing transactions	47,754	23,078
15	Balance of securities financing transaction assets from acting for securities financing transactions	–	–
16	**Securities financing assets balance**	277,203	202,373
17	Balance of off-balance-sheet items	3,076,251	3,046,801
18	Less: Balance of off-balance-sheet items arising from the reduction of credit transfer	(1,705,516)	(1,634,853)
19	**Adjusted off-balance sheet items balance**	1,370,735	1,411,948
20	Net tier-1 capital	1,036,471	1,016,644
21	Adjusted balance of on- and off-balance sheet assets	15,150,643	14,349,614
22	**Leverage ratio (%)**	6.84	7.08

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 2023

(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		2,373,976
Cash Outflow			
2	Retail deposits, small business deposits, including:	3,148,080	304,715
3	Stable deposit	200,026	9,910
4	Less stable deposit	2,948,054	294,805
5	Unsecured wholesale funding, including:	5,189,215	2,166,061
6	Business relationship deposit (excluding agency business)	2,827,311	704,767
7	Non-business relationship deposit (including all counterparties)	2,356,814	1,456,204
8	Unsecured debt	5,090	5,090
9	Secured funding		9,854
10	Other items, including:	2,407,931	1,285,536
11	Cash outflow relates to derivatives and other collateral/pledged assets	1,237,391	1,222,474
12	Cash outflow relates to loss of funding on asset-blocked securities	806	806
13	Committed credit and liquidity facilities	1,169,734	62,256
14	Other contractual obligation to extend funds	66,092	66,092
15	Contingent funding obligations	2,192,077	73,154
16	Total expected cash outflow		3,905,412
Cash Inflow			
17	Secured lending (including reverse repos and securities borrowing)	295,853	295,853
18	Inflows from fully performing exposure	992,439	655,736
19	Other cash inflow	1,262,624	1,237,099
20	Total expected cash inflow	2,550,916	2,188,688
			Amount after adjustment
21	The qualified high-quality liquid assets		2,355,854
22	Net cash outflow		1,716,724
23	Liquidity Coverage Ratio (%)		136.52

APPENDIX 7: NET STABLE FUNDING RATIO AND ITEMS FOR THE FIRST QUARTER OF 2023

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value				Weighted value
		No maturity	Less than 6 months	6-12 months	Over 1 Years	
Available Stable Funding Item						
1	Capital	1,051,372	–	–	189,990	1,241,361
2	Regulatory Capital	1,051,372	–	–	189,990	1,241,361
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small enterprises	905,434	2,398,803	25,919	4,992	3,012,874
5	Stable deposits	208,830	4,417	1,593	531	204,629
6	Less stable deposits	696,604	2,394,386	24,326	4,461	2,808,245
7	Wholesale funding	2,748,989	3,714,764	1,278,287	543,470	3,602,010
8	Operational deposits	2,708,378	181,226	99,278	23,660	1,518,101
9	Other wholesale funding	40,611	3,533,537	1,179,010	519,810	2,083,908
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	68,650	298,856	70,061	242,580	298,615
12	Net stable funding ratio derivative liabilities				36,125	
13	All other liabilities and equities not included in the above categories	68,650	298,856	70,061	206,455	298,615
14	Total available stable funding					8,154,860
Required Stable Funding Item						
15	Total net stable funding ratio high-quality liquid assets					496,294
16	Business relationship deposits held at other financial institutions	171,515	330	–	2,000	87,922
17	Loans and securities	53,976	2,191,738	1,284,038	5,517,012	6,297,332
18	Loans to financial institutions secured by Level 1 assets	–	67,493	–	–	10,122
19	Loans to financial institutions secured by non-Level 1 assets or unsecured	–	420,738	237,587	145,652	327,556
20	Loans to retail and small business customers, nonfinancial institutions, sovereigns, central banks and public sector entities.	5	1,642,820	1,002,662	3,360,394	4,170,481
21	Including: with a risk weight less than or equal to 35%	–	6,033	11,202	45,932	38,474
22	Residential mortgages	–	813	962	1,459,919	1,241,818
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	53,970	59,875	42,827	551,048	547,355
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	194,425	79,719	13,256	116,143	364,364
27	Physical traded commodities (including gold)	19,663				16,713
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties				14,166	12,041
29	Net stable funding ratio derivative assets				57,294	21,169
30	Net stable funding ratio derivative liabilities with additional requirements				36,125	7,225
31	All other assets not included in the above	174,762	79,719	13,256	44,683	307,216
32	Off-balance-sheet items				3,426,485	140,189
33	Total required stable funding					7,386,101
34	Net stable funding ratio (%)					110.41

Notes:

1. 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.
2. 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 2023

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value				Weighted value
		No maturity	Less than 6 months	6-12 months	Over 1 Years	
Available Stable Funding Item						
1	Capital	1,048,630	–	–	189,990	1,238,619
2	Regulatory Capital	1,048,630	–	–	189,990	1,238,619
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small enterprises	935,350	2,415,423	25,837	6,059	3,056,404
5	Stable deposits	221,033	6,027	868	2,347	218,878
6	Less stable deposits	714,318	2,409,396	24,969	3,712	2,837,526
7	Wholesale funding	2,885,008	3,897,056	904,816	576,239	3,535,813
8	Operational deposits	2,837,490	225,994	54,472	22,231	1,581,209
9	Other wholesale funding	47,518	3,671,062	850,344	554,008	1,954,604
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	79,261	385,829	71,828	275,554	293,832
12	Net stable funding ratio derivative liabilities				84,750	
13	All other liabilities and equities not included in the above categories	79,261	385,829	71,828	190,805	293,832
14	Total available stable funding					8,124,669
Required Stable Funding Item						
15	Total net stable funding ratio high-quality liquid assets					454,816
16	Business relationship deposits held at other financial institutions	128,096	280	–	–	64,188
17	Loans and securities	53,541	2,380,020	1,184,219	5,599,799	6,364,579
18	Loans to financial institutions secured by Level 1 assets	–	41,609	–	–	6,240
19	Loans to financial institutions secured by non-Level 1 assets or unsecured	–	580,175	189,482	145,970	327,737
20	Loans to retail and small business customers, nonfinancial institutions, sovereigns, central banks and public sector entities.	8	1,683,751	956,463	3,442,813	4,237,460
21	Including: with a risk weight less than or equal to 35%	–	27,980	936	47,911	45,601
22	Residential mortgages	–	777	905	1,451,840	1,234,905
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	53,533	73,708	37,370	559,177	558,238
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	198,984	90,498	15,453	142,932	366,721
27	Physical traded commodities (including gold)	22,121				18,803
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties				15,468	13,148
29	Net stable funding ratio derivative assets				102,325	17,575
30	Net stable funding ratio derivative liabilities with additional requirements				84,750	16,950
31	All other assets not included in the above	176,863	90,498	15,453	25,139	300,245
32	Off-balance-sheet items				3,706,512	144,113
33	Total required stable funding					7,394,417
34	Net stable funding ratio (%)					109.88

Notes:

1 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.

2 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”.

交通銀行
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