



中国民生银行
CHINA MINSHENG BANK

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

Stock Code: 01988



2022
INTERIM REPORT

IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors, and the Directors, Supervisors and Senior Management of the Bank warrant the truthfulness, accuracy and completeness of the contents of this Interim Report and there are no misstatements, misleading representations or material omissions in this Interim Report, and shall assume several and joint liability.

This Interim Report was considered and approved on 26 August 2022 at the 25th meeting of the eighth session of the Board of Directors of the Bank. Of the 18 Directors who were entitled to attend the meeting, six Directors attended the meeting in person and 12 Directors participated in the meeting by teleconference or video conference. Eight Supervisors of the Bank attended the meeting as non-voting delegates.

The interim financial reports of the Bank were not audited.

GAO Yingxin (Chairman), ZHENG Wanchun (President), LI Bin (person in charge of finance and accounting), and YIN Xuwen (person in charge of the accounting department) declare to warrant the truthfulness, accuracy and completeness of the financial reports included in this Interim Report.

No interim profit will be distributed and no capital reserve will be used for capitalisation for the first half of 2022.

Unless otherwise specified, all amounts in this Interim Report are denominated in RMB.

The forward-looking statements about matters such as future plans in this Interim Report do not constitute substantive commitments of the Bank to the investors, and the investors and related persons shall maintain sufficient risk awareness in this regard, and shall understand the difference among plans, forecasts and commitments.

Material Risk Warning: the Bank has no foreseeable material risks. For potential risks, please refer to the section headed "XII. Risk Management" under "Chapter 3 Management Discussion and Analysis" of this Report.



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DEFINITIONS

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

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|--|--|
| Bank, Company, China Minsheng Bank, Minsheng Bank | China Minsheng Banking Corp., Ltd. |
| Group | the Bank and its subsidiaries |
| Minsheng Financial Leasing | Minsheng Financial Leasing Co., Ltd. |
| Minsheng Royal Fund | Minsheng Royal Fund Management Co., Ltd. |
| Minsheng Royal Asset Management | Minsheng Royal Asset Management Co., Ltd. |
| CMBC International | CMBC International Holdings Limited |
| CMBC Wealth Management | CMBC Wealth Management Co., Ltd. |
| CBIRC | China Banking and Insurance Regulatory Commission |
| CSRC | China Securities Regulatory Commission |
| former CBRC | former China Banking Regulatory Commission |
| former CIRC | former China Insurance Regulatory Commission |
| SSE | Shanghai Stock Exchange |
| SZSE | Shenzhen Stock Exchange |
| SEHK | The Stock Exchange of Hong Kong Limited |
| Hong Kong Listing Rules | The Rules Governing the Listing of Securities on SEHK |
| SFO | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| Model Code | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules |
| Articles of Association | the Articles of Association of China Minsheng Banking Corp., Ltd. |
| Reporting Period | the period from 1 January 2022 to 30 June 2022 |

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

I. Development Strategies of the Bank

(I) Development goals

A first-class commercial bank with distinctive features, continuous innovation, increasing value and steady operation

(II) Strategic positionings

A bank for the NSOEs. The Bank continues to leverage the advantages of system and mechanism as a non-state-owned bank, wholeheartedly supports the development of the real economy, and strives to become a bank with the best services for the non-state-owned enterprises (NSOEs) and build a golden brand of China Minsheng Bank in the field of financial services to medium, small and micro enterprises, so as to truly implement the mission of “serving the public, caring about people’s livelihood”.

An agile and open bank. Following the development trend of digital economy, the Bank promotes continuous innovation, and seeks for breakthroughs in eco-bank with the support of technology to optimise comprehensive services such as scenario integration and ecosystem co-construction. The Bank creates value for customers and grows together with them by empowering the whole production process and life journey of large, medium and small customers as well as individual customers. The Bank strives to push the intelligent bank to a new level with the support of data and enhance the digital intelligence level of operation and management in all aspects, in a bid to provide agile, efficient and comprehensive services with the ultimate customer experience.

A bank with considerate services. The Bank stays customer-centric and puts special emphasis on its original service, business origins and steady compliance. Based on the deep understanding of customer needs, the Bank strives to build up trust through professional services, enhance experience through optimised procedures, strengthen customer stickiness through value creation, and maintain security through risk management and control, so as to integrate with customers and partners, become customers of each other, grow together and achieve common prosperity.

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

(III) Development strategies

1. Corporate finance

The Bank focuses on the services to strategic clients, institutional customer groups and basic customer groups, and strives to continuously improve the segmented service system with efficient coordination among the Head Office, branches and sub-branches and integration of large, medium, small and micro enterprises. The Bank enhances the depth of services to customer groups in the upstream and downstream of the industry chains, and grows together with customers through the integration of industry and finance. The Bank also integrates green finance, rural revitalisation and other featured products, constantly enriches the four major competitive product models of green finance, including “investment, financing, supply chain, and operation”, and launches comprehensive product and service plans for rural revitalisation, including “Agricultural Loan Express (農貸通), Agricultural Debt Express (農債通), Agricultural Chain Express (農鏈通), Farmer Prosperity Loan (富民貸) and Beautiful Village Loan (美麗鄉村貸)”. The Bank promotes “one-stop” comprehensive financial services, enriches the basic product and service systems by centring on customer needs for scenario-based and diversified services, provides professional financial services with the combination of “capital + intelligence + commerce” for customers, and strengthens coordination between wealth management business, including fund and asset management, and cross-border investment banking services, in an aim to become a reliable strategic partner bank of its corporate customers.

2. Retail finance

The Bank focuses on segmented customer groups, strengthens distinctive services, and strives to build an open, beneficial, shared and inclusive ecosystem of retail customers around the life journey of individual customers, including clothing, food, housing, transportation, elderly care, education, entertainment and medical care. Oriented by the enhancement of customer experience, the Bank continues to improve basic products and services, such as account management, payment and settlement, financing, and others, offers “one-stop” wealth management solutions, and designs customised and distinctive financial products and non-financial services. The Bank strives to leverage technologies to empower the digital transformation of retail business, accelerate the application of big data, AI and other new technologies, and enhance the capabilities of digital marketing and customer acquisition as well as digital operation. It aims to become customers’ considerate financial partner anytime and anywhere, and build itself into a leading retail bank in the banking industry.

3. Medium, small and micro finance

The Bank pools efforts to improve scenario-based customer services, adheres to its NSOE strategy, and strives to improve scenario-based services for basic customer groups of medium, small and micro enterprises through the Minsheng Small Business App and based on the whole journey of “customer reach, customer service, customer empowerment and joint value growth”. The Bank also seeks to optimise distinctive services for key customers, strengthen technology empowerment, reinforce the innovation of online products, and promote business innovation in inclusive finance and rural revitalisation to precisely strengthen financial services for customers in the weak links in social development. The Bank also aims to refine comprehensive and online services, enhance basic products and services, build digital platforms, and popularise competitive credit loan products for medium, small and micro customers. Furthermore, it seeks to innovate the comprehensive service system of “commercial banking + investment banking” and improve the investment ecosystem for sci-tech innovation enterprises to facilitate their rapid growth, in a bid to build a distinctive brand in the field of services to small and medium enterprises (SMEs) and the best domestic brand in small business finance.

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

4. Financial institutions business

The Bank advances the business model transformation of financial institution customer group, enhances the “head office-to-head office” marketing services, deepens the development of the unified marketing system, and provides customers with comprehensive services through “one account one policy (一户一策), star-level customer evaluation, benefit packages”, etc. The Bank creates specialised product and service platforms to meet customers’ comprehensive demands in exchange settlement, risk mitigation and hedging, asset preservation and appreciation, and investment and financing in open markets, etc. It establishes distinctive and competitive product system to improve the capability in allocating major types of assets. The Bank strengthens cooperation with external institutions, builds its efficient hub of coordinated and matched “capital-asset”, and supports the coordinated and comprehensive services for customer groups of corporate, retail and financial institutions businesses. The Bank also strives to enhance its capability of market-oriented investment trading, expand the qualifications for trading of new-type products on the basis of consolidating the traditionally competitive varieties, and improve the market risk management system.

II. Core Competitiveness

The Bank reaches a high degree of consensus on development to make the path of the five-year plan “clearer”. The Bank holds fast to strategic inheritance. Consistently adhering to the value of “customer first – integrity, innovation, efficiency, win-win, and stability”, the Bank persistently pushes forward the implementation of the three strategic positionings of “a bank for the NSOEs, an agile and open bank, and a bank with considerate services”, truly implements the corporate mission of “serving the public, caring about people’s livelihood”, and accelerates the transformation from a stage in pursuit of scale, speed and efficiency towards a stage of steady, sustainable and green development. **The Bank maintains strategic focus.** The Bank concentrates on basic customers, basic products and basic services and builds brand-new strategic foundations which are long-term, steady, comprehensive, balanced and sustainable to replace the short-sighted and incomplete evaluation and incentive methods. **The Bank reinforces strategic confidence.** As new development philosophies have taken roots and new development initiatives have been promoted in a coordinated manner, the operation and management of the Bank keep improving, and the cultural concepts of steady operation, proactive compliance, openness and integration, as well as clean and righteous atmosphere, have become common practice in the Bank.

The Bank continuously advances structural adjustment to make the operation, transformation and development more “steady”. The Bank optimises and adjusts the asset and liability structure. On the asset side, the Bank continues to increase the credit placement to key fields and key areas, such as advanced manufacturing, inclusive finance, small business finance and green credit. On the liability side, the Bank continues to promote the construction of the deposit settlement platform, and increase the deposit brought about by settlement business, so as to realise the scale growth and structural optimisation of deposits. **The Bank comprehensively strengthens the three lines of defense against risks.** In particular, the Bank reinforces the capability of risk management of the first line of defense, and seriously tightens the accountability for the problems that break the “bottom line”, cross the “red line” and touch the “high voltage line”.

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

The Bank thoroughly implements the value concept of customer first to make its capability of comprehensive services more “optimised”. In terms of product innovation, the corporate banking focuses on scenario-based settlement, and sets up the “4+1” cash management product system. It strengthens innovation in international businesses and products, puts into operation Minsheng Express Loan-Letter of Guarantee for Customs Duties (民生快貸－關稅保函), E-Foreign Currency Account Opening (外幣開戶 e), etc. The retail banking establishes the panoramic and distinctive product and service systems, launches electronic social security card, electronic savings government bonds and other products, upgrades the product shelf for wealth management and private banking, and accelerates the research and development of consumer loan products. **In terms of service models,** the Bank upgrades the investment – loan coordination to serve the sci-tech innovation enterprises with high growth potential. Focusing on the reform of state-owned enterprises (SOEs), industrial integration, shareholding and capital increase and other core scenarios, the Bank expands customised investment banking services. It also iterates and perfects the “Cloud Platform for Treasury Management of Enterprises (企業財資管理雲平台)” to meet the differentiated demands of customers under different scenarios. **In terms of platform construction,** the Bank speeds up the layout in ecosystems of supply chains, and perfects the system of acquiring, renewing and retaining customers of medium, small and micro enterprises and their owners. **In terms of customer base,** the Bank records growth in the number of corporate, small and micro, and retail customers of effective and higher level, and the growth rates of deposits and loans of strategic customers are clearly higher than those of corporate business.

The Bank fosters new momentum with new models to make the segmented and classified operation more “professional”. In connection to strategic customers, the Bank provides “head office-to-head office” services, implements “unified marketing, unified credit granting, unified risk control, unified plan, and unified management”, and creates the “five-in-one” operation model, in order to transform from merely providing products to becoming partners of each other and building ecosystem together with strategic customers. **In connection to medium, small and micro enterprises and individual customers,** starting with the strategic clients, the Bank gradually expands and strengthens the the development and management of medium, small and micro enterprises and basic retail customer groups in the upstream and downstream of the industry chains to form a positive development model with “consolidated customer base, increased core liabilities and decreased liability cost”. What’s more, **the Bank builds the marketing system with efficient coordination among the Head Office, branches and sub-branches as well as among the front, middle and back offices.** The Bank forms segmented, integrated and professional financial support, and achieves integration across business segments, product lines and customer groups, so as to improve full-process customer experience and service quality.

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

The Bank accelerates the transformation of digital finance to make the agile response to the market more “rapid”. The Bank makes major breakthroughs in eco-bank. Based on the four scenarios, namely “supply chain ecosystem of enterprises, personal life journey, institutional platform ecosystem, and capital transaction of financial institutions”, the Bank builds the innovative service model for ecosystems with “integrated operation of large, medium, small and micro enterprises, individual customer acquisition + renewal + retention, intelligent government services + convenience services, and financial institution customer group + factor market + custody business”, and sets up the agile working mechanism that takes full authorisation and quick decision-making as the basis, and the handling of risks in advance and simplified processes as the principles, thus facilitating the deep connections between the Bank and customers as well as the Bank and the society. **The Bank scales new heights in intelligent bank.** Relying on the two engines of “technology + data”, the Bank establishes the closed loop of segmented customer group marketing with “demand insight-strategy matching-evaluation feedback”, improves the risk control with “human intelligence + digital intelligence + machine intelligence”, upgrades the digital channel of “Cloud Minsheng (雲民生)”, optimises full-process business operation, and strengthens data-driven decision-making, in an effort to facilitate the intelligent rebuilding of financial services and operation and management.

The Bank leverages its advantages as a non-state-owned bank to make the “warm power” of talents and culture “stronger”. **Firstly**, the Bank highlights the guiding principles of selecting and appointing those who are young, professional, dedicated, performance-oriented and adaptable to the requirements of the transformation and development, so as to improve the capability of management talents in all respects. **Secondly**, the Bank establishes a dual-channel of “management + professionalism” for talents development to administer the Bank in a professional manner. **Thirdly**, the Bank changes from “setting remuneration according to person” to “setting remuneration according to job position”, so as to ensure the competitive advantages of remunerations for talents in key areas, crucial positions and with high potential. **Fourthly**, the Bank cares about frontline, grassroots and young employees, launches the grassroots problem feedback platform of “Voice of Minsheng (民聲心語)”, and releases special cultivation and incentive plans for young talents to stimulate the vitality and potential of employees. **Fifthly**, by taking “serving the public and putting customer first” as the starting point, winning the trust and respect of customers as the goal, and maintaining close relationship with stakeholders as the direction, the Bank innovatively carries out the practices of social responsibility and strives to make the “time-honoured Minsheng Bank” a respected financial brand.

CHAPTER 1 BANK PROFILE

1. Registered Chinese Name of the Company: 中國民生銀行股份有限公司
(Abbreviation: “中國民生銀行”)
Registered English Name of the Company: CHINA MINSHENG BANKING CORP., LTD.
(Abbreviation: “CMBC”)
2. Legal Representative of the Company: GAO Yingxin
3. Authorised Representatives of the Company: XIE Zhichun, WONG Wai Yee, Ella
4. Board Secretary: BAI Dan
Joint Company Secretaries: BAI Dan, WONG Wai Yee, Ella
Representative of Securities Affairs: WANG Honggang
5. Mailing Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal Code: 100031
Telephone: 86-10-58560975; 86-10-58560824
Facsimile: 86-10-58560720
Email: cmbc@cmbc.com.cn
Hotline for Service Supervision: 86-95568
Hotline for Credit Card Service Supervision: 86-400 66 95568
6. Registered and Office Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal Code: 100031
Website: www.cmbc.com.cn
Email: cmbc@cmbc.com.cn
7. Branch Office and Place of Business in Hong Kong: 3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

CHAPTER 1 BANK PROFILE

8. Newspapers and Websites for Publishing Interim Report of the Company: China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com) and Securities Times (www.stcn.com)
- Stock Exchange Website for Publishing A Share Interim Report of the Company: www.sse.com.cn
- Stock Exchange Website for Publishing H Share Interim Results Announcement of the Company: www.hkexnews.hk
- Place for Collection of the Interim Reports: Office of the Board of the Bank
9. Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office
 Legal Adviser as to Hong Kong Law: Clifford Chance
10. Domestic Accounting Firm: PricewaterhouseCoopers Zhong Tian LLP
 Office Address: 42/F, New Bund Centre, No. 588 Dongyu Road, Pudong New Area, Shanghai, China
 Signing Accountants: YAN Lin, ZHANG Honglei
 International Accounting Firm: PricewaterhouseCoopers
 Office Address: 22/F, Prince's Building, 10 Chater Road, Central, Hong Kong
11. A Share Registrar: China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
 Office Address: No. 188 Yanggao Nan Road, Pudong New Area, Shanghai
 H Share Registrar: Computershare Hong Kong Investor Services Limited
 Office Address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
 Domestic Preference Share Registrar: China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
12. Places of Listing, Stock Names and Stock Codes:
 A Shares: SSE; Stock Name: MINSHENG BANK;
 Stock Code: 600016
 H Shares: SEHK; Stock Name: MINSHENG BANK;
 Stock Code: 01988
 Domestic Preference Share: SSE; Stock Name: Minsheng Preference 1;
 Stock Code: 360037

CHAPTER 1 BANK PROFILE

13. Initial Date of Registration: 7 February 1996
Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14. Date of Registration for Subsequent Change: 20 November 2007
Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15. Unified Social Credit Code: 91110000100018988F

16. Business Summary of the Company

Formally established in Beijing in 1996, the Bank is the first national joint-stock commercial bank in China primarily initiated and founded by the NSOEs.

Upon the approval of relevant regulatory authorities, the Bank operates the following commercial banking businesses: taking deposits from the public, granting short-, mid- to long-term loans, handling domestic and foreign settlements; accepting and discounting negotiable instruments, and issuing financial bonds; issuing, settling and underwriting government bonds as an agent; buying and selling government bonds and financial bonds; operating interbank borrowing and lending; buying and selling foreign exchange, and buying and selling foreign exchange as an agent; settling and selling foreign exchange; operating bank card business; providing letter of credit services and guaranty; receiving and paying funds as an agent; providing safe deposit box service; operating other businesses approved by the banking regulatory authority of the State Council; operating insurance business as a sideline agent; selling securities investment funds and providing custody services for securities investment funds. (The market entity independently chooses and operates businesses in accordance with laws; Operations of sideline insurance agency, sales of securities investment funds, custody of securities investment funds, and businesses subject to approvals according to laws shall be carried out upon approvals of relevant authorities and within the approved scopes; It is not allowed to operate businesses prohibited or restricted by national and municipal industry policies.)

For the main changes of the Bank's business philosophy during the Reporting Period, please refer to "Development Strategies and Core Competitiveness of the Bank".

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. Major Accounting Data and Financial Indicators

| | January to June 2022 | January to June 2021 | Changes of the Reporting Period over the corresponding period of the previous year | January to June 2020 |
|--|-------------------------|-------------------------|---|-------------------------|
| Operating results (RMB million) | | | Increase/ decrease (%) | |
| Operating income | 72,736 | 86,350 | -15.77 | 96,759 |
| Net interest income | 54,823 | 65,753 | -16.62 | 69,020 |
| Net non-interest income | 17,913 | 20,597 | -13.03 | 27,739 |
| Operating expenses | 21,947 | 20,366 | 7.76 | 20,659 |
| Impairment losses on credit | 23,960 | 36,543 | -34.43 | 43,014 |
| Profit before income tax | 26,519 | 28,940 | -8.37 | 33,083 |
| Net profit attributable to holders of equity shares of the Bank | 24,638 | 26,556 | -7.22 | 28,453 |
| Net cash flow from operating activities | 81,922 | 287,990 | -71.55 | 113,992 |
| Data per share (RMB) | | | | |
| Basic earnings per share | 0.49 | 0.56 | -12.50 | 0.61 |
| Diluted earnings per share | 0.49 | 0.56 | -12.50 | 0.61 |
| Net cash flow per share from operating activities | 1.87 | 6.58 | -71.58 | 2.60 |
| Profitability indicators (%) | | | Changes in percentage points | |
| Return on average assets (Annualised) | 0.70 | 0.76 | -0.06 | 0.83 |
| Return on weighted average equity (Annualised) | 8.66 | 10.43 | -1.77 | 11.48 |
| Cost-to-income ratio | 28.96 | 22.49 | 6.47 | 20.31 |
| Net fee and commission income to operating income ratio | 13.56 | 14.69 | -1.13 | 15.05 |
| Net interest spread (Annualised) | 1.56 | 1.93 | -0.37 | 2.24 |
| Net interest margin (Annualised) | 1.65 | 2.02 | -0.37 | 2.22 |

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

| | 30 June 2022 | 31 December 2021 | Changes from the end of the previous year to the end of the Reporting Period | 31 December 2020 |
|--|------------------|---------------------|---|---------------------|
| Scale indicators (RMB million) | | | Increase/ decrease (%) | |
| Total assets | 7,320,580 | 6,952,786 | 5.29 | 6,950,233 |
| Total loans and advances to customers | 4,205,536 | 4,045,692 | 3.95 | 3,853,931 |
| Of which: Corporate loans and advances | 2,450,981 | 2,304,361 | 6.36 | 2,257,290 |
| Personal loans and advances | 1,754,555 | 1,741,331 | 0.76 | 1,596,641 |
| Allowance for impairment losses on loans | 102,367 | 105,108 | -2.61 | 97,637 |
| Total liabilities | 6,717,869 | 6,366,247 | 5.52 | 6,408,985 |
| Total deposits from customers | 4,113,630 | 3,775,761 | 8.95 | 3,728,174 |
| Of which: Corporate deposits | 3,152,917 | 2,944,013 | 7.10 | 2,961,617 |
| Personal deposits | 952,018 | 825,423 | 15.34 | 758,712 |
| Other deposits | 8,695 | 6,325 | 37.47 | 7,845 |
| Share capital | 43,782 | 43,782 | - | 43,782 |
| Total equity attributable to holders of equity shares of the Bank | 590,160 | 574,280 | 2.77 | 529,537 |
| Total equity attributable to holders of ordinary shares of the Bank | 495,198 | 484,316 | 2.25 | 459,677 |
| Net assets per share attributable to holders of ordinary shares of the Bank (RMB) | 11.31 | 11.06 | 2.26 | 10.50 |
| Asset quality indicators (%) | | | Changes in percentage points | |
| NPL ratio | 1.73 | 1.79 | -0.06 | 1.82 |
| Allowance to NPLs | 140.74 | 145.30 | -4.56 | 139.38 |
| Allowance to total loans | 2.43 | 2.60 | -0.17 | 2.53 |
| Capital adequacy ratio indicators (RMB million) | | | Increase/ decrease (%) | |
| Net capital base | 747,842 | 733,703 | 1.93 | 707,472 |
| Of which: Net core tier-one capital | 497,842 | 486,552 | 2.32 | 461,921 |
| Net other tier-one capital | 96,023 | 90,527 | 6.07 | 70,427 |
| Net tier-two capital | 153,977 | 156,624 | -1.69 | 175,124 |
| Risk-weighted assets | 5,660,133 | 5,379,458 | 5.22 | 5,425,856 |
| | | | Changes in percentage points | |
| Core tier-one capital adequacy ratio (%) | 8.80 | 9.04 | -0.24 | 8.51 |
| Tier-one capital adequacy ratio (%) | 10.49 | 10.73 | -0.24 | 9.81 |
| Capital adequacy ratio (%) | 13.21 | 13.64 | -0.43 | 13.04 |
| Total equity to total assets ratio (%) | 8.23 | 8.44 | -0.21 | 7.79 |

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Notes:

1. According to the requirements in the Notice on Strictly Implementing Accounting Standards for Enterprises and Effectively Enhancing Enterprises' Work on the 2020 Annual Reports (Cai Kuai [2021] No. 2) 《關於嚴格執行企業會計準則切實加強企業2020年年報工作的通知》(財會〔2021〕2號)), the Group has reclassified credit card installment income from fee and commission income to interest income since 2020. The relevant financial indicators of the comparative periods have been restated.
2. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.
3. Earnings per share and return on weighted average equity: calculated according to the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) 《公開發行證券的公司信息披露編報規則第9號 – 淨資產收益率和每股收益的計算及披露》(2010年修訂)) promulgated by the CSRC and other regulations. The effect of the distribution of dividends for preference shares and perpetual bond interest was taken into account in calculating the above indicators.
4. Cost-to-income ratio = (operating expenses and other operating expenses – tax and surcharges)/operating income.
5. Net interest spread = average return ratio on interest-earning assets – average cost ratio of interest-bearing liabilities.
6. Net interest margin = net interest income/average balance of interest-earning assets.
7. Total loans and advances to customers, total deposits from customers and the compositions of which did not include accrued interests.
8. Allowance for impairment losses on loans includes allowance for impairment losses on loans measured at amortised cost, and allowance for impairment losses on loans at fair value through other comprehensive income.
9. Other deposits include issuing certificates of deposit, outward remittance and remittance payables.
10. NPL ratio = total NPLs/total loans and advances to customers.
11. Allowance to NPLs and allowance to total loans were calculated according to Notice on Adjusting the Regulatory Requirements on Allowance for Impairment Losses on Loans of Commercial Banks (Yin Jian Fa [2018] No.7) 《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發〔2018〕7號)) promulgated by the CBIRC. As at the end of the Reporting Period, the regulatory standards for allowance to NPLs and allowance to total loans applicable to the Group and the Bank were 130% and 1.8%, respectively. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

II. Supplementary Accounting Data and Financial Indicators

| Important indicators (%) | Benchmark | 30 June 2022 | 31 December 2021 | 31 December 2020 |
|---|-----------|-------------------------|---------------------|---------------------|
| Liquidity ratio | ≥25 | 47.74 | 46.11 | 49.72 |
| Liquidity coverage ratio | ≥100 | 133.47 | 133.42 | 128.37 |
| Net stable funding ratio | ≥100 | 105.05 | 104.11 | 104.57 |
| Leverage ratio | ≥4 | 7.28 | 7.60 | 6.93 |
| Percentage of loans to the single largest loan customer | ≤10 | 2.10 | 1.57 | 1.63 |
| Percentage of loans to the top ten loan customers | ≤50 | 10.71 | 9.76 | 9.73 |

Notes:

1. The above data were calculated based on the relevant regulations of the authorities regulating China's banking industry. Except for the liquidity ratio, which was information of the Bank, all other indicators were information of the Group.
2. Percentage of loans to the single largest loan customer = total loans to the single largest loan customer/net capital base.
3. Percentage of loans to the top ten loan customers = total loans to the top ten loan customers/net capital base.

| Migration ratio of loans (%) | 30 June 2022 | 31 December 2021 | 31 December 2020 |
|-------------------------------------|-------------------------|---------------------|---------------------|
| Pass | 1.55 | 4.08 | 4.94 |
| Special-mentioned | 15.37 | 25.38 | 30.60 |
| Substandard | 54.21 | 58.95 | 89.49 |
| Doubtful | 41.15 | 44.17 | 56.75 |

Note: The migration ratio of loans was the information of the Bank and calculated in accordance with relevant regulations of the CBIRC.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview of Operations

During the Reporting Period, the Bank adhered to the mission of “serving the public, caring about people’s livelihood”, actively implemented the new development philosophy and served the new development pattern. Focusing on the strategic positionings of becoming “a bank for the NSOEs”, “an agile and open bank” and “a bank with considerate services”, the Bank constantly optimised financial products and continuously improved service quality. The Bank also actively responded to the changes in internal and external operational environment, thoroughly implemented the national strategies, vigorously promoted the implementation of strategies and major reforms of the Bank, and comprehensively focused on key businesses. Positive results of implementing the strategies were continuously revealed.

During the Reporting Period, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB24,638 million, representing a decrease of RMB1,918 million, or 7.22%, as compared with the corresponding period of the previous year. The Group recorded an operating income of RMB72,736 million, representing a decrease of RMB13,614 million, or 15.77%, as compared with the corresponding period of the previous year. The decrease in operating income was mainly due to the combined impact of internal and external factors. In terms of net interest income, the Group implemented the national policy of “stabilising growth”, increased financial support for economic and social development, accelerated credit placement, and reduced financing costs of customers. During the Reporting Period, the loan return ratio of the Group decreased by 48BP as compared with the corresponding period of the previous year, leading to a decrease in loan interest income of RMB6,198 million as compared with the corresponding period of the previous year. In the meantime, the Group continued to optimise business structure, increased the allocation of government bonds and local government bonds featuring higher liquidity, and reduced the proportion of investment in asset-backed securities, trust and asset management plans. The return on investment ratio decreased by 24BP as compared with the corresponding period of the previous year, leading to a decrease in investment interest income of RMB2,175 million as compared with the corresponding period of the previous year. In terms of net non-interest income, due to price fluctuations in the capital market, the business scale and investment valuation of agency sales of funds of the Group both decreased, which led to decreases of RMB1,565 million and RMB3,829 million in fee and commission income from agency services and losses/(gains) from changes in valuations, respectively, as compared with the corresponding period of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The scale of assets and liabilities expanded steadily and the quality and effectiveness of serving the real economy were enhanced. During the Reporting Period, the Group strengthened strategic orientation and reform and transformation, solidly pressed ahead with customer group management, promoted its return to the origins of banking business, and achieved steady growth in business scale and continuous optimisation of business structure. As at the end of the Reporting Period, total assets of the Group amounted to RMB7,320,580 million, representing an increase of RMB367,794 million, or 5.29%, as compared with the end of the previous year. Among them, total loans and advances to customers amounted to RMB4,205,536 million, representing an increase of RMB159,844 million, or 3.95%, as compared with the end of the previous year. Total liabilities amounted to RMB6,717,869 million, representing an increase of RMB351,622 million, or 5.52%, as compared with the end of the previous year. Of which, total deposits from customers reached RMB4,113,630 million, representing an increase of RMB337,869 million, or 8.95%, as compared with the end of the previous year. Personal deposits accounted for 23.14% of total deposits from customers, representing an increase of 1.28 percentage points as compared with the end of the previous year. During the Reporting Period, the Group actively implemented national macro policies, deepened adjustments on loan structure, and increased credit support for key fields. Loans to the manufacturing industry, green finance and inclusive finance and others showed a sound growth trend, and the growth rates of these loans all exceeded the average of the Bank. As at the end of the Reporting Period, the loans to the manufacturing industry, inclusive small business loans and green credit of the Bank accounted for 10.05%, 12.59% and 3.62% of the total, respectively, representing increases of 1.43 percentage points, 0.04 percentage points and 0.95 percentage points as compared with the end of the previous year, respectively.

Risk management and internal control were continuously enhanced and asset quality was constantly improved. During the Reporting Period, the Group continuously strengthened active credit risk management, well studied and judged internal and external risk situations, constantly optimised asset structure, reinforced risk prevention in key areas, strictly controlled new NPLs, and accelerated the collection and disposal of NPLs. As a result, asset quality indicators were steadily improved. As at the end of the Reporting Period, total NPLs of the Group amounted to RMB72,737 million, representing an increase of RMB399 million as compared with the end of the previous year. The NPL ratio was 1.73%, representing a decrease of 0.06 percentage points as compared with the end of the previous year. The ratios of loans overdue for over 90 days and 60 days to NPLs were both less than 100%. The allowances to NPLs and to total loans were 140.74% and 2.43%, respectively, representing decreases of 4.56 percentage points and 0.17 percentage points, respectively, as compared with the end of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

II. Conditions of the Industry and Strategy Implementation of the Bank

(I) Conditions of the industry

In the first half of 2022, China's economy remained stable on the whole, but the operating environment became more complicated and severe. Due to the combined influences of tightened monetary policies in the developed economies, geopolitical conflicts and resurgences of the pandemic, the global economy struggled with high inflation and low growth. China's economic development was confronted with pressures of shrinking demands, supply shock and weakening expectation. Since the second quarter, due to the sporadic outbreaks of the pandemic, market entities have faced more notable difficulties. In particular, medium, small and micro enterprises, some sectors and groups suffered relatively severer impact. New challenges were posed against stabilising growth, employment and price. Since June, as the pandemic prevention and control improved, a basket of policies to stabilise growth have been implemented, and the construction of major projects has been accelerated nationwide. China's economy has shown signs of recovery, and the fundamentals of long-term positive growth remained unchanged.

Facing multiple internal and external challenges, coordinated efforts were made in fiscal and monetary policies to help enterprises and stabilise the Chinese economy. Proactive fiscal policies were implemented to produce effects early on. The implementation of value-added tax credit refund on a large scale was accelerated to improve the cash flow of enterprises. The central bank sped up turning over surplus profits to increase the actual available financial resources of government finance. Central government's transfer payments to local governments witnessed higher proportion of arrival ahead of schedule. Prudent monetary policies prioritised independence, made targeted efforts and produced effects early on. By means of cutting the required reserve ratio and interest rate, enriching structural monetary policy tools, and accelerating the reform of the interest rate liberalisation mechanism, the central bank leveraged the functioning of monetary policy tools on both the aggregate and structural fronts, maintained reasonably ample liquidity, and strengthened the support for key fields and weak links of the national economy. In the meantime, the central bank guided financial institutions to maintain market-oriented and prudent operations to effectively prevent financial risks. As in the market, liquidity was generally sufficient, but effective credit demands were insufficient, and the willingness of residents to deposit money and enterprises to invest was not strong, bringing the pressure of narrowing interest margin.

During the Reporting Period, the banking industry closely followed the policies of the Party and the State and continued to increase support for the real economy. The scales of asset and credit maintained steady growth. In the first half of 2022, RMB loans increased by RMB13.68 trillion, RMB919.2 billion higher as compared with the corresponding period of the previous year. The credit structure was continuously optimised to support key areas and weak links such as the manufacturing industry, small and micro enterprises, green development and inclusive elderly care. The actual loan interest rates remained stable with some decline. In June, the interest rate of new corporate loans was 4.16%, 34BP lower as compared with the corresponding period of the previous year, which helped stimulate the vitality of corporate operations. The liability quality management was continuously strengthened and the deposits maturity structure was optimised. The asset quality management and control were further reinforced, great importance was attached to preventing and mitigating financial risks, and the credit asset quality of commercial banks basically remained stable. The digital transformation was accelerated, the product and service models were innovated, the radius of financial services was continuously extended, and the quality and effectiveness of financial services were improved, so as to promote the high-quality development of the banking industry.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Strategy Implementation of the Bank

During the Reporting Period, based on the new development stage and following the new development philosophy, the Bank adopted a series of reform measures in aspects of business philosophy, management model, business model and system and mechanism, thereby creating a new situation of transformation and development with all its strength.

The Bank thoroughly implemented the new service philosophy of customer first. By emphasising the “customer-centric” service philosophy, the Bank advocated providing customers with considerate services, creating value for them and growing together with them, so as to win the trust of and reputation among them. The Bank consolidated long-term service capacities, focused on the improvement of basic customers, basic products and service capabilities, laid more emphasis on payment, settlement, account opening and other basic businesses, and created an efficient and convenient “financial + non-financial” product and service system.

The Bank implemented the new model of segmented and classified customer management. The Bank focused on segmented customer groups, strengthened distinctive services, and built an open, beneficial, shared and inclusive ecosystem of retail customers. The Bank launched the reform on new business model of small business finance, realised the unified marketing and management of legal persons and individuals of small and micro enterprises, and implemented the exclusive risk control model that was in line with the characteristics of small business. The Bank also launched new marketing system for corporate business, strengthened “head office-to-head office” marking, realised unified marketing, risk control and services for strategic clients, enhanced the depth of services to basic customer groups in the upstream and downstream of industry chains, and promoted the integrated development of large, medium, small and micro businesses.

The Bank made new achievements in launching strategic key businesses. Centring on the transformation and upgrading of the traditional manufacturing industry and the cultivation of drivers for the advanced manufacturing, the Bank focused on high-tech manufacturing, strategic emerging industries, and rebuilding of industrial foundation, and continued to improve the comprehensive financial service capacity for the manufacturing sector. With focus on energy conservation and emission reduction, clean energy, carbon trading, low-carbon technologies and green life, the Bank built a green finance ecosystem, constantly enriched the four major competitive product models, including “investment, financing, supply chain, and operation”, and launched “Photovoltaic Loan (光伏貸)”, “Emission Reduction Loan (減排貸)” and other innovative business models. Focusing on the key fields of agriculture, rural areas and farmers, the Bank innovated and upgraded new models including “Agricultural Chain Express (農鏈通)” and “Agricultural Loan Express (農貸通)”, and devoted more efforts to popularise “Photovoltaic Loan (光伏貸)”, “Agriculture and Animal Husbandry Loan (農牧貸)” and other distinctive products. Additionally, through the “Minsheng Small Business (民生小微)” App, the Bank enhanced digital capabilities and customer experience, and built the inclusive ecosystem featuring online and offline synergy, so as to achieve shared ecosystems and resources and joint value creation.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank accelerated the realisation of new experience of digital finance. For eco-bank, by means of data mining and modeling, the Bank integrated financial services into the ecosystems of core enterprises of supply chains and ecosystems of open platforms to identify the financial demands of small and medium enterprises as well as small and micro enterprises more accurately, and provided targeted services for the real economy. For intelligent bank, the Bank strengthened digital empowerment, made full use of digital technologies and tools, comprehensively improved products and customer service capabilities, solidly strengthened customer experience, and improved smart risk control to effectively prevent financial risks.

The Bank stimulated new vitality of the system and mechanism reform. The Bank carried out standardisation reform on the organisational structures of branches to promote optimisation and adjustment. It also accelerated the transformation and upgrading of business outlets, and promoted the improvement of customer experience, brand image and management empowerment by focusing on the three major axes of “diversified business forms + refined layout and smart operation + agile operation and all-channel operation”.

III. Analysis of Major Items of Statement of Profit or Loss

(I) Changes of major items of statement of profit or loss

During the Reporting Period, the Group recorded net profit attributable to holders of equity shares of the Bank of RMB24,638 million, representing a decrease of RMB1,918 million, or 7.22%, as compared with the corresponding period of the previous year.

| Item (RMB million) | January to June 2022 | January to June 2021 | Change (%) |
|---|-------------------------|-------------------------|------------|
| Operating income | 72,736 | 86,350 | -15.77 |
| Of which: Net interest income | 54,823 | 65,753 | -16.62 |
| Net non-interest income | 17,913 | 20,597 | -13.03 |
| Operating expenses | 21,947 | 20,366 | 7.76 |
| Impairment losses on credit | 23,960 | 36,543 | -34.43 |
| Impairment losses on other assets | 310 | 501 | -38.12 |
| Profit before income tax | 26,519 | 28,940 | -8.37 |
| Less: Income tax expenses | 1,635 | 2,203 | -25.78 |
| Net profit | 24,884 | 26,737 | -6.93 |
| Of which: Net profit attributable to holders of equity shares of the Bank | 24,638 | 26,556 | -7.22 |
| Profit or loss attributable to non-controlling interests | 246 | 181 | 35.91 |

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Operating income

During the Reporting Period, operating income of the Group amounted to RMB72,736 million, representing a decrease of RMB13,614 million, or 15.77%, as compared with the corresponding period of the previous year.

The amounts, percentages and changes of major items of the Group's operating income were as follows:

| Item (RMB million) | January to June 2022 | | January to June 2021 | | Change (%) |
|--|-------------------------|----------------|-------------------------|------------|---------------|
| | Amount | % of total | Amount | % of total | |
| Net interest income | 54,823 | 75.37 | 65,753 | 76.15 | -16.62 |
| Interest income | 131,728 | 181.10 | 140,736 | 162.99 | -6.40 |
| Of which: Interest income from loans and advances to customers | 94,021 | 129.26 | 100,219 | 116.08 | -6.18 |
| Interest income from financial investments | 27,844 | 38.28 | 30,019 | 34.76 | -7.25 |
| Interest income from long-term receivables | 3,403 | 4.68 | 3,911 | 4.53 | -12.99 |
| Interest income from placements with banks and other financial institutions | 2,810 | 3.86 | 3,379 | 3.91 | -16.84 |
| Interest income from balances with central bank | 2,386 | 3.28 | 2,574 | 2.98 | -7.30 |
| Interest income from financial assets held under resale agreements | 989 | 1.36 | 475 | 0.55 | 108.21 |
| Interest income from balances with banks and other financial institutions | 275 | 0.38 | 159 | 0.18 | 72.96 |
| Interest expenses | -76,905 | -105.73 | -74,983 | -86.84 | 2.56 |
| Net non-interest income | 17,913 | 24.63 | 20,597 | 23.85 | -13.03 |
| Net fee and commission income | 9,865 | 13.56 | 12,684 | 14.69 | -22.22 |
| Other net non-interest income | 8,048 | 11.07 | 7,913 | 9.16 | 1.71 |
| Total | 72,736 | 100.00 | 86,350 | 100.00 | -15.77 |

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group amounted to RMB54,823 million, representing a decrease of RMB10,930 million, or 16.62%, as compared with the corresponding period of the previous year. The net interest margin of the Group was 1.65%.

| Item (RMB million) | January to June 2022 | | | January to June 2021 | | |
|--|----------------------|-----------------|--------------------|----------------------|-----------------|--------------------|
| | Average balance | Interest income | Average return (%) | Average balance | Interest income | Average return (%) |
| Interest-earning assets | | | | | | |
| Total loans and advances to customers | 4,108,161 | 94,021 | 4.62 | 3,959,450 | 100,219 | 5.10 |
| Of which: Corporate loans and advances | 2,376,432 | 46,840 | 3.97 | 2,318,789 | 53,065 | 4.61 |
| Personal loans and advances | 1,731,729 | 47,181 | 5.49 | 1,640,661 | 47,154 | 5.80 |
| Financial investments | 1,747,928 | 27,844 | 3.21 | 1,755,523 | 30,019 | 3.45 |
| Balances with central bank | 327,979 | 2,386 | 1.47 | 346,180 | 2,574 | 1.50 |
| Placements with banks and other financial institutions | 199,485 | 2,810 | 2.84 | 250,684 | 3,379 | 2.72 |
| Long-term receivables | 118,804 | 3,403 | 5.78 | 134,607 | 3,911 | 5.86 |
| Financial assets held under resale agreements | 107,243 | 989 | 1.86 | 45,181 | 475 | 2.12 |
| Balances with banks and other financial institutions | 70,556 | 275 | 0.79 | 63,268 | 159 | 0.51 |
| Total | 6,680,156 | 131,728 | 3.98 | 6,554,893 | 140,736 | 4.33 |

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

| Item (RMB million) | January to June 2022 | | | January to June 2021 | | |
|--|----------------------|-------------------|------------------|----------------------|-------------------|------------------|
| | Average balance | Interest expenses | Average cost (%) | Average balance | Interest expenses | Average cost (%) |
| Interest-bearing liabilities | | | | | | |
| Deposits from customers | 3,933,146 | 44,247 | 2.27 | 3,748,513 | 40,043 | 2.15 |
| Of which: Corporate deposits | 3,057,336 | 34,079 | 2.25 | 2,989,774 | 31,467 | 2.12 |
| Demand | 1,151,463 | 7,550 | 1.32 | 1,266,118 | 8,137 | 1.30 |
| Time | 1,905,873 | 26,529 | 2.81 | 1,723,656 | 23,330 | 2.73 |
| Personal deposits | 875,810 | 10,168 | 2.34 | 758,739 | 8,576 | 2.28 |
| Demand | 249,265 | 443 | 0.36 | 233,276 | 410 | 0.35 |
| Time | 626,545 | 9,725 | 3.13 | 525,463 | 8,166 | 3.13 |
| Balances from banks and other financial institutions | 1,280,337 | 15,626 | 2.46 | 1,094,029 | 13,852 | 2.55 |
| Debt securities issued | 694,100 | 10,202 | 2.96 | 859,229 | 13,025 | 3.06 |
| Borrowings from central bank and other financial institutions and others | 382,975 | 5,999 | 3.16 | 425,164 | 6,581 | 3.12 |
| Placements from banks and other financial institutions | 65,557 | 299 | 0.92 | 109,446 | 783 | 1.44 |
| Financial assets sold under repurchase agreements | 59,526 | 532 | 1.80 | 74,311 | 699 | 1.90 |
| Total | 6,415,641 | 76,905 | 2.42 | 6,310,692 | 74,983 | 2.40 |
| Net interest income | | 54,823 | | | 65,753 | |
| Net interest spread | | | 1.56 | | | 1.93 |
| Net interest margin | | | 1.65 | | | 2.02 |

Note: In this table, outward remittance and remittance payables are included in corporate demand deposits; issuance of certificates of deposit is included in corporate time deposits.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The impacts of changes in scale and changes in interest rate on interest income and interest expenses of the Group were as follows:

| Item (RMB million) | Changes in scale from the corresponding period of the previous year to January to June 2022 | Changes in interest rate from the corresponding period of the previous year to January to June 2022 | Net increase/ decrease |
|--|--|---|---------------------------|
| Changes in interest income: | | | |
| Total loans and advances to customers | 3,764 | -9,962 | -6,198 |
| Financial investments | -130 | -2,045 | -2,175 |
| Balances with central bank | -135 | -53 | -188 |
| Placements with banks and other financial institutions | -690 | 121 | -569 |
| Long-term receivables | -459 | -49 | -508 |
| Financial assets held under resale agreements | 652 | -138 | 514 |
| Balances with banks and other financial institutions | 18 | 98 | 116 |
| Subtotal | 3,020 | -12,028 | -9,008 |
| Changes in interest expenses: | | | |
| Deposits from customers | 1,972 | 2,232 | 4,204 |
| Balances from banks and other financial institutions | 2,359 | -585 | 1,774 |
| Debt securities issued | -2,503 | -320 | -2,823 |
| Borrowings from central bank and other financial institutions and others | -653 | 71 | -582 |
| Placements from banks and other financial institutions | -314 | -170 | -484 |
| Financial assets sold under repurchase agreements | -139 | -28 | -167 |
| Subtotal | 722 | 1,200 | 1,922 |
| Changes in net interest income | 2,298 | -13,228 | -10,930 |

Note: Change in scale is measured by the change of average balance; change in interest rate is measured by the change of average interest rate.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. Interest income

During the Reporting Period, interest income of the Group amounted to RMB131,728 million, representing a decrease of RMB9,008 million, or 6.40%, as compared with the corresponding period of the previous year, mainly due to the decrease in interest income from loans and advances to customers of the Group.

(1) Interest income from loans and advances to customers

During the Reporting Period, interest income from loans and advances to customers of the Group amounted to RMB94,021 million, representing a decrease of RMB6,198 million, or 6.18%, as compared with the corresponding period of the previous year, mainly due to the decrease in the average return ratio of loans and advances to customers by 48BP as compared with the corresponding period of the previous year, which led to a decrease of RMB9,962 million in interest income as compared with the corresponding period of the previous year.

(2) Interest income from financial investments

During the Reporting Period, interest income from financial investments of the Group amounted to RMB27,844 million, representing a decrease of RMB2,175 million, or 7.25%, as compared with the corresponding period of the previous year, mainly due to the decrease in the average return ratio of financial investments by 24BP, which led to a decrease of RMB2,045 million in interest income as compared with the corresponding period of the previous year.

(3) Interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements

During the Reporting Period, interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB4,074 million, representing an increase of RMB61 million, or 1.52%, as compared with the corresponding period of the previous year.

(4) Interest income from long-term receivables

During the Reporting Period, interest income from long-term receivables of the Group amounted to RMB3,403 million, representing a decrease of RMB508 million, or 12.99%, as compared with the corresponding period of the previous year, mainly due to the decrease in the daily average scale of long-term receivables, which led to a decrease of RMB459 million in interest income as compared with the corresponding period of the previous year.

(5) Interest income from balances with central bank

During the Reporting Period, interest income from balances with central bank of the Group amounted to RMB2,386 million, representing a decrease of RMB188 million, or 7.30%, as compared with the corresponding period of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Interest expenses

During the Reporting Period, interest expenses of the Group amounted to RMB76,905 million, representing an increase of RMB1,922 million, or 2.56%, as compared with the corresponding period of the previous year, mainly due to the increase in interest expenses on deposits from customers.

(1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses on deposits from customers of the Group amounted to RMB44,247 million, representing an increase of RMB4,204 million, or 10.50%, as compared with the corresponding period of the previous year, mainly due to the dual impact of the increases in deposit scale and cost ratio.

(2) Interest expenses on balances and placements from banks and other financial institutions and financial assets sold under repurchase agreements

During the Reporting Period, interest expenses on balances and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB16,457 million, representing an increase of RMB1,123 million, or 7.32%, as compared with the corresponding period of the previous year, mainly due to the growth in the daily average scale of balances from banks and financial institutions.

(3) Interest expenses on debt securities issued

During the Reporting Period, interest expenses on debt securities issued of the Group amounted to RMB10,202 million, representing a decrease of RMB2,823 million, or 21.67%, as compared with the corresponding period of the previous year, mainly due to the decrease of RMB165,129 million in the daily average scale of debt securities issued, which led to a decrease of RMB2,503 million in interest expenses as compared with the corresponding period of the previous year.

(4) Interest expenses on borrowings from central bank and other financial institutions and other interest expenses

During the Reporting Period, interest expenses on borrowings from central bank and other financial institutions and other interest expenses of the Group amounted to RMB5,999 million, representing a decrease of RMB582 million, or 8.84%, as compared with the corresponding period of the previous year.

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(IV) Net non-interest income

During the Reporting Period, net non-interest income of the Group amounted to RMB17,913 million, representing a decrease of RMB2,684 million, or 13.03%, as compared with the corresponding period of the previous year.

| Item (RMB million) | January to June 2022 | January to June 2021 | Change (%) |
|-------------------------------|-------------------------|-------------------------|------------|
| Net fee and commission income | 9,865 | 12,684 | -22.22 |
| Other net non-interest income | 8,048 | 7,913 | 1.71 |
| Total | 17,913 | 20,597 | -13.03 |

1. Net fee and commission income

During the Reporting Period, the net fee and commission income of the Group was RMB9,865 million, representing a decrease of RMB2,819 million, or 22.22%, as compared with the corresponding period of the previous year. Among them, the fees of agency services decreased by RMB1,565 million as compared with the corresponding period of the previous year, mainly due to the shrinking scale of agency sales of funds impacted by the capital market environment, leading to the decrease in fee income from corresponding agency services. The fee and commission income from credit commitments decreased by RMB392 million as compared with the corresponding period of the previous year, mainly due to that the Bank focused on customers' changing demands in the upgrading of industry chains, actively adjusted the business structure of letters of guarantee and service model of factoring, and reduced capital occupation, leading to the decrease in the fee and commission income.

| Item (RMB million) | January to June 2022 | January to June 2021 | Change (%) |
|------------------------------------|-------------------------|-------------------------|------------|
| Fee and commission income | 12,253 | 15,359 | -20.22 |
| Of which: Bank card services | 5,444 | 5,711 | -4.68 |
| Trust and other fiduciary services | 2,725 | 3,048 | -10.60 |
| Agency services | 2,297 | 3,862 | -40.52 |
| Settlement services | 810 | 1,086 | -25.41 |
| Credit commitments | 691 | 1,083 | -36.20 |
| Others | 286 | 569 | -49.74 |
| Fee and commission expenses | 2,388 | 2,675 | -10.73 |
| Net fee and commission income | 9,865 | 12,684 | -22.22 |

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2. Other net non-interest income

During the Reporting Period, the Group realised other net non-interest income of RMB8,048 million, representing an increase of RMB135 million, or 1.71%, as compared with the corresponding period of the previous year.

| Item (RMB million) | January to June 2022 | January to June 2021 | Change (%) |
|-------------------------------------|-------------------------|-------------------------|------------|
| Net trading gain | 3,814 | 1,072 | 255.78 |
| Net gain from investment securities | 3,011 | 5,740 | -47.54 |
| Other net operating income | 1,223 | 1,101 | 11.08 |
| Total | 8,048 | 7,913 | 1.71 |

(V) Operating expenses

During the Reporting Period, the Group continued to invest more resources in the fields including digital finance and technology, marketing and development of customer groups and strategic key businesses, so as to enhance service capabilities and the quality and effectiveness of management. Operating expenses of the Group amounted to RMB21,947 million, representing an increase of RMB1,581 million, or 7.76% as compared with the corresponding period of the previous year. The cost-to-income ratio was 28.96%, representing an increase of 6.47 percentage points as compared with the corresponding period of the previous year.

| Item (RMB million) | January to June 2022 | January to June 2021 | Change (%) |
|--|-------------------------|-------------------------|------------|
| Staff costs (including Directors' emoluments) | 12,837 | 12,916 | -0.61 |
| Depreciation and amortisation | 2,865 | 2,754 | 4.03 |
| Tax and surcharges | 883 | 945 | -6.56 |
| Short-term lease expenses, low-value lease expenses and property management expenses | 414 | 389 | 6.43 |
| Business expenses/office expenses and others | 4,948 | 3,362 | 47.17 |
| Total | 21,947 | 20,366 | 7.76 |

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(VI) Impairment losses on credit

During the Reporting Period, impairment losses on credit of the Group amounted to RMB23,960 million, representing a decrease of RMB12,583 million, or 34.43%, as compared with the corresponding period of the previous year.

| Item (RMB million) | January to June 2022 | January to June 2021 | Change (%) |
|--|-------------------------|-------------------------|------------|
| Loans and advances to customers | 21,475 | 26,691 | -19.54 |
| Financial assets measured at amortised cost | 997 | 6,932 | -85.62 |
| Long-term receivables | 1,015 | 1,735 | -41.50 |
| Financial assets at fair value through other comprehensive income | 362 | 575 | -37.04 |
| Others | 111 | 610 | -81.80 |
| Total | 23,960 | 36,543 | -34.43 |

(VII) Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB1,635 million, representing a decrease of RMB568 million, or 25.78%, as compared with the corresponding period of the previous year, mainly due to the decrease in profit before income tax.

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB7,320,580 million, representing an increase of RMB367,794 million, or 5.29%, as compared with the end of the previous year.

| Item (RMB million) | 30 June 2022 | | 31 December 2021 | |
|---|------------------|---------------|------------------|------------|
| | Amount | % of total | Amount | % of total |
| Total loans and advances to customers | 4,205,536 | 57.45 | 4,045,692 | 58.19 |
| Add: Accrued interests on loans | 27,338 | 0.37 | 25,793 | 0.37 |
| Less: Allowance for impairment losses on loans at amortised cost | 101,228 | 1.38 | 103,806 | 1.49 |
| Net loans and advances to customers | 4,131,646 | 56.44 | 3,967,679 | 57.07 |
| Net financial investments | 2,184,594 | 29.84 | 2,034,433 | 29.26 |
| Cash and balances with central bank | 365,960 | 5.00 | 361,302 | 5.20 |
| Balances and placements with banks and other financial institutions and financial assets held under resale agreements | 292,923 | 4.00 | 252,676 | 3.63 |
| Long-term receivables | 111,798 | 1.53 | 122,716 | 1.76 |
| Property and equipment | 54,136 | 0.74 | 53,466 | 0.77 |
| Others | 179,523 | 2.45 | 160,514 | 2.31 |
| Total | 7,320,580 | 100.00 | 6,952,786 | 100.00 |

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. Loans and advances to customers

As at the end of the Reporting Period, total loans and advances to customers of the Group amounted to RMB4,205,536 million, representing an increase of RMB159,844 million, or 3.95%, as compared with the end of the previous year. Total loans and advances to customers accounted for 57.45% of total assets, representing a decrease of 0.74 percentage points as compared with the end of the previous year.

2. Financial investments

As at the end of the Reporting Period, total financial investments of the Group amounted to RMB2,174,823 million, representing an increase of RMB147,335 million, or 7.27%, as compared with the end of the previous year, and accounted for 29.71% of total assets, representing an increase of 0.55 percentage points as compared with the end of the previous year.

| Item (RMB million) | 30 June 2022 | | 31 December 2021 | |
|---|------------------|---------------|------------------|------------|
| | Amount | % of total | Amount | % of total |
| Financial assets measured at amortised cost | 1,335,395 | 61.40 | 1,296,604 | 63.95 |
| Of which: Bonds | 1,251,948 | 57.56 | 1,193,745 | 58.88 |
| Trust and asset management plans | 69,175 | 3.18 | 87,596 | 4.32 |
| Other investments | 14,272 | 0.66 | 15,263 | 0.75 |
| Financial assets at fair value through profit and loss | 385,453 | 17.72 | 300,684 | 14.83 |
| Of which: Bonds | 75,424 | 3.47 | 68,443 | 3.38 |
| Trust and asset management plans | 13,724 | 0.63 | 12,860 | 0.63 |
| Investment funds | 268,654 | 12.35 | 191,011 | 9.42 |
| Equity instruments | 26,272 | 1.21 | 27,279 | 1.35 |
| Other investments | 1,379 | 0.06 | 1,091 | 0.05 |
| Financial assets at fair value through other comprehensive income | 453,975 | 20.88 | 430,200 | 21.22 |
| Of which: Bonds | 443,862 | 20.41 | 421,875 | 20.81 |
| Equity instruments | 10,113 | 0.47 | 8,325 | 0.41 |
| Total | 2,174,823 | 100.00 | 2,027,488 | 100.00 |

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The bonds held by the Group in terms of issuers were as follows:

| Item (RMB million) | 30 June 2022 | | 31 December 2021 | |
|--|------------------|---------------|------------------|---------------|
| | Amount | % of total | Amount | % of total |
| Government | 1,058,554 | 59.76 | 1,003,403 | 59.58 |
| Policy banks | 115,381 | 6.52 | 113,096 | 6.72 |
| Banks and non-banking financial institutions | 225,343 | 12.72 | 187,770 | 11.15 |
| Corporates | 371,956 | 21.00 | 379,794 | 22.55 |
| Total | 1,771,234 | 100.00 | 1,684,063 | 100.00 |

Financial bonds held by the Group were mainly policy financial bonds and financial bonds of commercial banks. Of which, the top ten financial bonds in terms of par value were as follows:

| Item (RMB million) | Par value | Coupon rate (%) | Maturity | Allowance for impairment losses |
|--|---------------|-----------------|-------------------|---------------------------------|
| 2021 financial bonds | 6,860 | 3.00 | 17 June 2024 | 1.21 |
| 2021 financial bonds | 6,430 | 3.30 | 3 March 2026 | 1.14 |
| 2021 financial bonds | 6,180 | 2.83 | 10 September 2026 | 1.15 |
| 2020 financial bonds | 6,140 | 3.34 | 14 July 2025 | 1.22 |
| 2021 financial bonds | 5,890 | 2.73 | 11 November 2024 | 1.02 |
| 2020 financial bonds | 5,350 | 3.23 | 10 January 2025 | 1.06 |
| 2021 financial bonds | 5,110 | 3.03 | 10 November 2024 | 1.75 |
| 2020 financial bonds | 4,120 | 2.20 | 1 April 2023 | 0.55 |
| 2021 financial bonds ^(Note) | 4,010 | 2.96 | 4 March 2024 | 0.73 |
| 2019 financial bonds | 3,710 | 3.45 | 9 July 2022 | 0.16 |
| Total | 53,800 | | | 9.99 |

Note: The bonds adopt floating interest rate. The interest rate disclosed herein is the interest rate as at the end of the Reporting Period.

3. Balances and placements with banks and other financial institutions and financial assets held under resale agreements

As at the end of the Reporting Period, balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB292,923 million, representing an increase of RMB40,247 million, or 15.93%, as compared with the end of the previous year, and accounted for 4.00% of the total assets, representing an increase of 0.37 percentage points as compared with the end of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

4. Derivative financial instruments

| Item (RMB million) | 30 June 2022 | | | 31 December 2021 | | |
|----------------------------|------------------|---------------|---------------|------------------|------------|-------------|
| | Nominal amount | Fair value | | Nominal amount | Fair value | |
| | | Assets | Liabilities | | Assets | Liabilities |
| Currency derivatives | 2,334,675 | 24,474 | 19,722 | 2,611,330 | 24,790 | 21,468 |
| Interest rate derivatives | 1,545,729 | 2,196 | 852 | 1,422,507 | 1,047 | 903 |
| Precious metal derivatives | 72,131 | 3,630 | 5,904 | 59,693 | 1,521 | 3,641 |
| Others | 5,124 | 80 | 81 | 6,467 | 103 | 102 |
| Total | | 30,380 | 26,559 | | 27,461 | 26,114 |

(II) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB6,717,869 million, representing an increase of RMB351,622 million, or 5.52%, as compared with the end of the previous year.

| Item (RMB million) | 30 June 2022 | | 31 December 2021 | |
|---|------------------|---------------|------------------|------------|
| | Amount | % of total | Amount | % of total |
| Deposits from customers | 4,161,548 | 61.95 | 3,825,693 | 60.09 |
| Of which: Total deposits from customers (excluding accrued interest) | 4,113,630 | 61.23 | 3,775,761 | 59.31 |
| Balances and placements from banks and other financial institutions and financial assets sold under repurchase agreements | 1,324,508 | 19.72 | 1,330,843 | 20.91 |
| Debt securities issued | 762,428 | 11.35 | 711,024 | 11.17 |
| Borrowings from central bank and other financial institutions | 370,935 | 5.52 | 394,248 | 6.19 |
| Others | 98,450 | 1.46 | 104,439 | 1.64 |
| Total | 6,717,869 | 100.00 | 6,366,247 | 100.00 |

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. Deposits from customers

As at the end of the Reporting Period, total deposits from customers of the Group amounted to RMB4,113,630 million, representing an increase of RMB337,869 million, or 8.95%, as compared with the end of the previous year. In respect of customer structure, the proportions of corporate deposits and personal deposits in total deposits were 76.65% and 23.14%, respectively. In respect of maturity structure, the proportions of demand deposits and time deposits in total deposits were 34.79% and 65.00%, respectively.

| Item (RMB million) | 30 June 2022 | | 31 December 2021 | |
|--|------------------|---------------|------------------|------------|
| | Amount | % of total | Amount | % of total |
| Corporate deposits | 3,152,917 | 76.65 | 2,944,013 | 77.97 |
| Of which: Demand deposits | 1,156,366 | 28.11 | 1,215,239 | 32.19 |
| Time deposits | 1,996,551 | 48.54 | 1,728,774 | 45.78 |
| Personal deposits | 952,018 | 23.14 | 825,423 | 21.86 |
| Of which: Demand deposits | 274,827 | 6.68 | 248,459 | 6.58 |
| Time deposits | 677,191 | 16.46 | 576,964 | 15.28 |
| Certificates of deposit | 5,001 | 0.12 | 3,365 | 0.09 |
| Outward remittance and remittance payables | 3,694 | 0.09 | 2,960 | 0.08 |
| Total | 4,113,630 | 100.00 | 3,775,761 | 100.00 |

2. Balances and placements from banks and other financial institutions and financial assets sold under repurchase agreements

As at the end of the Reporting Period, total balances and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,324,508 million, representing a decrease of RMB6,335 million, or 0.48%, as compared with the end of the previous year.

3. Debt securities issued

As at the end of the Reporting Period, total debt securities issued of the Group amounted to RMB762,428 million, representing an increase of RMB51,404 million, or 7.23%, as compared with the end of the previous year.

(III) Qualitative analysis of liabilities

The Bank attached great importance to liability quality management, and formulated the Measures on Liability Management of China Minsheng Bank pursuant to the Rules on Liability Management of Commercial Banks released by the CBIRC. According to the strategic goals of operation and the development of liability business, the Bank established a multi-level organisational structure for liability quality management in line with the scale and complexity of its liabilities. The Board undertook the ultimate responsibility for liability quality management, and the Senior Management and relevant functional departments of the Head Office bear relevant management responsibilities for liability quality management.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank actively responded to changes in the internal and external operational environment and strengthened the management of the source, structure and cost of liabilities. **Firstly**, the Bank focused on customer group management, fully promoted steady growth in deposit scale and consolidated the foundation of liabilities. **Secondly**, the Bank proactively maintained the balance between the scale and pricing of liabilities, improved the internal and external pricing mechanism, leveraged market-oriented liability business to regulate total liabilities, and constantly enhanced the appropriateness of liability cost. **Thirdly**, the Bank laid emphasis on improving proactive and forward-looking management, paid close attention to and judged the changes in external environment and competition trend in the industry, strengthened the monitoring and analysis of the changes in liability scale and structure, and dynamically adjusted the strategies regarding the total scale, structure and pricing of liability business.

During the Reporting Period, all businesses of the Group grew steadily, the quality of liabilities was sound and stable, and all indicators remained within a reasonable range. As at the end of the Reporting Period, the net stable funding ratio of the Group was 105.05%, and the liquidity coverage ratio was 133.47%, which both met the requirements of the CBIRC. During the Reporting Period, the average cost ratio of interest-bearing liabilities of the Group was 2.42%, representing an increase of 2BP as compared with the corresponding period of the previous year.

(IV) Shareholder's equity

As at the end of the Reporting Period, total shareholder's equity of the Group amounted to RMB602,711 million, representing an increase of RMB16,172 million, or 2.76%, as compared with the end of the previous year. Of which, total equity attributable to holders of equity shares of the Bank amounted to RMB590,160 million, representing an increase of RMB15,880 million, or 2.77%, as compared with the end of the previous year.

| Item (RMB million) | 30 June 2022 | 31 December 2021 | Change (%) |
|--|-----------------|---------------------|-----------------------------|
| Share capital | 43,782 | 43,782 | – |
| Other equity instrument | 94,962 | 89,964 | 5.56 |
| Of which: Preference shares | 19,975 | 19,975 | – |
| Perpetual bonds | 74,987 | 69,989 | 7.14 |
| Reserves | 196,356 | 197,390 | –0.52 |
| Of which: Capital reserve | 58,149 | 58,149 | – |
| Surplus reserve | 51,843 | 51,843 | – |
| General reserve | 87,057 | 87,013 | 0.05 |
| Other reserves | –693 | 385 | Negative for this period |
| Retained earnings | 255,060 | 243,144 | 4.90 |
| Total equity attributable to holders of equity shares of the Bank | 590,160 | 574,280 | 2.77 |
| Non-controlling interests | 12,551 | 12,259 | 2.38 |
| Total | 602,711 | 586,539 | 2.76 |

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(V) Off-balance sheet items

| Item (RMB million) | 30 June 2022 | 31 December 2021 | Change (%) |
|--------------------------------|-----------------|---------------------|------------|
| Unused credit card commitments | 496,532 | 491,370 | 1.05 |
| Bank acceptances | 472,770 | 340,726 | 38.75 |
| Guarantees | 136,707 | 146,076 | -6.41 |
| Letters of credit | 67,893 | 77,382 | -12.26 |
| Capital commitments | 23,372 | 22,134 | 5.59 |
| Irrevocable credit commitments | 38,008 | 25,050 | 51.73 |

V. Qualitative Analysis of Loans

(I) Loan distribution by five-category classification

During the Reporting Period, the Group continued to strengthen active credit risk management, studied and judged internal and external risk situations, constantly optimised asset structure, enhanced risk prevention in key areas, strictly controlled new NPLs, accelerated the collection and disposal of NPLs, and steadily improved asset quality indicators. As at the end of the Reporting Period, total NPLs of the Group amounted to RMB72,737 million, representing an increase of RMB399 million as compared with the end of the previous year. The NPL ratio was 1.73%, representing a decrease of 0.06 percentage points as compared with the end of the previous year. Total special-mentioned loans were RMB113,145 million, representing a decrease of RMB2,152 million as compared with the end of the previous year. The proportion of special-mentioned loans was 2.69%, representing a decrease of 0.16 percentage points as compared with the end of the previous year.

| Item (RMB million) | 30 June 2022 | | 31 December 2021 | | Change (%) |
|-------------------------|------------------|---------------|------------------|------------|------------|
| | Amount | % of total | Amount | % of total | |
| Performing loans | 4,132,799 | 98.27 | 3,973,354 | 98.21 | 4.01 |
| Of which: Pass | 4,019,654 | 95.58 | 3,858,057 | 95.36 | 4.19 |
| Special-mentioned | 113,145 | 2.69 | 115,297 | 2.85 | -1.87 |
| NPLs | 72,737 | 1.73 | 72,338 | 1.79 | 0.55 |
| Of which: Substandard | 20,921 | 0.50 | 24,198 | 0.60 | -13.54 |
| Doubtful | 26,872 | 0.64 | 26,043 | 0.64 | 3.18 |
| Loss | 24,944 | 0.59 | 22,097 | 0.55 | 12.88 |
| Total | 4,205,536 | 100.00 | 4,045,692 | 100.00 | 3.95 |

(II) Loan distribution by product types

As at the end of the Reporting Period, total corporate loans (including discounted bills) of the Group amounted to RMB2,450,981 million, representing an increase of RMB146,620 million as compared with the end of the previous year, accounting for 58.28% of total loans, representing an increase of 1.32 percentage points as compared with the end of the previous year. Total personal loans amounted to RMB1,754,555 million, representing an increase of RMB13,224 million as compared with the end of the previous year, accounting for 41.72% of total loans, representing a decrease of 1.32 percentage points as compared with the end of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, total corporate NPLs (including discounted bills) of the Group amounted to RMB44,851 million, representing an increase of RMB1,184 million as compared with the end of the previous year, and the NPL ratio was 1.83%, representing a decrease of 0.06 percentage points as compared with the end of the previous year. Total personal NPLs amounted to RMB27,886 million, representing a decrease of RMB785 million as compared with the end of the previous year, and the NPL ratio was 1.59%, representing a decrease of 0.06 percentage points as compared with the end of the previous year.

| Item (RMB million) | 30 June 2022 | | | | 31 December 2021 | | | |
|--|------------------|---------------|---------------|---------------|------------------|------------|------------|---------------|
| | Total loans | % of total | Total NPLs | NPL ratio (%) | Total loans | % of total | Total NPLs | NPL ratio (%) |
| Corporate loans and advances | 2,450,981 | 58.28 | 44,851 | 1.83 | 2,304,361 | 56.96 | 43,667 | 1.89 |
| Of which: Discounted bills | 266,566 | 6.34 | 706 | 0.26 | 280,874 | 6.94 | 703 | 0.25 |
| Personal loans and advances | 1,754,555 | 41.72 | 27,886 | 1.59 | 1,741,331 | 43.04 | 28,671 | 1.65 |
| Of which: Loans to small and micro enterprises | 606,381 | 14.42 | 10,980 | 1.81 | 577,327 | 14.27 | 12,271 | 2.13 |
| Residential mortgage | 594,227 | 14.13 | 1,990 | 0.33 | 595,468 | 14.72 | 1,568 | 0.26 |
| Credit card overdrafts | 465,605 | 11.07 | 13,741 | 2.95 | 472,077 | 11.67 | 13,924 | 2.95 |
| Others ^(Note) | 88,342 | 2.10 | 1,175 | 1.33 | 96,459 | 2.38 | 908 | 0.94 |
| Total | 4,205,536 | 100.00 | 72,737 | 1.73 | 4,045,692 | 100.00 | 72,338 | 1.79 |

Note: Others include comprehensive consumer loans, commercial housing loans, automobile loans and other personal loans.

(III) Loan distribution by industries

The Group adhered to high-quality development, actively implemented the guiding opinions of the State on adjusting credit structure. Focusing on the new development pattern of “industrial upgrading, economic development and transition to new from old economic engines”, the Bank increased support for the real economy, and continued to strengthen the support for key areas including infrastructure construction, the advanced manufacturing industry, inclusive finance, green credit, rural revitalisation, sci-tech innovation, and SMEs. It continued to strengthen the mid- to long-term loan support for the manufacturing industry with focus on the development of strategic emerging manufacturing industry and the upgrading and transformation of traditional manufacturing industry. The Group stuck to the positioning that “houses are for living in, not for speculation”, continuously optimised the structures of customers and regions, and constantly promoted the healthy and steady development of the real estate business. As at the end of the Reporting Period, corporate loan business of the Group was mainly concentrated in the industries of leasing and commercial services, manufacturing, and real estate. Of which, total loans to the leasing and commercial services industry amounted to RMB537,887 million, representing an increase of RMB23,033 million as compared with the end of the previous year. Total loans to the manufacturing industry amounted to RMB422,320 million, representing an increase of RMB73,778 million as compared with the end of the previous year. Total loans to the real estate industry amounted to RMB359,259 million, representing a decrease of RMB1,043 million as compared with the end of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, the corporate NPLs of the Group were mainly concentrated in the manufacturing and real estate industries. Total NPLs of the two major industries amounted to RMB21,530 million, accounting for 48.00% of total corporate NPLs. The increase of NPLs was mainly due to the total NPLs of the manufacturing industry, the real estate industry and the leasing and commercial services industry increased by RMB4,275 million, RMB1,177 million and RMB1,070 million, respectively, as a result of the impacts of the macro-economic environment, the COVID-19 pandemic and other factors, which led to the increases in NPL ratios of the above-mentioned industries as compared with the end of the previous year. The balances of NPLs of other industries decreased by RMB5,338 million in total as compared with the end of the previous year, and the quality of assets remained stable or tended to get better. Of which, the NPL ratios of the mining industry and the information transmission, software and IT services industry decreased by 2.85 percentage points and 6.71 percentage points, respectively as compared with the end of the previous year, due to the accelerated collection and disposal of existing NPLs.

| Item (RMB million) | 30 June 2022 | | | | 31 December 2021 | | | |
|--|------------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|
| | Total loans | % of total | Total NPLs | NPL ratio (%) | Total loans | % of total | Total NPLs | NPL ratio (%) |
| Corporate loans and advances | | | | | | | | |
| Leasing and commercial services | 537,887 | 12.79 | 4,050 | 0.75 | 514,854 | 12.73 | 2,980 | 0.58 |
| Manufacturing | 422,320 | 10.04 | 10,779 | 2.55 | 348,542 | 8.62 | 6,504 | 1.87 |
| Real estate | 359,259 | 8.54 | 10,751 | 2.99 | 360,302 | 8.91 | 9,574 | 2.66 |
| Wholesale and retail | 275,300 | 6.55 | 7,109 | 2.58 | 259,230 | 6.41 | 6,606 | 2.55 |
| Water, environment and public utilities management | 172,763 | 4.11 | 451 | 0.26 | 160,746 | 3.97 | 456 | 0.28 |
| Transportation, storage and postal service | 149,470 | 3.55 | 1,593 | 1.07 | 127,181 | 3.14 | 1,950 | 1.53 |
| Construction | 123,100 | 2.93 | 1,621 | 1.32 | 112,875 | 2.79 | 1,492 | 1.32 |
| Production and supply of electric power, heat, gas and water | 101,952 | 2.42 | 783 | 0.77 | 86,436 | 2.14 | 629 | 0.73 |
| Financial services | 93,005 | 2.21 | 401 | 0.43 | 117,470 | 2.90 | 365 | 0.31 |
| Mining | 79,817 | 1.90 | 5,781 | 7.24 | 88,396 | 2.18 | 8,921 | 10.09 |
| Information transmission, software and information technology services | 48,702 | 1.16 | 467 | 0.96 | 44,566 | 1.10 | 3,418 | 7.67 |
| Agriculture, forestry, animal husbandry and fishery | 21,534 | 0.51 | 429 | 1.99 | 20,221 | 0.50 | 435 | 2.15 |
| Accommodation and catering | 14,095 | 0.34 | 361 | 2.56 | 13,891 | 0.34 | 2 | 0.01 |
| Others | 51,777 | 1.23 | 275 | 0.53 | 49,651 | 1.23 | 335 | 0.67 |
| Subtotal | 2,450,981 | 58.28 | 44,851 | 1.83 | 2,304,361 | 56.96 | 43,667 | 1.89 |
| Personal loans and advances | 1,754,555 | 41.72 | 27,886 | 1.59 | 1,741,331 | 43.04 | 28,671 | 1.65 |
| Total | 4,205,536 | 100.00 | 72,737 | 1.73 | 4,045,692 | 100.00 | 72,338 | 1.79 |

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Loan distribution by geographical regions

The Group actively implemented the national strategies, developed major regions into the important engine for the high-quality business development of the whole Bank, promoted new breakthrough progress in major regional strategies, and moderately reinforced operations in other regions with relatively insufficient credit growth, to promote coordinated regional development. As at the end of the Reporting Period, total loans of the Group to the Yangtze River Delta, Bohai Rim and Western Region ranked top three, being RMB1,068,354 million, RMB657,928 million and RMB642,074 million, respectively, accounting for 25.40%, 15.64% and 15.27%, respectively. In terms of increase of loans, total loans to the Yangtze River Delta and Pearl River Delta increased by RMB63,905 million and RMB46,525 million, respectively, as compared with the end of the previous year. The total increase of loans to the two regions accounted for 69.09% of the total increase of loans.

As at the end of the Reporting Period, the NPLs of the Group were mainly concentrated in the Western Region and the Head Office, the total NPLs of which amounted to RMB16,893 million and RMB16,362 million, respectively, totally accounting for 45.72% of total NPLs. In terms of the increase of NPLs, the Western Region and the Northeastern Region had higher increased amount of RMB5,762 million and RMB1,136 million, respectively, as compared with the end of the previous year, and the NPL ratios increased by 0.82 percentage points and 1.12 percentage points, respectively, as compared with the end of the previous year, mainly due to the downgrading of certain corporate customers in the regions.

| Item (RMB million) | 30 June 2022 | | | | 31 December 2021 | | | |
|--|------------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|
| | Total loans | % of total | Total NPLs | NPL ratio (%) | Total loans | % of total | Total NPLs | NPL ratio (%) |
| Head Office | 478,134 | 11.37 | 16,362 | 3.42 | 506,340 | 12.52 | 16,793 | 3.32 |
| Yangtze River Delta | 1,068,354 | 25.40 | 9,250 | 0.87 | 1,004,449 | 24.83 | 11,535 | 1.15 |
| Pearl River Delta | 632,739 | 15.05 | 7,224 | 1.14 | 586,214 | 14.49 | 7,005 | 1.19 |
| Bohai Rim | 657,928 | 15.64 | 9,014 | 1.37 | 630,297 | 15.58 | 10,284 | 1.63 |
| Northeastern Region | 98,885 | 2.35 | 2,899 | 2.93 | 97,272 | 2.40 | 1,763 | 1.81 |
| Central Region | 520,693 | 12.38 | 9,939 | 1.91 | 508,645 | 12.57 | 13,237 | 2.60 |
| Western Region | 642,074 | 15.27 | 16,893 | 2.63 | 616,229 | 15.23 | 11,131 | 1.81 |
| Institutions outside the Chinese mainland and subsidiaries | 106,729 | 2.54 | 1,156 | 1.08 | 96,246 | 2.38 | 590 | 0.61 |
| Total | 4,205,536 | 100.00 | 72,737 | 1.73 | 4,045,692 | 100.00 | 72,338 | 1.79 |

Note: For details of the geographical distribution of institutions of the Group, please refer to Note 5 "Segment Information" to the financial statements.

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(V) Loan distribution by types of collateral

The Group's loans were mainly secured loans. The Group actively implemented national policies and increased the proportion of high-quality credit loans. As at the end of the Reporting Period, total secured loans of the Group amounted to RMB2,391,512 million, representing an increase of RMB26,876 million as compared with the end of the previous year, accounting for 56.86% of total loans. Total unsecured loans amounted to RMB1,132,926 million, representing an increase of RMB122,617 million as compared with the end of the previous year, accounting for 26.94% of total loans. Total guaranteed loans amounted to RMB681,098 million, representing an increase of RMB10,351 million as compared with the end of the previous year, accounting for 16.20% of total loans. Due to the downgrading of some corporate customers, the NPL ratio of guaranteed loans increased by 0.16 percentage points as compared with the end of the previous year. The NPL ratios of unsecured loans and secured loans both decreased.

| Item (RMB million) | 30 June 2022 | | | | 31 December 2021 | | | |
|---|------------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|
| | Total loans | % of total | Total NPLs | NPL ratio (%) | Total loans | % of total | Total NPLs | NPL ratio (%) |
| Unsecured loans | 1,132,926 | 26.94 | 17,132 | 1.51 | 1,010,309 | 24.97 | 17,264 | 1.71 |
| Guaranteed loans | 681,098 | 16.20 | 16,171 | 2.37 | 670,747 | 16.58 | 14,814 | 2.21 |
| Secured loans | 2,391,512 | 56.86 | 39,434 | 1.65 | 2,364,636 | 58.45 | 40,260 | 1.70 |
| Of which: Secured by tangible assets other than monetary assets | 1,764,832 | 41.96 | 34,434 | 1.95 | 1,739,357 | 42.99 | 35,731 | 2.05 |
| Secured by monetary assets | 626,680 | 14.90 | 5,000 | 0.80 | 625,279 | 15.46 | 4,529 | 0.72 |
| Total | 4,205,536 | 100.00 | 72,737 | 1.73 | 4,045,692 | 100.00 | 72,338 | 1.79 |

(VI) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of total loans to the top ten loan customers of the Group was RMB80,104 million, accounting for 1.90% of total loans and advances to customers and 10.71% of net capital base. The top ten loan customers were as follows:

| Item (RMB million) | Amount | % of total loans | % of net capital base |
|--------------------|---------------|------------------|-----------------------|
| Customer A | 15,700 | 0.37 | 2.10 |
| Customer B | 10,500 | 0.25 | 1.40 |
| Customer C | 9,200 | 0.22 | 1.23 |
| Customer D | 7,431 | 0.18 | 0.99 |
| Customer E | 7,180 | 0.17 | 0.96 |
| Customer F | 6,614 | 0.16 | 0.89 |
| Customer G | 6,003 | 0.14 | 0.80 |
| Customer H | 5,998 | 0.14 | 0.80 |
| Customer I | 5,806 | 0.14 | 0.78 |
| Customer J | 5,672 | 0.13 | 0.76 |
| Total | 80,104 | 1.90 | 10.71 |

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(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, total restructured loans of the Group amounted to RMB16,321 million, representing a decrease of RMB1,422 million as compared with the end of the previous year, accounting for 0.39% of total loans and advances to customers, representing a decrease of 0.05 percentage points as compared with the end of the previous year. Total overdue loans amounted to RMB88,334 million, representing an increase of RMB609 million as compared with the end of the previous year, accounting for 2.10% of total loans and advances to customers, representing a decrease of 0.07 percentage points as compared with the end of the previous year.

| Item (RMB million) | 30 June 2022 | | 31 December 2021 | |
|---|---------------|-------------|------------------|------------|
| | Amount | % of total | Amount | % of total |
| Restructured loans ^(Note 1) | 16,321 | 0.39 | 17,743 | 0.44 |
| Of which: Restructured loans overdue for more than 90 days | 12,135 | 0.29 | 11,990 | 0.30 |
| Overdue loans ^(Note 2) | 88,334 | 2.10 | 87,725 | 2.17 |
| Of which: Overdue within 3 months | 28,323 | 0.67 | 30,395 | 0.75 |
| Overdue from 3 months up to 1 year | 31,508 | 0.75 | 34,979 | 0.87 |
| Overdue from 1 year up to 3 years | 24,573 | 0.59 | 17,795 | 0.44 |
| Overdue for more than 3 years | 3,930 | 0.09 | 4,556 | 0.11 |

Notes:

- Restructured loans (full name: loans after restructuring) are loans of which the terms of repayment under the loan agreement have been amended by the Bank as a result of deteriorated financial status of the borrower or inability of the borrower to repay.
- Overdue loans are loans of which the repayment of principal or interest is overdue for one or more days.

(VIII) Repossessed assets

| Item (RMB million) | 30 June 2022 | 31 December 2021 |
|--|-----------------|---------------------|
| Repossessed assets | 6,090 | 5,471 |
| Of which: Real estate and land use right | 5,339 | 4,854 |
| Motor vehicles | 654 | 517 |
| Others | 97 | 100 |
| Allowance for impairment losses | 969 | 731 |

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(IX) Changes in allowance for impairment losses on loans

| Item (RMB million) | January to June 2022 | January to December 2021 |
|---|----------------------------|--------------------------------|
| Opening balance | 105,108 | 97,637 |
| Charge for the period, net | 21,475 | 58,660 |
| Write-offs and transfer out during the period | -26,614 | -54,840 |
| Recoveries | 2,918 | 5,204 |
| Others | -520 | -1,553 |
| Ending balance | 102,367 | 105,108 |

Method for assessing allowance for impairment losses on loans:

According to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7) 《企業會計準則第22號—金融工具確認和計量》(財會〔2017〕7號)) issued by the Ministry of Finance, the Bank used the expected credit loss model to calculate the allowance for impairment losses on loans. Of which, for retail loans and corporate loans in phase 1 and phase 2, the allowance for impairment losses is provided based on risk parameters such as probability of default (PD), and loss given default (LGD) which have gone through forward-looking adjustment. For corporate loans in phase 3, the allowance for impairment losses is calculated based on the expected recovery of cash flow for each single loan. The Bank continued to monitor and optimise the expected credit loss model. It also updated regularly the forward-looking information and relevant parameters, continuously enhanced the quality of implementing expected credit loss approach and the credit risk prediction capability according to the requirements of the Implementation Rules for Expected Credit Loss Approach of Commercial Banks (Yin Bao Jian Gui [2022] No. 10) 《商業銀行預期信用損失法實施管理辦法》(銀保監規〔2022〕10號)) of the CBIRC. The provision of allowance for impairment losses on loans of the Bank was more forward-looking and the management of allowance for impairment losses was further refined.

VI. Analysis of Capital Adequacy Ratio

(I) Capital adequacy ratio

The Group calculated its capital adequacy ratio (the “CAR”) in accordance with the Capital Rules for Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 (the “Capital Rules”) and other relevant regulatory provisions. The calculation of CAR covers the Bank and the financial institutions directly or indirectly invested by the Bank in accordance with the requirements of the Capital Rules. During the Reporting Period, the minimum requirements of the CBIRC on the Group and the Bank’s core tier-one CAR, tier-one CAR and the CAR were 5%, 6%, and 8%, respectively. Based on the aforesaid minimum capital requirements, provisions of reserve capital, counter-cyclical capital and additional paid-in capital should also be made at the ratios of 2.5%, 0%, and 0%, respectively. During the Reporting Period, the core tier-one CAR, tier-one CAR, and the CAR of the Group and the Bank should be no less than 7.5%, 8.5%, and 10.5%, respectively.

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As at the end of the Reporting Period, the core tier-one CAR, tier-one CAR and the CAR of the Group were 8.80%, 10.49% and 13.21%, respectively, representing decreases of 0.24 percentage points, 0.24 percentage points and 0.43 percentage points, respectively, as compared with the end of the previous year. Among the investees in which the Bank holds the majority equity interest or has the right of control, there was one rural bank with regulatory capital shortfall of RMB152 million. The table below sets out the capital adequacy ratios of the Group and the Bank:

| Item (RMB million) | 30 June 2022 | | 31 December 2021 | |
|---------------------------------------|------------------|------------------|------------------|-----------|
| | The Group | The Bank | The Group | The Bank |
| Net core tier-one capital | 497,842 | 466,398 | 486,552 | 456,364 |
| Net tier-one capital | 593,865 | 561,354 | 577,079 | 546,320 |
| Total net capital base | 747,842 | 710,399 | 733,703 | 698,418 |
| Core tier-one capital | 503,155 | 485,765 | 491,386 | 474,747 |
| Core tier-one capital deductions | -5,313 | -19,367 | -4,834 | -18,383 |
| Other tier-one capital | 96,023 | 94,962 | 90,907 | 89,964 |
| Other tier-one capital deductions | - | -6 | -380 | -8 |
| Tier-two capital | 153,977 | 149,058 | 156,624 | 152,104 |
| Tier-two capital deductions | - | -13 | - | -6 |
| Total risk-weighted assets | 5,660,133 | 5,345,665 | 5,379,458 | 5,094,876 |
| Of which: Credit risk-weighted assets | 5,259,099 | 4,962,212 | 4,981,119 | 4,713,703 |
| Market risk-weighted assets | 74,470 | 69,287 | 71,775 | 67,007 |
| Operational risk-weighted assets | 326,564 | 314,166 | 326,564 | 314,166 |
| Core tier-one CAR (%) | 8.80 | 8.72 | 9.04 | 8.96 |
| Tier-one CAR (%) | 10.49 | 10.50 | 10.73 | 10.72 |
| CAR (%) | 13.21 | 13.29 | 13.64 | 13.71 |

As at the end of the Reporting Period, the leverage ratio of the Group was 7.28%, representing a decrease of 0.19 percentage points as compared with the end of March 2022. The leverage ratio of the Group is as follows:

| Item (RMB million) | 30 June 2022 | 31 March 2022 | 31 December 2021 | 30 September 2021 |
|--|------------------|---------------|------------------|-------------------|
| Leverage ratio (%) | 7.28 | 7.47 | 7.60 | 7.62 |
| Net tier-one capital | 593,865 | 590,823 | 577,079 | 589,454 |
| On-and off-balance sheet assets after adjustment | 8,157,324 | 7,904,655 | 7,596,574 | 7,738,516 |

For details of the regulatory capital, please refer to the section headed "Investors Relations – Announcements and Disclosures – Regulatory Capital" on the Bank's website (www.cmbc.com.cn).

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(II) Credit risk exposure

The following table sets forth the exposure to credit risk of the Group measured according to the Capital Rules as at the end of the Reporting Period.

| Item (RMB million) | 30 June 2022 | 31 December 2021 |
|---|------------------|---------------------|
| On-balance sheet credit risk exposure | 7,222,340 | 6,877,333 |
| Of which: Asset-backed securitisation risk exposure | 236,935 | 263,224 |
| Off-balance sheet credit risk exposure | 806,519 | 617,508 |
| Counterparty credit risk exposure | 44,975 | 29,111 |
| Total | 8,073,834 | 7,523,952 |

(III) Market risk capital requirements

The Group adopted standardised approach to measure market risk capital requirements. The following table sets forth the capital requirements for different types of market risks of the Group as at the end of the Reporting Period.

| Item (RMB million) | 30 June 2022 | 31 December 2021 |
|---|-----------------|---------------------|
| Interest rate risk | 4,281 | 3,836 |
| Stock risk | 345 | 491 |
| Exchange rate risk | 1,248 | 1,293 |
| Commodity risk | 50 | 74 |
| Option risk | 34 | 43 |
| Specific risk of asset-backed securitisation risk exposure in the trading books | – | 5 |
| Total | 5,958 | 5,742 |

(IV) Operational risk capital requirements

As at the end of the Reporting Period, the operational risk capital requirements of the Group measured according to the basic indicator approach amounted to RMB26,125 million.

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VII. Liquidity Indicators

(I) Liquidity coverage ratio

As at the end of the Reporting Period, the liquidity coverage ratio of the Group was 133.47%, exceeding the regulatory requirements by 33.47 percentage points, indicating that the Group had an adequate reserve of high-quality current assets and maintained its liquidity steady.

| Item (RMB million) | 30 June 2022 | 31 December 2021 |
|------------------------------|------------------|---------------------|
| Liquidity coverage ratio (%) | 133.47 | 133.42 |
| High-quality current assets | 1,040,976 | 956,827 |
| Net cash outflow in 30 days | 779,933 | 717,163 |

(II) Net stable funding ratio

As at the end of the Reporting Period, the net stable funding ratio of the Group was 105.05%, exceeding the regulatory requirements by 5.05 percentage points, indicating that the Group had adequate sources of stable funding that could support sustainable and stable business development.

| Item (RMB million) | 30 June 2022 | 31 March 2022 | 31 December 2021 |
|------------------------------|------------------|------------------|---------------------|
| Net stable funding ratio (%) | 105.05 | 104.24 | 104.11 |
| Stable funding available | 4,126,919 | 4,083,539 | 4,071,966 |
| Stable funding required | 3,928,380 | 3,917,552 | 3,911,174 |

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VIII. Segment Report

The business segments of the Group are categorised as corporate banking, retail banking and others for the purposes of management, reporting and evaluation. The geographical segments are categorised into eight including the Head Office, Yangtze River Delta, Pearl River Delta, Bohai Rim, Northeastern Region, Central Region, Western Region, and the institutions outside the Chinese mainland and the subsidiaries for the purposes of management, reporting and evaluation.

(I) Segment operating results by business line

| Item (RMB million) | 30 June | January-June 2022 | |
|--------------------|----------------------|---------------------|-----------------------------|
| | 2022 Total assets | Operating income | Profit before income tax |
| Corporate banking | 4,453,021 | 37,341 | 17,729 |
| Retail banking | 1,785,876 | 33,449 | 13,759 |
| Others | 1,028,245 | 1,946 | -4,969 |
| Total | 7,267,142 | 72,736 | 26,519 |

| Item (RMB million) | 31 December | January-June 2021 | |
|--------------------|----------------------|---------------------|-----------------------------|
| | 2021 Total assets | Operating income | Profit before income tax |
| Corporate banking | 4,475,982 | 44,036 | 10,359 |
| Retail banking | 1,765,982 | 34,611 | 14,817 |
| Others | 658,918 | 7,703 | 3,764 |
| Total | 6,900,882 | 86,350 | 28,940 |

Note: Total assets exclude deferred income tax assets.

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(II) Segment operating results by geographical region

| Item (RMB million) | 30 June | January-June 2022 | |
|---|----------------------|---------------------|-----------------------------|
| | 2022 Total assets | Operating income | Profit before income tax |
| Head Office | 3,254,650 | 21,477 | 4,721 |
| Yangtze River Delta | 1,294,933 | 12,980 | 6,083 |
| Pearl River Delta | 685,102 | 8,231 | 2,419 |
| Bohai Rim | 1,340,535 | 10,368 | 5,516 |
| Northeastern Region | 188,051 | 990 | 101 |
| Central Region | 554,621 | 6,151 | 2,527 |
| Western Region | 643,828 | 8,366 | 4,108 |
| Institutions outside the Chinese mainland and subsidiaries | 359,686 | 4,173 | 1,044 |
| Inter-region adjustment | -1,054,264 | - | - |
| Total | 7,267,142 | 72,736 | 26,519 |

| Item (RMB million) | 31 December | January-June 2021 | |
|---|----------------------|---------------------|-----------------------------|
| | 2021 Total assets | Operating income | Profit before income tax |
| Head Office | 3,060,640 | 28,405 | 5,046 |
| Yangtze River Delta | 1,236,380 | 14,145 | 9,590 |
| Pearl River Delta | 625,416 | 9,099 | 4,787 |
| Bohai Rim | 1,207,506 | 10,692 | 2,753 |
| Northeastern Region | 154,200 | 1,576 | 165 |
| Central Region | 502,893 | 7,955 | 1,582 |
| Western Region | 616,835 | 9,128 | 3,338 |
| Institutions outside the Chinese mainland and subsidiaries | 365,510 | 5,350 | 1,679 |
| Inter-region adjustment | -868,498 | - | - |
| Total | 6,900,882 | 86,350 | 28,940 |

Note: Total assets exclude deferred income tax assets.

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IX. Other Financial Information

(I) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk control and protect the legitimate interests of investors and all relevant parties, the Bank has formulated the Administrative Measures on Account Valuation of Financial Instruments at Fair Value of China Minsheng Bank 《中國民生銀行金融工具公允價值入賬估值管理辦法》 based on the Accounting Standards for Business Enterprises 《企業會計準則》, which expanded the scope of fair value measurement to cover certain financial assets and financial liabilities, and clarified and refined the principles, methodology and procedures for determining fair value. With the aim to enhance the rationality and reliability of the valuation of fair value, the Bank has assigned specific working responsibilities to relevant managing departments for fair value management, so as to continuously strengthen research on the valuation of its asset and liability businesses and improve internal valuation capabilities. The Bank will also gradually optimise the valuation models and systems, and strengthen the verification of prices obtained externally. Moreover, the Bank has implemented corresponding internal control measures over the fair value measurement process, including double-checking on fair value measurement, and adopting a valuation procedure on fair value featuring multiple check and risk early-warning and monitoring on valuation results, etc. Furthermore, by supervising and checking the range determined, valuation methodology and procedures of fair value, the internal audit departments have improved internal control within the Bank.

The Bank has adopted new accounting standards including the International Financial Reporting Standard 9: Financial Instruments 《國際財務報告準則第9號：金融工具》 (IFRS9) and the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments 《企業會計準則第22號－金融工具確認和計量》, Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets 《企業會計準則第23號－金融資產轉移》, Accounting Standards for Business Enterprises No. 24-Hedge Accounting 《企業會計準則第24號－套期會計》 and Accounting Standards for Business Enterprises No. 39 – Fair Value Measurements 《企業會計準則第39號－公允價值計量》 promulgated by the Ministry of Finance. During the Reporting Period, the Bank completed the SPPI test, product classification, valuation, and impairment assessment of financial instruments. Fair value measurement has been conducted in accordance with the new accounting standards.

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2. Financial instruments measured at fair value

The Bank's financial instruments measured at fair value include: financial assets/liabilities at fair value through profit or loss, derivative financial instruments, and financial assets at fair value through other comprehensive income. In particular, the valuation methods of bond investment were listed as follows: for RMB bonds, in principle the valuation provided by China Central Depository & Clearing Co., Ltd. would apply. For bonds denominated in foreign currencies, market value was determined through a combination of Bloomberg quotes and enquiries. The valuation of derivative financial instruments was obtained from quotes in the open market and model valuation. In particular, the valuation of certain derivative financial instruments in which customers are interested was obtained from market enquiries, while the valuation of foreign exchange option was obtained from system model valuation. Derivative financial instruments mainly consisted of interest rate swaps in which customers have interests and proprietary instruments in which market risks had been basically hedged, including interest rate swaps as well as forwards, swaps and options of precious metals and foreign exchanges. Investment in publicly offered funds was valued by using market approach. Non-standard investments, such as discounted bills and rediscounted bills, forfeiting, asset management plans, income rights, equity investments, subordinated tranches of asset-backed securities and convertible bonds, were valued by using model valuation approach. The main valuation techniques included discounted cash flow approach and market approach, etc.

(II) Outstanding liabilities that were overdue

As at the end of the Reporting Period, the Group had no material outstanding liabilities that were overdue.

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(III) Cash flow

During the Reporting Period, the Group's net cash flow from operating activities amounted to RMB81,922 million, and the net inflow decreased by RMB206,068 million as compared with the corresponding period of the previous year, mainly due to the decrease in net inflow of balances and placements from and placement with banks and other financial institutions. The net cash flow from investing activities amounted to RMB-118,371 million, and the net inflow decreased by RMB217,813 million as compared with the corresponding period of the previous year, mainly due to the increase in cash payment for investments. The net cash flow from financing activities amounted to RMB32,911 million, and the net inflow increased by RMB284,426 million as compared with the corresponding period of the previous year, mainly due to the increase in cash received from issuing inter-bank negotiable certificate of deposits and the decrease in cash repayment for debt securities issued.

| Item (RMB million) | January- June 2022 | January- June 2021 | Change |
|--|-----------------------|-----------------------|----------------------------------|
| Net cash flow from operating activities | 81,922 | 287,990 | Net inflow decreasing by 206,068 |
| Of which: Net cash flow from balances and placements from banks and other financial institutions | -23,933 | 232,233 | Net inflow decreasing by 256,166 |
| Net cash flow from taking deposits from customers | 337,869 | 124,166 | Net inflow increasing by 213,703 |
| Net cash flow from loans and advances to customers | -185,389 | -199,090 | Net outflow decreasing by 13,701 |
| Net cash flow from placements with banks and other financial institutions | -33,251 | 81,720 | Net inflow decreasing by 114,971 |
| Net cash flow from borrowings from central bank | -25,378 | 9,423 | Net inflow decreasing by 34,801 |
| Net cash flow from investing activities | -118,371 | 99,442 | Net inflow decreasing by 217,813 |
| Of which: Cash inflow from recovery of investments and collection of investment yield | 591,946 | 652,574 | Inflow decreasing by 60,628 |
| Cash outflow from payment for investments | -704,363 | -551,834 | Outflow increasing by 152,529 |
| Net cash flow from financing activities | 32,911 | -251,515 | Net inflow increasing by 284,426 |
| Of which: Cash inflow from issuance of debt securities | 420,256 | 306,378 | Inflow increasing by 113,878 |
| Cash outflow from repayment of debt securities issued | -374,285 | -570,993 | Outflow decreasing by 196,708 |

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X. Operational Concerns

(I) Deposits from customers

During the Reporting Period, the deposits of the Bank increased steadily with higher proportion in total liabilities. As at the end of the Reporting Period, total deposits of the Bank amounted to RMB4,084,680 million, representing an increase of RMB336,200 million, or 8.97%, as compared with the end of the previous year, accounting for 62.43% of total liabilities, representing an increase of 1.87 percentage points as compared with the end of the previous year.

During the Reporting Period, the number of domestic customers with balance of deposits and the number of new customers with newly opened deposit accounts both increased as compared with the corresponding period of the previous year, in addition to rapid growth in the number of effective corporate and retail customers. As at the end of the Reporting Period, the number of effective corporate customers of the Bank amounted to 284.9 thousand, representing an increase of 6.27% as compared with the end of the previous year. The number of retail customers amounted to 112,239.9 thousand, representing an increase of 1.91% as compared with the end of the previous year. Of which, the number of retail customers of effective and higher level amounted to 4,902.8 thousand, representing an increase of 213.0 thousand as compared with the end of the previous year.

The Bank continuously improved basic products and services, steadily advanced the upgrading of marketing system, innovated business models to increase customer acquisition, optimised the deposit settlement platform, consolidated customer base, expanded the sources of deposit, and facilitated the growth of scale and the structural optimisation of deposits. The Bank also guided operating units to actively expand the growth of core liabilities with low cost and strong stability. It continuously enhanced the pricing management of deposits to push forward the coordinated development of quantity and price of deposit business.

In the next stage, the competition on deposits among banks will become more intense. The Bank will continue to consolidate customer base, strengthen the comprehensive management of customer groups, improve products and services, optimise deposit structure, speed up the construction of deposit settlement platform to stimulate effective growth of settlement-based demand deposits, and advocate the coordinated balance between quantity and price through appraisals, in an aim to promote the steady development of deposit business.

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(II) Loan placement

During the Reporting Period, the scale of loans of the Bank grew steadily. As at the end of the Reporting Period, total loans and advances to customers of the Bank amounted to RMB4,183,119 million, representing an increase of RMB160,283 million, or 3.98%, as compared with the end of the previous year, accounting for 58.72% of total assets, representing a decrease of 0.83 percentage points as compared with the end of the previous year.

The Bank actively implemented the decisions and arrangements of the CPC Central Committee and the regulatory requirements, deeply integrated into national development strategies, comprehensively guided and supported the placement of credit assets, and provided strong support for the development of the real economy. **Firstly**, the Bank continuously enhanced credit support to the key fields and weak links of the national economy. As at the end of the Reporting Period, the balance of green credit amounted to RMB151,248 million, representing an increase of 40.94% as compared with the end of the previous year. The balance of loans to the manufacturing industry amounted to RMB420,506 million, representing an increase of 21.29% as compared with the end of the previous year. The balance of inclusive small business loans amounted to RMB526,621 million, representing an increase of 4.32% as compared with the end of the previous year. The balance of loans related to agriculture amounted to RMB330,974 million, representing an increase of 4.07% as compared with the beginning of the year. The growth rates of loans mentioned above were all higher than the average of the Bank. **Secondly**, the Bank proactively carried out the national strategy of coordinated regional development, and vigorously supported the national key strategic areas such as Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing. As at the end of the Reporting Period, loans to the four key regions, namely Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing, accounted for 60.22% of total loans. **Thirdly**, the Bank actively benefited the real economy through cutting loan interest rates and reducing and exempting fees of intermediary business, so as to substantially reduce the operating cost of the real economy.

In the next stage, based on the macro-economic situation and the requirements of reform and transformation, the Bank will promote the steady growth of credit business by gathering resources and taking multiple measures, and continuously provide more financial support for key fields.

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(III) Net interest margin

During the Reporting Period, the net interest margin of the Group was 1.65%, representing a decrease of 37BP as compared with the corresponding period of the previous year, mainly due to the downward trend of pricing in the loan market, fierce competition in the deposit market and rigid cost, all imposing great challenges to the net interest margin indicators. On the one hand, the Group encouraged the placement of credit assets and strengthened the management of return on assets. On the other hand, the Group optimised the liability structure and stabilised the interest cost. During the Reporting Period, the daily average proportions of deposits and loans in interest-bearing liabilities and interest-earning assets of the Group were 61.31% and 61.50%, respectively, representing increases of 1.91 percentage points and 1.10 percentage points, respectively, as compared with the corresponding period of the previous year. The optimised asset-liability structure offset some impacts posed by the narrowed interest spread.

In the next stage, the Group will focus on “promoting credit”, “reducing cost” and “optimising structure” in the management of net interest margin. In terms of “promoting credit”, the Group will adhere to serving the real economy and further increase the placement of high-quality credit assets. In terms of “reducing cost”, the Group will adhere to the dominant role of low-cost core liabilities, focus on improving the capabilities of comprehensive services for customers, and stimulate the effective growth of settlement-based demand deposits by consolidating customer base. In the meantime, the Group will strengthen the pricing control of mid- to long-term deposits to lower the proportion of high-cost deposits. In terms of “optimising structure”, the Group will further optimise the asset-liability structure, reasonably allocate bonds and other non-credit assets while further increasing the proportions of deposits and loans, and continuously optimise the structure of liabilities, such as interbank liabilities and bonds issued, by controlling the term structure, timing and pace in line with market interest rate changes.

(IV) Formation and collection and disposal of non-performing assets

The Bank continuously enhanced the active management of credit risks, studied and judged internal and external risk situation, adjusted credit placement, and constantly optimised asset structure. The Bank adopted the policy of main accountable person for operation and the policy of full-time credit officer to strictly control credit access. The Bank intensified post-loan inspection, strengthened risk prevention in key fields, actively exited from businesses with customers with potential risks, and strictly controlled new NPLs. In the first half of 2022, the formation rate of NPLs (annualised)¹ was 2.07%, representing a slight increase of 0.13 percentage points as compared with the corresponding period of the previous year. From the perspective of business types, the NPL formation rate of corporate business increased, while it remained stable for retail business as compared with the corresponding period of the previous year.

¹ Formation rate of NPLs=New NPLs of the period/total loans and advances to customers at the beginning of the period

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The Bank continuously sped up the collection and disposal of non-performing assets, and stimulated the efficiency of management mechanism by improving asset preservation policy system, optimising management model and strengthening appraisal and constraint, so as to push the collection and disposal of non-performing assets into a new stage with improved quality and efficiency. During the Reporting Period, the Bank disposed non-performing assets of RMB48,649 million in total, representing an increase of 29.73% as compared with the corresponding period of the previous year, among which, NPLs of RMB41,425 million were disposed. Divided by disposal method, NPLs of RMB16,178 million were written off, RMB8,787 million were transferred, RMB6,150 million were collected in cash, RMB5,407 million were securitised, and RMB4,903 million were collected and disposed through repossession and other methods. Non-credit non-performing assets of RMB7,224 million were collected and disposed. Meanwhile, the Bank comprehensively strengthened the management of written-off assets, refined asset segmentation and classification, focused on value and sped up cash recovery. During the Reporting Period, the Bank recovered written-off loans of RMB2,918 million.

In the next stage, the Bank will continuously improve the internal risk control and management system. On the one hand, the Bank will actively implement the national guiding opinions on adjusting credit structure, promote asset structure optimisation and increase the proportion of new high-quality customers. It will deepen the credit approval system reform, advance empowerment of research on professional fields, improve the quality of credit approval, enhance post-loan and post-investment management, reinforce the management responsibility of the “first line of defense”, actively prevent and control risks in key fields, and strictly control new risks. On the other hand, the Bank will continue to intensify the collection and disposal of non-performing assets, advance it based on “one account multiple policies”, achieve optimised disposal strategies, improved asset losses and enhanced disposal efficiency, in an aim to ensure the continuous improvement in asset quality of the Bank.

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(V) Risk management and control of the real estate industry

The Bank attached great importance to the risk prevention in the real estate sector, adhered to the positioning that “houses are for living in, not for speculation”, followed the general principles of “stabilising total amount, adjusting structures, strengthening management and controlling risks”, strictly implemented the access management of regions and customers, accelerated structural optimisation, and strengthened project management. As at the end of the Reporting Period, the balance of corporate real estate credit granting business of the Group assuming credit risks, including loans, off-balance sheet credit granting, standard debt investment, non-standard debt investment, and bond investment, etc., was RMB454,384 million, representing a decrease of RMB19,060 million, or 4.03%, as compared with the end of the previous year. Of which, the balance of loans to the real estate industry was RMB359,259 million, accounting for 79.07%, representing a slight decrease of RMB1,043 million, or 0.29%, as compared with the end of the previous year. The balance of businesses related to the real estate industry of the Group not assuming credit risks, including net-worth wealth management, entrusted loans, agency sales of trust actively managed by cooperative institutions, debt financing instruments with the Bank as the leading underwriter and others, amounted to RMB84,119 million, representing a decrease of RMB3,466 million, or 3.96%, as compared with the end of the previous year. The business scale was small on the whole. During the Reporting Period, policies for the real estate industry remained stable and tended to be better, real estate sales showed a preliminary sign of bottom out, and market confidence and vitality were under reconstruction, but the liquidity risks of some real estate enterprises were not fully eliminated. As at the end of the Reporting Period, the NPL ratio of corporate real estate business of the Group was 2.99%, representing an increase of 0.33 percentage points as compared with the end of the previous year. The real estate business of the Group assuming credit risks was mainly project financing, and the projects were mainly concentrated in the first- and second-tier cities, and were secured with project lands and construction projects in progress as collaterals in addition to equity pledges of the project companies and guarantees of their group companies, which were generally sufficient in value, and the risks of the real estate projects were generally controllable.

Going forward, the Group will continue to strictly implement the national policies and the regulatory requirements related to the real estate industry, strengthen customer analysis, adhere to the general principles of “good customers, good projects and good regions (好客戶、好項目、好區域)”, strictly control regional access and customer group access and make dynamic adjustments, expand financing for government-subsidised rental houses based on project financing, and support high-quality real estate enterprises to acquire high-quality projects and other businesses of real estate enterprises in risks. Meanwhile, the Group will continue to intensify post-loan and post-investment management, strengthen process control, reinforce the follow-up and monitoring of risks of major real estate enterprises, formulate and optimise risk prevention and control measures in a timely way, and properly defuse risks in the real estate field on a segmented and classified basis. It is expected that in the context of stabilisation of macroeconomic and real estate policies, the asset quality of the real estate sector of the Group will be generally controllable.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Capital management

During the Reporting Period, the Group took “enhancing efficiency, creating value, strengthening constraints, optimising structure, strengthening endogenous accumulation and replenishing reasonably” as the principle of capital management, constantly adjusted the asset-liability structure, fully guaranteed credit placement, guided the reasonable and effective allocation of resources, and promoted strategic transformation and value enhancement. As at the end of the Reporting Period, the Group’s core tier-one CAR, tier-one CAR and CAR were 8.80%, 10.49% and 13.21%, respectively, all meeting the regulatory requirements.

In June 2022, the Bank successfully issued undated capital bonds with a total amount of RMB5 billion, and the funds raised will effectively replenish other tier-one capital of the Bank. Going forward, the Bank will reasonably arrange capital replenishment according to the regulatory requirements, market environment, business development strategy and the overall arrangement of assets and liabilities.

As the additional regulatory requirements on systemically important banks have been officially implemented and the reform on capital regulation according to Basel III accord has been pushed forward, the Bank will deepen the concept of capital conservation, strictly control capital consumption, optimise capital occupation structure, and improve capital efficiency. Meanwhile, the Bank will continuously improve the capital replenishment mechanism, actively expand financing channels, replenish capital in due time and appropriate amount, and enhance its overall capital adequacy level and risk resistance capability.

XI. Review of Main Businesses

(I) Corporate banking business

During the Reporting Period, the Bank continued to deepen the reform of corporate business marketing system, constantly optimised the segmented and classified customer management system, and promoted the transformation of corporate business operation model, so as to improve the sustainable development capability of corporate business. The Bank further promoted services for strategic customer groups, optimised and upgraded the new service model for strategic clients and specialised operation for different industries, and achieved integrated management of strategic clients and customers along the upstream and downstream of their industry chains by relying on digitalised supply chain finance and through the integration of the front, middle and back offices and the coordination among the Head Office, branches and sub-branches, in a bid to expedite the transformation of ecosystem finance model. Furthermore, the Bank expanded basic customer group base. **Firstly**, the Bank vigorously pushed forward the chain-based marketing of core customers with focus on the supply chains and capital chains of strategic clients to realise high-quality and ecosystem-based batch customer acquisition. **Secondly**, the Bank strengthened the construction of “online + offline” batch customer acquisition channels based on industrial parks, factor market platforms, etc. **Thirdly**, the Bank provided one-stop comprehensive financial services for “dedicated, refined, distinctive and innovative” sci-tech enterprises through financial innovations, and ramped up cultivation and support for sci-tech innovation enterprises.

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During the Reporting Period, the Bank actively integrated into national development strategies, thoroughly implemented ESG concepts, and continuously intensified financial support for green finance, rural revitalisation, high-end manufacturing and other major fields of the real economy, in an effort to fulfill “Minsheng Bank’s responsibility”. The Bank proactively facilitated the implementation of national goals of “carbon peaking and carbon neutrality”, constantly innovated and improved the system of green financial products and services, and actively deployed business in the carbon finance market, thus offering professional green financial support featuring “capital financing + intelligence” to customers. The Bank earnestly implemented national strategic arrangements of rural revitalisation, constantly strengthened the development of systems and mechanisms for the fields related to agriculture, rural areas and farmers, optimised scenario-based product and service schemes, and continued to increase credit support. The Bank took serving the real economy with finance as its responsibility, and increased support for the advanced manufacturing industry and the strategic emerging industries through innovation and iteration of financial service models, so as to facilitate the transformation and upgrading as well as high-quality development of the manufacturing industry.

During the Reporting Period, the Bank continued to improve the product and service system of corporate business, and provided customers with “warm services” and “in-depth operation” under various types of scenarios. **Firstly**, the Bank established the “scenario-based transaction banking”, accelerated the integration of settlement scenarios, continued to improve online transaction banking platforms providing “non-financial services + financial services”, and advanced digital transformation of products and services, so as to constantly enhance customer service experience. **Secondly**, the Bank built the “customised investment banking”, and unremittingly enhanced the application of diversified financing instruments to create a comprehensive and customised investment banking service system.

During the Reporting Period, the Bank promoted development through reform and facilitated transformation through development. The size of assets and liabilities of corporate business maintained steady growth, and the customer group base was gradually consolidated. As at the end of the Reporting Period, the balance of corporate deposits of the Bank amounted to RMB3,142,161 million, representing an increase of 7.12% as compared with the end of the previous year. The balance of corporate loans of the Bank amounted to RMB2,447,448 million, representing an increase of 6.41% as compared with the end of the previous year. The number of effective corporate customers² amounted to 284.9 thousand, representing an increase of 6.27% as compared with the end of the previous year.

² To reflect the philosophy of integrated operation of large, medium, small and micro enterprises, the Bank changed the definition and statistical standards of effective customers. In light of the new standards, customers were comprehensively evaluated from such dimensions as deposit scale, transactions, and credit extension.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. Deepening the reform of corporate business marketing system, and optimising the segmented and classified customer service system

The marketing and service model for strategic customer groups was fully transformed, and the reform achieved preliminary effects. During the Reporting Period, the Bank unswervingly adhered to the segmented and classified customer group management, carried out chain-based development around and offered matched services to strategic clients while serving them well. The Bank strove to provide even better services to the related enterprises in the upstream and downstream and within the ecosystem of strategic clients, in order to facilitate the development of strategic clients from one-on-one competition 1.0 to the chain-based competition 2.0, and then to the ecosystem-based competition 3.0, thus to constantly expand cooperation fields, deepen partnership, and consolidate the customer group base of the Bank, and achieve the transformation from “bank-centric and short-term behaviour-driven operations” to “customer-centric and long-term-oriented operations”.

During the Reporting Period, the Bank made the “Dandelion Plan (蒲公英計劃)” for strategic clients, established the normalised referral mechanism, and explored customer, project and business clues with a focus on member customers, customers in the chains and customers in the ecosystem. Through top-down, bottom-up and parallel referral channels, the Bank promoted the coordination between the Head Office and branches, between branches, and between business lines, fostered the integrated organisational structure of the Head Office, branches and sub-branches and adopted the integrated marketing model for large, medium, small and micro enterprises and C-end customers, formed the marketing and customer acquisition service model featuring “one-point access, nationwide radiation, multi-point response and full-scenario services”, so as to achieve customer sharing and resource synergy across the whole Bank, and to promote the comprehensive development of strategic clients from the perspectives of “point, line and surface”.

With strategic clients as the core “point”, the Bank gradually consolidated the “cornerstone” of operation performance of corporate business. As at the end of the Reporting Period, the balance of deposits of strategic clients at the Head Office level and branch level of the Bank amounted to RMB1,168,395 million, representing an increase of RMB179,989 million, or 18.21%, as compared with the end of the previous year. During the Reporting Period, the daily average deposits amounted to RMB1,106,152 million, representing an increase of RMB95,188 million, or 9.42%, as compared with the previous year. As at the end of the Reporting Period, the balance of loans amounted to RMB1,074,179 million, representing an increase of RMB179,450 million, or 20.06%, as compared with the end of the previous year.

The Bank extended the industry “line” of strategic clients and realised the rapid growth of supply chain value of strategic customer groups. During the Reporting Period, the Bank referred 3,067 customers in the chains of core enterprises to branches. All these enterprises were reached and 648 of them entered into cooperation with the Bank. The successful referral rate was 21%. Meanwhile, the number of core enterprises and medium, small and micro enterprises in the chains using online financing witnessed an evident increase. To be specific, the number of core enterprises of online supply chain business reached 595, representing an increase of 142 as compared with the end of the previous year, and the number of customers in the chains using online financing reached 4,550, representing an increase of 1,581 as compared with the end of the previous year.

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The Bank expanded the “surface” of strategic clients and generated the robust growth of ecosystem value of strategic customer groups. During the Reporting Period, the businesses with strategic clients brought in 115 newly contracted accounts for payroll agency, 56.1 thousand new individual customers, newly approved consumer loans of RMB3,201 million and an increase of RMB1,492 million to the balance of consumer loans as well as 340.8 thousand newly issued co-branded credit cards.

The Bank steadily improved its capability of customer acquisition and management of basic customer groups and constantly consolidated its customer base. During the Reporting Period, the Bank continued to bolster the development of basic customer groups, pushed forward the construction and implementation of marketing system in an orderly manner with a focus on enhancing the capability of basic customer group management and enlarging the scale of basic customer groups, and constantly intensified financial support for the “dedicated, refined, distinctive and innovative” customer groups. **Firstly**, the Bank pushed ahead with the construction and implementation of marketing system in an orderly manner. The Bank continued to perfect the marketing model for basic customer groups featuring “planning guidance, batch customer acquisition, classified development, paradigm and standardisation, closed-loop management, and digitalised operation”. It actively advanced the implementation of integrated and coordinated marketing mechanism of large, medium, small and micro enterprises, and created, publicised and promoted typical cases and perfect examples. **Secondly**, the Bank made more breakthroughs in key development model for basic customer groups. The Bank proactively advanced the “Park Visits (園區萬里行)” activity, iterated and launched the Park Visits 2.0 (園區萬里行 2.0), convened special seminars on the coordinated services for key industrial parks, and created and promoted perfect examples of head office-to-head office cooperation, so as to expand the brand influence in industrial parks. Moreover, the Bank facilitated the introduction of ecosystem finance products, started the launching and promotion of the Government Procurement Express Credit Platform (政採快貸平台), and expanded the customer acquisition channels of Minsheng Express Loan – Letter of Guarantee for Customs Duties (民生快貸 – 關稅保函). **Thirdly**, the Bank consolidated basic customer groups and put in place the key supporting measures. The Bank iterated and upgraded the product system 3.0 for basic customer groups, clarified the marketing paradigm, and improved matching products and services. The Bank also built a rewarding system for basic customer groups, and introduced UFIDA, China International Intelligence Group Co., Ltd. (“CIIC”) and other ecosystem partners to create rich benefit packages of non-financial services, and advanced the launching of benefits for basic customer groups in terms of office, human resources and finance in batches. Furthermore, the Bank promoted the launching and application of system tools, released and publicised the operating system for basic customer groups, and enhanced customer reach via third-party online platforms.

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During the Reporting Period, the Bank introduced the “Easy Innovation (易創)” product series of “Investment, Financing, Fortune and Intelligence (投、融、富、慧)” and the E-PLUS exclusive benefit packages for the “dedicated, refined, distinctive and innovative” customer groups, innovated digital supply chain finance services, and increased the placement of credit loans, intellectual property loans, equity pledge loans, factory building loans and other loans. It hosted a series of marketing and service activities under the theme of “Easy Growth Towards the Future (易成長創未來)” to actively build the investment and financing ecosystems. The Bank also set up sci-tech innovation equity investment funds and conducted investment – loan linkage through CMBC International, so as to provide the “dedicated, refined, distinctive and innovative” enterprises with comprehensive services covering full cycle, entire scenarios and whole ecosystems. As at the end of the Reporting Period, the balance of deposits and financial assets of the first batch of 5,658 target customers of the Bank, mainly including the “dedicated, refined, distinctive and innovative” little giant enterprises accredited by the Ministry of Industry and Information Technology, companies listed on the Beijing Stock Exchange, and companies listed on the New OTC Market (Innovation), amounted to RMB13,702 million and RMB12,978 million, representing increases of 23.90% and 28.93%, respectively, as compared with the end of the previous year.

Feature: Innovating Customer Acquisition Models under Industrial Park Scenarios and Building Comprehensive Service System for Industrial Parks

The Bank firmly adhered to its strategic positioning of “a bank for the NSOEs” and strove to perform its social responsibilities. Focusing on enhancing the capability of serving industrial parks and empowering various entities of industrial parks, the Bank built the comprehensive service system for customer groups of industrial parks by “innovating customer acquisition models under industrial park scenarios, enriching product and service systems and integrating online service channels”.

As domestic leading companies for building and operating industrial parks and service providers for SMEs in the manufacturing industry, Vanyang Group and Liando Group boast outstanding advantages in terms of strategy, model and brand. To improve the capability of serving industrial parks and promote the implementation of comprehensive service system for customer groups of industrial parks, the Bank cooperated with ecosystem partners to organise and hold the “Vanyang • Minsheng Special Event on Coordinated Services for Industrial Parks (萬洋•民生園區聯動服務專題會)” and the “Liando • Minsheng United Marketing Event (聯東•民生聯合市場推廣會)”, innovatively created perfect examples of head office-to-head office cooperation with industrial parks, and demonstrated and popularised them across the whole Bank.

Based on the multi-scenario and differentiated financial needs of various entities in Vanyang and Liando industrial parks, the Bank cooperated with Unionpay, CIIC, Huawei, JD.COM, ByteDance, Haier and other ecosystem partners to customise four major service schemes of integrated, platform-based, product-oriented, and digitalised “Easy Park (園易)” series, so as to fully meet various financial service demands of operation entities of and enterprises in the industrial parks. As at the end of the Reporting Period, in terms of services for Vanyang industrial parks, the Bank set up 32 dedicated teams to provide services covering 14 provinces and cities, 86 Vanyang industrial parks and nearly 6,000 enterprises of the industrial parks nationwide. In terms of services for Liando industrial parks, more than 300 enterprises participated in the “Liando • Minsheng United Marketing Event” on the spot, which covered 370 industrial parks through online and offline approaches. Nearly 100 national and local media reported the event, facilitating further expansion of the Bank’s brand influence of financial services for industrial parks.

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2. Actively implementing national strategic arrangements and effectively supporting the development of the real economy

The Bank explored the green finance innovation models, and steadily improved its service capability. In 2021, the Bank established the “Green Finance Business Promotion Office of Corporate Business” to push forward the development of corporate green finance business of the Bank in a coordinated manner. During the Reporting Period, the Bank resolutely implemented the national low-carbon transformation strategy, proactively performed its ESG responsibilities, actively integrated into the national green development, and continuously improved the quality and effectiveness of green finance services. **Firstly**, the Bank focused on clean energy, transformation from high carbon to low carbon, clean production, green building and other key directions, closely followed national industry development plans, and tallied with the green development demands of strategic clients and local enterprises with distinctive features, and supplied full-industry chain-oriented comprehensive services. **Secondly**, the Bank continued to enrich and iterate the basic product system of “Green Investment Express, Green Finance Express, Green Supply Chain Express and Green Operation Express (綠投通、綠融通、綠鏈通、綠營通)”, strengthened the innovation of product models under segmented scenarios, vigorously promoted the “Emission Reduction Loan (減排貸)” product based on the “carbon-reduction supporting tool” launched by the central bank, and supported the development of clean energy, energy conservation and environment protection, and carbon emission reduction technologies, so as to help accelerate the low-carbon transformation of the whole society. Based on the characteristics of distributed photovoltaic for household use, the Bank innovatively launched the “Photovoltaic Loan (光伏貸)” product featuring “zero down payment for farmers, online operation, long repayment period, and high lending quota” to solve the problems of difficult financing and complex business operations for farmers. The Bank focused on fields including energy, transportation, infrastructure construction, culture and tourism, stepped up the innovation and promotion of green bonds, and actively built investment ecosystem, in the aim to provide low-cost capital support for the green and low-carbon transformation of high-quality enterprises. **Thirdly**, the Bank reinforced the marketing in key regions, and successively carried out the promotion of new energy business with the theme of “Enchanting Scenery Tour to the Northwest (風光無限西北行)” in Ningxia, Gansu, Qinghai and other regions, in an aim to launch customised comprehensive financial service plans in the new energy field under the principle of “one province one policy (一省一策)”, build ecosystem integration platforms among governments, enterprises and the Bank, so as to jointly contribute to the green and low-carbon development of Northwest region.

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As at the end of the Reporting Period, the balance of green credit of the Bank amounted to RMB151,248 million, representing an increase of 40.94% as compared with the end of the previous year, with the growth rate higher than the industry average. By dint of prominent performance in the green and low-carbon fields, the Bank was awarded the “Low-Carbon Model in 2022” by China News Service.

Feature: Co-Releasing of the “E Carbon Loan (碳 e 贷)” Product

The Bank collaborated with State Grid Yingda Group to jointly strengthen the innovation in carbon finance, and empowered green transformation through inclusive finance.

By integrating the carbon evaluation system of State Grid Yingda Group and the Bank’s advantages of professional and innovative green finance and inclusive finance, the Bank launched the first innovative green finance product of “E Carbon Loan” for medium, small and micro enterprises in the banking industry. According to the “carbon rating” of customers, the Bank provided differentiated, customised and comprehensive carbon finance products and ecosystem services covering full cycle and multiple scenarios, thus to find a development path for medium, small and micro enterprises to evaluate “carbon capability”, explore “carbon value”, obtain “carbon benefits”, and achieve “carbon transformation”, thereby helping them realise green and low-carbon development.

The Bank improved the service system for rural revitalisation, and improved the quality and effectiveness with financial services. During the Reporting Period, the Bank paid high attention to rural revitalisation work, and thoroughly implemented relevant requirements for comprehensively promoting rural revitalisation with financial services. In 2021, the Bank successively set up the leading group for rural revitalisation work and the execution group for rural revitalisation work with financial services, and built a four-level linkage mechanism involving the leading group, execution group, rural revitalisation office, and agile work group. By taking measures including reinforcing appraisal guidance, optimising agile working mechanism, conducting ongoing supervision and follow-up, introducing special credit policies, increasing resource allocation and others, the Bank guided the operating units to conduct in-depth development of markets involving agriculture and rural areas, constantly enrich the service system for rural revitalisation by centring on scenarios related to agriculture, rural areas and farmers, intensify the application of new technologies, realise integrated and comprehensive services for large, medium, small and micro customer groups, and invest more financial resources in agricultural industry, infrastructure construction, green and sustainable development, assistance to areas lifted out of poverty and other key fields, in an effort to constantly improve the quality and effectiveness of rural revitalisation with financial services.

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Targeting key areas related to agriculture, rural areas and farmers, the Bank actively studied on the characteristics of customer demands based on production and operation scenarios, sped up the innovative application of new financial technologies and data-based credit enhancement, and proactively explored the innovation of product models, so as to develop distinctive and differentiated product and service systems for rural revitalisation. The Bank enhanced customer experience through strengthening the construction of system platforms, building online channels, expediting upgrading and iteration, and constantly enriching product functions. During the Reporting Period, the innovative business models achieved good results. The placement of “Agriculture and Animal Husbandry Loan (農牧貸)” and “Agricultural Loan Express (農貸通)” was accelerated, and “Cotton Grower Loan (棉農貸)”, “B&B (Bed and Breakfast) Loan (民宿貸)”, “Tea Garden Loan (茶園貸)”, “Agricultural Planting Loan (種植貸)” and other models were innovated and implemented successively.

As at the end of the Reporting Period, the balance of loans related to agriculture, rural areas and farmers³ of the Bank amounted to RMB330,974 million, representing an increase of RMB12,949 million as compared with the beginning of the year. Both loans to areas that were lifted out of poverty and loans to counties receiving focused assistance from the State in rural revitalisation achieved rapid growth.

The Bank intensified support for high-end manufacturing and accelerated the optimisation of asset structure. During the Reporting Period, the Bank resolutely implemented the relevant policy spirits of the CPC Central Committee, the State Council and the Outline of the 14th Five-Year Plan (2021-2025) for “implementing the strategy of raising China’s manufacturing power”, proactively seized on the strategic opportunity for innovative development of advanced manufacturing, and focused on new-generation information technologies, high-end equipment manufacturing, new materials, medical and pharmaceutical manufacturing, green manufacturing and other segmented areas, increased financial services and fully supported the high-quality development of the manufacturing industry. In the meantime, the Bank solidly promoted the placement of loans to the manufacturing industry, and continuously optimised credit structure. By centring on leading enterprises, industrial clusters, “dedicated, refined, distinctive and innovative” enterprises and champion enterprises of certain fields in the manufacturing industry, the Bank actively responded to the pain-point demands of customers in research and development input, equipment replacement, technology transformation, merger and restructuring, and other operation scenarios, customised financial service plans for customers with M&A loans, syndicated loans and project loans to provide them with medium- to long-term financing support, and launched innovative products including data-based credit enhancement and financing, Minsheng Express Loan (民生快貸), credit guarantee financing and “Easy Innovation Loan (易創貸)”, striving to improve the financial service capability for small and medium-sized manufacturing enterprises. In addition, the Bank established a green channel for approval of loans to the manufacturing industry, and delegated the assessment authority to further optimise the supporting mechanism for credit placement to the manufacturing industry.

³ The loans related to agriculture, rural areas and farmers are aggregated data in RMB.

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As at the end of the Reporting Period, the balance of loans to the manufacturing industry of the Bank amounted to RMB420,506 million, representing an increase of 21.29% as compared with the end of the previous year, and accounted for 17.18% of all corporate loans of the Bank, representing an increase of 2.11 percentage points as compared with the end of the previous year.

3. Continuously promoting product system innovation and improving the professional capabilities of serving customers

The product and service system of transaction banking was enriched and perfected constantly.

During the Reporting Period, the Bank constantly improved the product and service system of transaction banking based on daily operation of enterprises. The Bank continued to enrich the entries for account opening service, and achieved the full coverage of entries including App, mini programme, online banking, bank-enterprise direct connect and others, thus comprehensively improving the efficiency of multi-level and batch customer reach. Focusing on customers' daily scenarios of fund collection, payment and management and control, the Bank launched two products systems, namely "E-Fund Supervision (資金e監管)" and "E-Fund Collection and Payment (資金e收付)", and innovatively introduced "E-Connect (e點通)", "E-Office (e辦公)" and other non-financial services to build the comprehensive service capabilities of providing "corporate services + financial services" of the Bank. During the Reporting Period, the annual daily average general deposits of settlement customers of the Bank amounted to RMB1,004,209 million, representing an increase of 8.49% as compared with the previous year.

During the Reporting Period, the Bank sped up the online migration process of international business products to provide convenient cross-border financial services for customers. The Bank launched a range of online services, including "Minsheng Express Loan – Letter of Guarantee for Customs Duties (民生快貸 – 關稅保函)", E-Foreign Currency Account Opening (外幣開戶e), and overdraft of foreign currency corporate account. The Bank accelerated asset allocation with a focus on customers' cross-border trade financing demands. As at the end of the Reporting Period, the balance of foreign currency loans of the Bank amounted to USD20,700 million, representing an increase of 14.97% as compared with the end of the previous year.

During the Reporting Period, the Bank spared no effort to solve the problems of difficult online matching of letters of guarantee in non-standard formats and sluggish operation procedures for letter of guarantee business, continuously optimised the functions of electronic letters of guarantee, realised the flexible online matching and "one-stop" handling of letters of guarantee of all types and formats, and improved the poor experience of long matching cycle and tardy first issuance of letter of guarantee, so as to enhance its competitive edges in letter of guarantee services. During the Reporting Period, the business scale of electronic letters of guarantee amounted to RMB9,872 million, representing an increase of 191.28% as compared with the corresponding period of the previous year. 2,879 electronic letters of guarantee were handled, representing an increase of 37.40% as compared with the corresponding period of the previous year, and accounting for 64.62% of all letters of guarantee of the Bank. Based on online bill products, the Bank provided customers with full-process convenient bills services including payment, safekeeping, financing and settlement, and upgraded and optimised the "Bill Butler 4.0 (票據管家4.0)" to address customers' pain points in bills management and enhance customer experience. During the Reporting Period, the business volume of direct discounting of bills of the Bank amounted to RMB251,456 million, representing an increase of 28.11% as compared with the corresponding period of the previous year.

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Feature: Launching of “Minsheng Express Loan – Letter of Guarantee for Customs Duties” to Facilitate Rapid Customs Clearance of Medium, Small and Micro Foreign Trade Enterprises

The Bank actively followed the policy of improving the foreign-trade financial services and supporting the development of small and micro enterprises, and made full use of big data-based risk control to launch the “Minsheng Express Loan – Letter of Guarantee for Customs Duties” product, as a way to allow more small and micro enterprises to enjoy customs clearance facilitation policies, and boost the rapid development of small and micro foreign trade enterprises.

By introducing the data of the China International Trade Single Window (中國國際貿易“單一窗口”) platform and utilising big data and other fintech, “Minsheng Express Loan – Letter of Guarantee for Customs Duties” innovated the assessment methods of customer credit, and enabled the system to automatically complete screening of customer access and verification of credit limit. The product was specially designed to issue letters of guarantee for customs duties, which effectively expanded the range of medium, small and micro enterprises eligible to enjoy customs facilitation policies, and reduced the occupation of working capital while increasing the customs clearance efficiency of enterprises.

“Minsheng Express Loan – Letter of Guarantee for Customs Duties” applied scientific technologies to all pre-loan, in-loan and post-loan links to enable enterprises to realise the full-process online handling of credit application, credit investigation authorisation, agreement signing and the issuance/application for modification of letters of guarantee. Meanwhile, the Bank also realised automatic credit approval, credit limit activation, loan placement review, and post-loan management at the banking end. It built a brand-new system for business review and approval, which effectively reduced labour cost and improved business handling efficiency.

The customised service capabilities of investment banking improved constantly. During the Reporting Period, the Bank continuously enriched application scenarios, optimised operation models, and improved services for customer groups to meet the all-round and diversified financial needs of customers. The Bank actively responded to the call of national policies, and increased resource allocation in new infrastructure construction investment, strengthening and making up the weak links of supply chains and industry chains, basic industries of the national economy, reform of state-owned enterprises, and other key fields, so as to bolster the development of enterprise entities and integrate into the national new development pattern. As at the end of the Reporting Period, the balances of M&A loans and domestic syndicated loans (excluding M&A syndicated loans) of the Bank amounted to RMB163,895 million and RMB98,442 million, representing increases of 11.54% and 12.34%, respectively, as compared with the end of the previous year. Focusing on serving the key national strategies, the Bank innovatively underwrote carbon neutrality bonds, green finance bonds, sustainable development-linked bonds, rural revitalisation bonds, high-growth bonds, etc. During the Reporting Period, the bonds issued amounted to RMB147,526 million, among which, the Bank underwrote 292 non-financial corporate debt financing instruments with a size of RMB135,655 million.

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(II) Retail banking business

During the Reporting Period, the Bank continued to deepen long-term and fundamental strategic layout of retail business, accelerated digital transformation and platform empowerment, pushed ahead with the construction of eco-bank in an orderly manner, expanded basic customer groups on a large scale, built distinctive product and service system for general customer groups, wealth management customer groups, private banking customer groups and entrepreneur customer groups, enhanced the service capabilities for segmented retail customer groups, and continuously improved the quality and effectiveness of services for key customer journeys. As a result, the reform and transformation of retail business achieved phased progress.

Continuously advancing internet- and chain-based customer acquisition and improving the quality of customer acquisition. In terms of endogenous customer acquisition, the Bank formulated standardised marketing process for joint development, constantly improved the payroll agency business system with synergy between corporate banking and private banking, used online and offline channels to expand the scale of new customers acquired with coordination between the Credit Card Centre and branches, vigorously promoted customer acquisition model based on UnionPay ecosystem, and enhanced the quality and effectiveness of customer acquisition through co-branded cards. In terms of external customer acquisition, the Bank focused on constructing new platforms, exploring greater cooperation with big platforms and accelerating scenario expansion, launched the new flexible employment platform for new citizens and property ecosystem platform, continued to deepen cooperation under internet scenarios, constantly enriched pan-travel scenario products, and sped up the acquisition of new customers. During the Reporting Period, the number of new retail customers⁴ was 2,434.6 thousand, representing an increase of 5.18% as compared with the corresponding period of the previous year. The number of new effective customers was 193.5 thousand with an effectiveness ratio of 7.95%. Financial assets brought by the new customers increased RMB60,718 million, accounting for 55.95% of financial asset increased during the Reporting Period.

Focusing on distinctive customer group management and creating advantages in segmented markets. **Firstly**, the Bank expedited the development of relevant distinctive products or platforms by focusing on quasi elderly care, parent-children services, sports and other distinctive segmented customer groups, so as to explore and create comprehensive services with distinctive features. **Secondly**, the Bank conducted customised management of entrepreneur customer groups, personalised management of private banking customer groups, and specialised management of wealth management customer groups, established the differentiated and refined segmented service systems for private banking and wealth management customers, and upgraded the two service systems of “Minsheng Intelligent Butler (民生慧管家)” and “Apex Privileges (非凡禮遇)”, in a bid to innovatively create differentiated operation advantages.

⁴ New retail customers exclude new credit card customers.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Continuously optimising product and service systems and enhancing the capabilities of managing customer experience. **Firstly**, the Bank optimised distinctive deposit products, restructured procedures for cross-border outward remittances, and set an industry benchmark for cross-border financial cooperation in the Chinese mainland. **Secondly**, the Bank properly adjusted the asset allocation strategy according to differentiated demands of various types of customer groups, and built high-quality wealth management products shelf. **Thirdly**, the Bank continued to improve the customer experience monitoring system, optimise personal account services, enhance the convenience and efficiency of supporting services for account opening, improve the experience of product purchase and position holding services, establish standard procedures of outlet services, and promote “companion services”.

Building new business model for small business and implementing inclusive finance policies. **Firstly**, the Bank strengthened integrated marketing and chain-based development, and promoted the launching and implementation of “E-Credit Finance (信融 e)”, “E-Procurement (採購 e)”, “Factory Building Mortgage (廠房按揭)”, “Sci-tech Innovation Loan (科創貸)” and other key products. During the Reporting Period, new small and micro legal person loans amounted to RMB17,104 million, and the outstanding balance of new credit placed to small and micro customer groups under the integrated management of large, medium, small and micro enterprises increased by RMB9,200 million. **Secondly**, the Bank accelerated the pace of online migration process, vigorously built the “Minsheng Small Business (民生小微)” App platform, enriched online products shelf, and expanded the boundaries of comprehensive services. As at the end of the Reporting Period, the number of users of “Minsheng Small Business (民生小微)” App exceeded 537.0 thousand. **Thirdly**, the Bank optimised small business credit products, and enhanced convenient and efficient service experience. The Bank introduced universal products nationwide including the new versions of “Happy Online Loan (網樂貸)”, “Account Statement Loan (流水貸)” and “Value-Adding Loan (增值貸)”, as well as two distinctive businesses, namely “Scenario Express Credit (場景快貸)” (high-quality platforms) and “Transaction Express Credit (交易快貸)” (high-quality core enterprises).

During the Reporting Period, the pretax profit of retail business of the Bank amounted to RMB13,759 million, representing a decrease of 7.14% as compared with the corresponding period of the previous year. Operating income from retail business amounted to RMB33,449 million, representing a decrease of 3.36% as compared with the corresponding period of the previous year, and accounted for 47.96% in operating income of the Bank, representing an increase of 6.12 percentage points as compared with the corresponding period of the previous year (accounted for 47.25% in operating income from corporate and retail business of the Bank, representing an increase of 3.24 percentage points as compared with the corresponding period of the previous year). Of which, net interest income from retail business amounted to RMB26,554 million, representing a decrease of 1.48% as compared with the corresponding period of the previous year, accounting for 79.39% of operating income from retail business; net non-interest income from retail business amounted to RMB6,895 million, representing a decrease of 9.95% as compared with the corresponding period of the previous year, accounting for 20.61% of operating income from retail business and 44.42% of net non-interest income from corporate and retail business of the Bank. During the Reporting Period, fee and commission income from retail wealth management of the Bank amounted to RMB2,503 million, representing a decrease of 23.06% as compared with the corresponding period of the previous year, accounting for 36.30% of net non-interest income from retail business. Of which, income from agency sales of funds amounted to RMB528 million, income from agency sales of insurance amounted to RMB472 million, and income from agency sales of wealth management products amounted to RMB1,476 million. Fee income from retail bank card amounted to RMB4,933 million, representing a decrease of 6.48% as compared with the corresponding period of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. Retail customers and total assets under management

As at the end of the Reporting Period, the number of retail customers of the Bank⁵ was 112,239.9 thousand, representing an increase of 1.91% as compared with the end of the previous year. Of which, the number of effective and above retail customers was 4,902.8 thousand, representing an increase of 213.0 thousand as compared with the end of the previous year.

The number of high-rating retail customers was 2,473.7 thousand, representing an increase of 47.8 thousand as compared with the end of the previous year. Of which, the retention rate of existing high-rating customers was 85.66%. The number of VIP customers was 3,622.2 thousand, representing an increase of 176.5 thousand as compared with the end of the previous year. The number of retail loan customers was 2,834.4 thousand, representing an increase of 125.6 thousand as compared with the end of the previous year.

The number of eligible private banking customers was 41,091, representing an increase of 2,546 as compared with the end of the previous year. The financial assets under management of eligible private banking customers amounted to RMB556,377 million, representing an increase of RMB24,209 million as compared with the end of the previous year.

As at the end of the Reporting Period, the total number of credit cards issued was 66,147.0 thousand. The number of credit card customers was 46,362.2 thousand, representing an increase of 1,483.3 thousand as compared with the end of the previous year, and the number of new customers increased by 231.69% as compared with the corresponding period of the previous year. The number of customers holding both credit cards and debit cards was 18,897.6 thousand. The Bank firmly implemented reform and transformation, and optimised customer group structure while expanding the customer base steadily. During the Reporting Period, the customers with stable consumption⁶ accounted for 88.10% of total new customers.

As at the end of the Reporting Period, total assets of retail customers managed by the Bank⁷ amounted to RMB2,202,076 million, representing an increase of 5.23% as compared with the end of the previous year. Of which, the financial assets of customers holding Gold Card and higher level cards amounted to RMB1,814,277 million, representing an increase of 4.78% as compared with the end of the previous year, accounting for 82.39% of total assets of retail customers managed by the Bank. Retail savings deposits amounted to RMB933,832 million, representing an increase of RMB125,088 million, or 15.47%, as compared with the end of the previous year. Of which, structured deposits amounted to RMB24,288 million, accounting for 2.60%.

⁵ Number of retail customers refers to individual customers (including class I, II, and III accounts), customers who only hold credit cards, and small and micro legal person customers with normal customer status.

⁶ Customers with stable consumption refer to the Millennial Generation, female and highly educated target customer groups.

⁷ The statistical information on total assets of retail customers managed by the Bank added in third-party guarantee money for deposits and family trust products held by retail customers of the Bank; the statistical information on insurance products was adjusted at the same time and updates were made after verification with the balance of the system of the company accepting insurance.

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The sales of retail wealth management products amounted to RMB932,553 million, representing a decrease of 0.50% as compared with the end of the previous year. During the Reporting Period, the sales of personal wealth management products amounted to RMB1,333,652 million, representing a decrease of 13.85% as compared with the corresponding period of the previous year. The agency sales of non-monetary publicly offered funds amounted to RMB21,698 million, representing a decrease of 78.25% as compared with the corresponding period of the previous year. The premium of agency sales of insurance amounted to RMB6,318 million, representing a decrease of 27.94% as compared with the corresponding period of the previous year.

2. Retail loans and quality

As at the end of the Reporting Period, total retail loans (including credit card overdraft business) of the Bank amounted to RMB1,789,742 million, representing an increase of RMB29,885 million as compared with the end of the previous year, accounting for 42.78% of total loans of the Bank, representing a decrease of 0.97 percentage points as compared with the end of the previous year.

Small business loans amounted to RMB646,215 million, representing an increase of RMB45,465 million, or 7.57%, as compared with the end of the previous year. The number of small business customers with balance of loans was 377.9 thousand. Inclusive small business loans amounted to RMB526,621 million, representing an increase of RMB21,806 million as compared with the end of the previous year. The number of inclusive small business customers was 324.9 thousand. During the Reporting Period, total inclusive small business loans of the Bank amounted to RMB307,661 million. The average actual rate of inclusive small business loans was 4.88%, representing a decrease of 36BP on the basis of the average actual rate of 5.24% in 2021. The NPL ratio of inclusive small business loans was 1.94%. 2,429 outlets of the Bank provided comprehensive financial services to small business customers.

The balance of mortgage loans amounted to RMB591,120 million, representing a decrease of RMB1,071 million, or 0.18%, as compared with the end of the previous year. The balance of non-mortgage consumer loans amounted to RMB86,802 million. Of which, the balance of Easy Loan, a new consumer finance product, amounted to RMB36,104 million, representing an increase of RMB3,581 million as compared with the end of the previous year.

Credit card overdraft amounted to RMB465,605 million, representing a decrease of RMB6,472 million as compared with the end of the previous year. During the Reporting Period, the transaction volume reached RMB1,227,549 million. Of which, the transaction volume of electronic payments⁸ achieved rapid growth, reaching RMB290,553 million, representing an increase of 27.96% as compared with the corresponding period of the previous year.

⁸ Electronic payments include fast payments, mobile payments, gateway payments, and Daily Life App payments.

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During the Reporting Period, the quality of retail assets showed an ongoing trend of soundness and stability. As at the end of the Reporting Period, non-performing retail (credit card inclusive) loans⁹ amounted to RMB27,886 million, representing a decrease of RMB785 million as compared with the end of the previous year. The ratio of retail NPLs was 1.59%, representing a decrease of 0.06 percentage points as compared with the end of the previous year. Special-mentioned retail (credit card inclusive) loans¹⁰ amounted to RMB16,804 million, and the ratio of special-mentioned loans was 0.96%, representing a decrease of 0.08 percentage points as compared with the end of the previous year.

The NPL ratio of small business loans¹¹ was 1.81%, representing a decrease of 0.32 percentage points as compared with the end of the previous year. The non-performing inclusive small business loans amounted to RMB10,208 million, and the NPL ratio was 1.94%, representing a decrease of 0.35 percentage points as compared with the end of the previous year.

NPLs of credit card business amounted to RMB13,741 million, representing a decrease of RMB183 million as compared with the end of the previous year. The NPL ratio of credit card business was 2.95%, the same as that of the end of the previous year. Overdue loans amounted to RMB22,940 million, representing a decrease of RMB47 million as compared with the end of the previous year. The credit card business returned to the origins of payment, and the effects of focusing on real transaction scenarios were gradually revealed.

The ratio of non-performing mortgage loans was 0.33%, representing an increase of 0.07 percentage points as compared with the end of the previous year. The ratio of non-performing non-mortgage consumer loans was 1.34%, representing an increase of 0.40 percentage points as compared with the end of the previous year. The NPL ratio of Easy Loan, a new consumer finance product, of non-mortgage consumer loans was 0.59%, representing an increase of 0.13 percentage points as compared with the end of the previous year.

⁹⁻¹¹

The non-performing retail (credit card inclusive) loan ratio, special-mentioned retail (credit card inclusive) loan ratio and the NPL ratio of small business loans were all information of the Group, excluding small and micro legal person loans.

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3. Development and management of customer groups

Continuously strengthening integrated and coordinated customer acquisition and deepening cooperation under internet scenarios. **Firstly**, the Bank kicked off the “end-to-end” optimisation of payroll agency customer journey across the board to enhance customer experience. During the Reporting Period, the Bank launched payroll agency projects for 115 strategic clients. **Secondly**, the Bank gave full play to the synergy effects of credit card team, and achieved coordinated customer acquisition through corporate WeChat accounts and “Beneficial Lobby Marketing Events (惠聚廳堂)”. The Head Office and branches conducted digital marketing to existing customers only holding credit cards through all channels in a coordinated manner, and carried out multiple rounds of activities at banking lobbies to convert customers holding activated credit cards to users of other financial services, and the conversion rate increased by 9.62% as compared with the end of the previous year. **Thirdly**, the Bank optimised co-branded card products and services, such as cards co-branded with Walmart, Minsheng Farm, local shopping centres and supermarkets, and improved the capacity of customer acquisition through scenario expansion, benefit upgrading, customer reach through corporate WeChat accounts, etc. **Fourthly**, the Bank constantly enriched the service scenarios of the flexible employment platform for new citizens, and launched API products for class I and class II accounts of debit cards. As at the end of the Reporting Period, the Bank had successfully provided new citizen services for more than 70 enterprises. **Fifthly**, the Bank built the cooperation system covering all accounts and multiple scenarios, and actively promoted channel integration. **Sixthly**, the Bank made continuous breakthroughs in cooperation with internet platforms, successfully displayed its “Corporate WeChat + Electronic Accounts” on audio-visual platforms, and collaborated with Ctrip to roll out the first business travel-themed debit card, attracting more than 6,000 customers in the first month of its introduction.

Implementing online and offline integrated operation, and effectively improving customer activity.

Firstly, the Bank built online and offline integrated customer management model, realised closed-loop marketing and data-based attribution, and effectively produced refined management strategies. During the Reporting Period, the Bank deployed a total of 105 management strategies with a coverage ratio of 80.29%. The overall success rate of the strategy of making up the missing links of standard customer journeys was 7.65%. As at the end of the Reporting Period, of the new target customers, 87.19% added the corporate WeChat account of the Bank, 67.51% were reached, 63.54% made deposits, 26.52% made deposits of over RMB1,000 and 9.20% became effective customers. **Secondly**, the Bank built anthropomorphic AI-based smart outbound calling channels with “good comprehension and response capabilities” to generate customer portrait in a smart manner and accurately reach and screen out potential customers. During the Reporting Period, by centring on customer journey, the Bank developed 319 sub-scenarios of five major types of application scenarios, covering customer care, event invitation, benefit system, notification and reminder, and product marketing. A total of 17 million customers were reached. **Thirdly**, the Bank gave play to the role of corporate WeChat account in reaching customers, made up the missing links of standard customer journeys, and expanded the service scope of standard journey management model by taking user experience as the centre, and content operation as the starting point. As at the end of the Reporting Period, the number of customers who added corporate WeChat accounts of the Bank was 5,844.0 thousand, representing an increase of 2,259.1 thousand as compared with the end of the previous year. Of which, 82.89% were new customers and 13.08% were existing customers managed by the Bank. **Fourthly**, the Bank upgraded the traffic management system of Daily Life App, built complete closed-loop and full-link smart traffic management system, and accelerated the digital and smart transformation and upgrading of customer segmentation, reach management and other aspects, so as to empower user growth and customer group management.

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Continuously deepening the differentiated and refined segmented management of customers.

Firstly, by focusing on payroll agency, merchants, mortgage, the elderly people, quasi elderly care, sports, and other segmented customer groups, the Bank carried out differentiated management based on personal life scenarios such as car owners, supermarkets, parent-children services and properties, and established calendars for joint marketing between the Head Office and branches, in an aim to create exclusive services for distinctive customer groups. **Secondly**, the Bank strove to build personalised management model for private banking customer groups. Through family trust, leading privately-offered products and high-end exclusive wealth management, the Bank satisfied the personalised wealth management demands of private banking customer groups. The Bank also established the differentiated and advanced “Apex Privileges” system to meet the diversified needs of private banking customer groups. **Thirdly**, the Bank comprehensively upgraded its services for the entrepreneur customer groups by building the service system for them and adopting customised management model. By relying on the overall advantages of strategic platforms and channels, the Bank integrated high-quality resources across the whole market, and stayed committed to providing one-stop management of customers’ global assets, comprehensively improving their life quality, and facilitating long-term growth of their properties from multiple dimensions, thus becoming the butler of entrepreneurs.

Feature: Creating Exclusive Services for Elderly Customer Groups, and Shaping “Minsheng Enjoyment” Brand

According to the data of the National Bureau of Statistics, China had more than 267 million people aged 60 and above in 2021, accounting for 19% of total population. It is expected to exceed 400 million by 2032, signifying an evidently accelerated aging process of the society. In order to implement the national strategy for actively addressing the problem of aging population, the Bank adhered to the corporate mission of “serving the public and caring about people’s livelihood”, provided considerate financial services for the elderly, and continuously improved elderly-friendly services. Based on the regional characteristics of branches, the Bank launched the “Minsheng Enjoyment” service brand, built exclusive service system for elderly customers with 7 service segments, including “Convenience Enjoyment (悦享便利)”, “Wealth Enjoyment (悦享财富)”, and “Privileges Enjoyment (悦享禮遇)”, and continuously created safe, considerate and convenient exclusive services, so as to effectively enhance the elderly’s sense of gain, safety and happiness. As at the end of the Reporting Period, the number of elderly customers of the Bank was 8,542.8 thousand with a balance of AUM of RMB562,693 million, accounting for 25.55%.

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1. Enhancing service experience for elderly customer groups through “Convenience Enjoyment”

The Bank enhanced the service quality and experience for elderly customer groups starting from details. The Bank strengthened the construction of elderly-friendly infrastructure and upgraded various equipment, opened green channels for the elderly and provided presbyopic glasses, courtesy seats and other elderly-friendly products in business outlets. Additionally, the Bank leveraged community strengths to offer door-to-door services to customers with mobility difficulty, so as to solve urgent and thorny problems for them. The Bank also carried out trainings on smart equipment to tackle the difficulties of elderly customers in using smart technologies.

2. Meeting the financial service needs of elderly customer groups through “Wealth Enjoyment”

Based on the preferences of elderly customer groups, the Bank developed a low-risk product portfolio underpinned by a variety of deposit products, and selected robust fixed-income wealth management products on a priority basis, so as to meet the asset allocation needs of the elderly customer groups for value preservation and appreciation. The Bank upgraded the functions of mobile banking app, enriched the “simplified version” of exclusive products shelf for the elderly, simplified purchase operation, and realised one-click repurchase and the cross-screen functions of “one-click order generation and one-click purchase”. Of which, Chongqing Branch has been deeply committed to offering financial services for elderly customer groups since 2016, and has successively launched two professional products, namely “Current Account Manager (活期寶)” and “Assured Deposit Manager (安心存)”. As at the end of the Reporting Period, the number of elderly customer groups of Chongqing Branch exceeded 410 thousand, and the financial assets under management amounted to more than RMB28,000 million. Beijing Branch customised one-stop pension investment services for the elderly customers to realise personalised asset allocation for them.

3. Enriching the colourful life of elderly customer groups through “Privileges Enjoyment”

The Bank selected benefits and privileges from the aspects of diet and nutrition, home and personal care, sports and health, etc., and designed benefit packages suitable for the elderly customer groups, so as to effectively provide considerate care for them. Of which, Shenzhen Branch introduced the Baifu Card (百福卡), a bank card with exclusive benefits for the elderly, including VIP services of the Bank, private safe deposit box, airport VIP lounge, pension planning report, wealth management lectures for the elderly, VIP travel service, and a series of activities of the Elderly Health Academy, which was well-acclaimed by elderly customers.

All branches launched different forms of exclusive activities for elderly customers based on regional characteristics, such as senior club, free medical consultation, handwork DIY, tea ceremony and revolutionary song concert, and provided venues and facilities for elderly customers’ leisure-time activities, thereby constantly enriching their spiritual and cultural life, and carrying forward the virtue of caring for and helping the elderly.

The Bank emphasised on the security of financial assets of elderly customers, carried out various forms of activities on financial knowledge popularisation, publicity and education, intensified the publicity of preventing telecommunication fraud, pension scam, illegal fund-raising, and other typical illegal financial activities, so as to help elderly customers improve their capabilities of recognition, risk identification and self-protection concerning various financial products and services.

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4. Products, services and channel construction

Upgrading asset allocation system and building sound brands for wealth management. **Firstly**, the Bank upgraded the wealth management product systems. To further meet customer demands, the Bank developed four broad categories of products including “Current Deposit Management (活錢管理)”, “Assured Wealth Management (安心理財)”, “Sound Selection (穩健優選)” and “Yield Advancement (收益進階)”. Based on Minsheng Wealth Management, the Bank introduced short-term and mid-to-low risk products with sound returns from leading wealth management subsidiaries of other banks, in a bid to make these products effectively supplement its existing wealth management products. **Secondly**, in terms of publicly offered funds business, the Bank focused on the “Minsheng Bedrock (民生磐石)”, “Minsheng Wisdom (民生智遠)”, and “Reverse Select (逆向優選)” series, paid attention to controlling fluctuations, and emphasised on long-term wealth planning and daily after-sales service. **Thirdly**, regarding private equity funds business, based on launching multi-strategy products to meet diversified investment demands of customers, the Bank rolled out the service of customising structured products of securities companies for ultra high-net-worth customers. **Fourthly**, regarding insurance business, the Bank continuously focused on the deployment of regular premium insurance, of which, the size of regular premium products of 10-year and longer term accounted for 56.14%. In addition, the Bank provided high-net-worth customers with high-quality fixed-amount lifelong life insurance products, the sales of which during the Reporting Period increased by 137% as compared with the whole-year sales of the previous year. **Fifthly**, regarding family trust business, to better meet customer demands for wealth inheritance, the Bank built the “Minsheng Inheritance Family Trust (民生傳世家族信託)” brand, which adopted the model of being driven by standardisation and customisation, introducing exclusive customised insurance products supported by exclusive non-financial benefits system, in a bid to deliver high-quality service experiences to entrepreneur customers. During the Reporting Period, the Bank set up 908 new family trust products with a size of RMB5,219 million. As at the end of the Reporting Period, the existing scale of family trust amounted to RMB8,219 million, representing an increase of 172.84% as compared with the end of the previous year.

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Continuously optimising basic products and customer service journey and consolidating basic services. **Firstly**, the Bank continued to optimise basic financial services for segmented customer groups. It accelerated the pace to build personal pension business, pushed forward the implementation of achievements in the Cross-Border Wealth Management Connect through cooperation with financial institutions in Hong Kong, explored the development of one-stop comprehensive service solution covering parent-child service and convenient foreign exchange service, and launched electronic social security card. 16 branches, including branches in Beijing, Shanghai, Guangzhou and Shenzhen, had provided such services to local customers. **Secondly**, the Bank integrated same type of distinctive deposit products, introduced customised deposit products to high-net-worth customers, and explored the model of integrating the products with high-frequency money use scenarios of customers, in an effort to enhance its service capabilities in flexible issuance and circulation. **Thirdly**, the Bank put more resources into the payment sector. The Bank incorporated cross-sector ecosystems through payment scenarios, and built a customer acquisition and management model based on open ecosystems. Moreover, the Bank launched the payment brand activity of “Preferential Minsheng Day (聚惠民生日)”, and worked with e-commerce platforms on “Online Shopping Carnival (網購狂歡節)”, in a bid to consistently drive customers to bind their cards and use cards more frequently. During the Reporting Period, the transaction volume of credit card electronic payment reached RMB290,553 million, representing an increase of 27.96% as compared with the corresponding period of the previous year. **Fourthly**, the Bank expanded the monitoring coverage of the NPS¹² system by adding 12 customer journeys including mobile banking, Daily Life App, mobile operation channels and others, thus realising the monitoring of 37 customer journeys. Meanwhile, the Bank made supporting services of account-opening more convenient and efficient by adding a range of functions including package-based contract signing of UnionPay Quick Pass products. In addition, the Bank upgraded the end-to-end journey of payroll agency business by streamlining the journey and optimising the system in terms of marketing process, contract signing and card issuance, payroll agency, and employee management, etc. During the Reporting Period, the NPS of the Bank increased by 5.19 percentage points as compared with the previous year and the NPS of personal account-opening journey increased by 21.65 percentage points as compared with the previous year.

Optimising the business model of consumer finance to promote its development. **Firstly**, regarding mortgage loan business, the Bank adopted city-specific policies and made differentiated layout, strengthened head office-to-head office synergy with strategic real estate enterprises to constantly expand cooperation scope, accelerated cooperation with leading real estate agents of second-hand housing in various places to promote the development of second-hand housing mortgage business, and continuously optimised systems and business processes to enhance product competitiveness and customer experiences. **Secondly**, regarding non-mortgage consumer loan business, the Bank launched the marketing campaign of “Tour to 10 Thousand Enterprises (萬企行)”, targeting customer groups from high-quality entities, in a bid to enhance the batch customer acquisition capability of “Minsheng Easy Loan (民生民易貸)”. In cooperation with high-quality corporate groups, the Bank picked up the pace to build new model of finance based on ecosystem scenarios. In addition, the Bank enhanced the management and marketing capability of the retail teams in consumer loan business, to expand business and acquire customers.

¹² NPS (Net Promoter Score) is a type of index that gauges how likely a certain customer is to recommend a certain company or service to others.

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Intensifying basic services for small and micro enterprises, building distinctive products for them, and firmly implementing inclusive finance policies. **Firstly**, the Bank innovated and improved credit loans, online loans, and legal person loans, and provided small and micro enterprises with more flexible price discounts and higher handling efficiency by substantially optimising and adjusting credit policies and internal risk authorisation. **Secondly**, the Bank promoted the data-based extension of credit loans to small and micro customers and increased the limit of credit loans to a single customer, and the current credit limit to a single small and micro customer was up to RMB10 million. **Thirdly**, the Bank improved basic account services, extensively built customer acquisition platforms and scenarios including joint receipt, education, agency book keeping, and others, and strengthened basic services through products such as co-branded cards, cloud-based agency book keeping, and account-opening via online appointment for enterprises, as well as policies such as discounts or exemption on account service fees. **Fourthly**, the Bank prioritised four key regions in conducting new guarantee businesses related to pledge of intellectual property and pledge of accounts receivable. **Fifthly**, 40 branches had established branch-level inclusive finance management committees to consistently improve the working mechanism for inclusive finance. The Bank ensured sufficient credit supply to small business finance, stuck to the long-term mechanism of reducing fees and surcharges, and strengthened targeted support to people in difficulty. The Bank organised various publicity activities of national policies and inclusive finance measures to customers. Furthermore, the Bank offered more financial support for rural revitalisation, and provided inclusive financing support to new agricultural entities including family farms and cooperatives, as well as farmers. As at the end of the Reporting Period, inclusive small business loans increased by RMB21,806 million as compared with the end of the previous year.

Feature: Minsheng Bank Providing Support to Small and Micro Enterprises

In the first half of 2022, the State Council issued a package of policies and measures to stabilise the economy, encouraging deferred principal and interest repayment by medium, small, and micro enterprises, self-employed businesses, among others. Responding actively to these policies and measures, the Bank did its best to coordinate pandemic prevention and control and social and economic development and provided greater support to small and micro enterprises during the pandemic, in a bid to help stabilise the overall macro economy.

1. Pioneering to issue “20 Minsheng Measures” to bail out enterprises in difficulties. The Bank introduced 20 measures across five aspects to bail out and reassure small and micro enterprises in difficulties in the first place, which effectively eased their difficulty in capital turnover and helped stabilise employment.

2. Actively offering deferred repayment service to distressed small and micro enterprises. The Bank formulated the *Emergency Plan on Clarifying Deferred Loan Repayment of Small and Micro Enterprises in Pandemic Control Zones* (《關於明確疫情管控地區小微企業貸款延期還款應急方案》), according to which, 23 branches affected greatly by the pandemic, such as Shenzhen Branch, Shanghai Branch, Changchun Branch and Beijing Branch, actively provided customers with a series of services in accordance with local pandemic prevention and control requirements and the regulatory policies, including adjustment to repayment plans, deferred principal repayment, and remote video contract signing, etc. During the Reporting Period, the Bank provided small and micro enterprises with up to RMB211,886 million of renewed loans and deferred principal and interest repayment.

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3. Building dedicated online service platform of “Minsheng Small Business” App. On 12 January 2022, the Bank launched the “Minsheng Small Business” App, providing all-around online comprehensive mobile financial services to small and micro enterprises, business owners, and self-employed businesses. As at the end of the Reporting Period, “Minsheng Small Business” App served more than 537.0 thousand users. The App was featured with “five-in-one” functions, including one-stop log-in for “small and micro enterprises + business owners”, one-stop services of “financing + settlement + wealth management”, “online + offline” one-stop connection, one-stop upgrading of “enterprise benefits + family privileges”, and one-stop integration of “scenario switching + customer journey”. During the pandemic, via this App, small and micro customers could enjoy various financial services, such as loan application and settlement processing, without going out.

Continuously enriching distinctive benefit system and accelerating its implementation. **Firstly**, focusing on the V+ membership benefit system, the Bank built four benefit segments covering finance, shopping, entertainment and food. The Bank improved the rewards points mall system, continuously enriched product categories, and realised functions such as mixed payment by rewards points + cash and real-time task to earn rewards points. During the Reporting Period, a total of 1.19 million customers redeemed rewards points, with daily average redemption volume of 15 times of that in the corresponding period of the previous year. A total of 1.43 million redemption of V + membership benefits was made, with a total of 2,183,900 benefits redeemed. **Secondly**, the “Apex Privileges (非凡禮遇)” VIP benefit system, which integrated rare, high-end market resources and strategic client resources of the Bank, has launched 30 premium benefits so far. Leveraging these premium benefits, coupled with the distinctive and exclusive benefits of branches, the Bank launched the dual appointment channels of telephone and mobile banking App for the “Apex Secretary (非凡秘書)” available across the country and around the clock, and continuously pushed forward the “VIP Customers Experience Plan”, in a bid to establish distinctive VIP benefit system. **Thirdly**, the Bank continued to optimise benefits, launched beauty SPA, VIP lounge at high-speed train stations, family doctor consultation and other services, and iterated brand activities and card benefits, in an effort to build integrated online and offline benefit scenario ecosystems. As at the end of the Reporting Period, credit card benefit business covered 295 core commercial areas in 105 cities across the country.

Accelerating the construction of community outlets ecosystem to enhance comprehensive service capabilities at communities. Community outlets provided diversified services, such as wealth business, consumer loans and credit card applications, to meet the comprehensive financial demands of customers. The Bank accelerated the construction of ecosystems surrounding outlets with “payment”, “group shopping” and “property” as the core, in a bid to facilitate the outlets to develop, reach and convert customers. The Bank built a star rating system for outlets, focused on customer group management-related indicators to develop new customers, activate existing ones and expand the scale of customer base, and to increase the customer retention rates of key wealth products, thus to enhance refined management of community outlets. As at the end of the Reporting Period, the balance of financial assets of the community segment of the Bank amounted to RMB383,759 million, representing an increase of RMB26,310 million, or 7.36%, as compared with the end of the previous year. Savings deposits amounted to RMB154,373 million, representing an increase of RMB28,182 million, or 22.33%, as compared with the end of the previous year. The number of customers at effective level and above was 1,033.8 thousand, representing an increase of 71.0 thousand, or 7.37%, as compared with the end of the previous year.

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Taking highly responsive actions to the bail-out policy to care for customers from all aspects.

Firstly, the Bank took highly responsive actions to the national policy to bail out enterprises in difficulties by releasing the “20 Minsheng Measures” aiming to facilitate small and micro enterprises to resume work and production, reduced fees and surcharges and carried out precise relief works. The Bank didn’t force early repayment of loans nor delay loan release, but actively offered a series of services for customers in operation difficulty due to the pandemic, including loan renewal, repayment plan adjustment, remote video contract signing, deferred principal and interest repayment, etc. As at the end of the Reporting Period, the Bank provided small and micro customers with renewed loans and deferred principal and interest repayment of up to RMB211,886 million. The Bank lowered the guiding prices for loans to small and micro enterprises in sectors hit hard by the pandemic, such as retail, accommodation, catering, culture, tourism, and transportation. The Bank exempted the fees for six services to small and micro customers, namely account opening fee, account management fee, online banking transfer fee of no more than RMB1 million in a single transaction, corporate online banking service fee, as well as the flat cost and annual fee of UKEY. Moreover, the Bank optimised the management of terms of loans to small and micro enterprises, and reduced the capital pressure of customers and helped them enhance capital efficiency through flexible repayment services and methods, such as borrowing and repaying upon needs and self-determined installments. **Secondly**, regarding credit card products, the Bank rolled out a raft of new caring measures designed to fight against the pandemic, striving to provide high-quality financial services amid pandemic prevention and control. During the Reporting Period, the Bank handled deferred repayment for 82.3 thousand customers and provided credit protection to 13.5 thousand credit card customers. Meanwhile, it offered diversified assistance to overdue customers, and reduced and exempted interests and fees of RMB890 million. **Thirdly**, the Bank strengthened the promotion of Minsheng Inclusive Small Business Credit Card, providing installment plans and preferential interest rates to small business owners and self-employed businesses in areas seriously affected by the pandemic. During the Reporting Period, new users of Inclusive Small Business Credit Card under approval reached 15.7 thousand.

Intensifying layout to build and maintain efficient physical distribution channels. The Bank established an effective domestic distribution network that covered all provinces in the Chinese mainland with focus on the Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and other regions. As at the end of the Reporting Period, the sales network of the Bank covered 132 cities in the Chinese mainland, including 140 branch-level institutions (including 41 tier-one branches, 90 tier-two branches and nine remote sub-branches), 1,206 business outlets of sub-branches (including business departments), 1,088 community sub-branches, and 135 small business sub-branches.

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(III) Treasury business

Adhering to the management philosophy of “customer-centric”, the Bank constantly deepened the management of financial institution customer groups, intensified financial markets products and services, consolidated basic custody services, optimised asset management product system, and firmly pushed forward the reform and transformation of financial markets business.

1. Firmly implementing new operation philosophy, intensifying comprehensive marketing capability, and enhancing comprehensive contributions of financial institution customer groups

The Bank constantly improved work mechanisms such as unified marketing and unified credit extension for financial institution customer groups, and continued to increase coverage of effective customers and solidify customer base. The Bank strengthened technology empowerment of marketing of financial institution customer groups and accelerated the construction of digital platform for financial institution business, so as to provide financial institution customers with more professional digital marketing, investment and trading services.

During the Reporting Period, the Bank actively optimised the structure of liabilities of financial institutions business and capitalised on the opportunities of treasury business and investment business under the easing credit environment, thereby achieving steady development of financial institutions business. As at the end of the Reporting Period, the assets of financial institutions business of the Bank amounted to RMB300,410 million, representing an increase of 12.86% as compared with the end of the previous year. The liabilities of financial institutions business (including IBNCD) amounted to RMB1,831,107 million, representing an increase of 1.23% as compared with the end of the previous year. During the Reporting Period, 292 tranches of IBNCD were issued, with total issuance size amounting to RMB404,690 million. As at the end of the Reporting Period, the balance of IBNCD issued by the Bank amounted to RMB529,735 million.

2. Constantly enhancing investment and trading capabilities and optimising financial markets products and services

In terms of fixed-income business, to regulate and strengthen bond-related business, increase comprehensive profitability, and effectively prevent risk, the Bank firmly deepened reform on its bond investment business. By building a market-oriented and professional fixed-income service platform, the Bank has created an integrated Minsheng fixed-income brand covering investment, trading, sales, agency and other business lines. The Bank continued to improve investment and trading capabilities, responded actively to the demand of corporate entities, and strove to increase the liquidity and profitability of bond portfolios. As at the end of the Reporting Period, the bond assets of the Bank amounted to RMB1.76 trillion.

In terms of foreign exchange business, to advocate the philosophy of exchange rate risk neutral among customers, the Bank proactively guided corporate customers to take hedging and asset preservation as the core objectives for exchange rate risk management through training and communication activities. By strengthening the development of foreign exchange risk hedging products and sharing market information, the Bank provided corporate customers with exchange rate hedging tools aligned better with the market environment. By optimising the foreign exchange agency business system, the Bank kept increasing the efficiency of services to corporate customers in foreign exchange risk hedging. In addition, the Bank continued to improve its pricing and market-making capabilities for domestic foreign exchange derivatives. During the Reporting Period, the transaction volume of forward settlement and sale of foreign currencies and RMB foreign exchange swap in the interbank foreign exchange market amounted to USD616,457 million, and the transaction volume of RMB foreign exchange option amounted to USD67,985 million.

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In terms of precious metals business, the Bank maintained solid presence in inclusive finance and enhanced customer experiences. It offered online and offline gold products and services and served as an integrated service platform encompassing “trading, risk hedging, stocking, physical gold, investment, wealth management, and financing”. During the Reporting Period, the trading volume of gold price matching (including proprietary and agency business) under the precious metals business of the Bank totaled 325.08 tons, with the trading amount reaching RMB127,690 million. The trading volume of gold price asking totaled 296.31 tons, with the trading amount reaching RMB116,497 million, and the trading volume of silver price matching (including proprietary and agency business) totaled 1,523.74 tons, with the trading amount reaching RMB7,201 million. By trading amount, the Bank was one of the top 10 interbank traders at Shanghai Gold Exchange, one of the most active proprietary traders of precious metals in Shanghai Futures Exchange and one of the most important gold importers in China.

In terms of structured deposits, the Bank continued to improve its product system and pressed ahead with project innovation. Available products were tied to a great variety of targets and the product terms featured broad coverage. During the Reporting Period, the Bank completed the independent development and online launching of the first “Rural Revitalisation Index (鄉村振興指數)”, thereby further optimising the quantitative strategy index system conforming to the national strategy and taking on the characteristics of the Bank. Additionally, the Bank continued to boost the sales of structured deposits tied to ESG-themed indices, fully leveraged the advantages of green finance products, and promoted the long-term, steady, and healthy development of the structured deposit business.

3. Continuously consolidating basic service capabilities and building a full-scenario custody bank serving customer journey

During the Reporting Period, the Bank continued to push forward the transformation of custody business, optimise business structure and consolidate basic service capabilities, devoting itself to building a full-scenario custody bank serving customer journey. As at the end of the Reporting Period, the size of custody business amounted to RMB12.07 trillion, representing an increase of RMB0.98 trillion as compared with the end of the previous year. Of which, the size of securities investment funds under custody exceeded RMB1.2 trillion, a record high, for the first time, representing an increase of RMB84,353 million as compared with the end of the previous year.

In terms of pension business, the Bank highly valued the development of pension business including corporate annuity and occupational annuity in accordance with the strategic layout of the national pension system, and actively established layout in the personal pension business of the third pillar. During the Reporting Period, based on customer demands, the Bank continued to enhance its duty performance capabilities for annuity business, and provided enterprises and public institutions as well as individual customers with high-quality pension management services, and realised healthy development of pension business in the whole Bank. As at the end of the Reporting Period, the number of corporate annuity personal accounts managed by the Bank increased by 12.5 thousand as compared with the end of the previous year.

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4. Significantly enhancing core capabilities of wealth management products and achieving sound development of asset management business

Being customer-centric, the Bank responded fast to customer demands. The Bank further optimised the layout of wealth management products. During the Reporting Period, it launched 99 new products, with a focus on meeting the investment demands of customers for short terms, low volatility, and one-year and longer term, and medium elasticity. While ensuring rich and diversified supply of products for retail public customer groups, the Bank strengthened issuance of themed private equity products and products customised for institutions, in a bid to intensify segmented management of customer groups.

Being market-oriented, the Bank responded to market volatility in a timely manner. The Bank strengthened research and judgement on market trends and research of allocation of broad assets, and set up integrated investment research mechanism featuring effective connection and efficient interaction of investment and research, steadily improving the performance and stability of wealth management products.

The Bank implemented the ESG philosophy, and, in partnership with China International Capital Corporation Limited (CICC), issued the “Minsheng Wealth Management – CICC Low-Carbon Leading Index (民生財 — 中金低碳領先指數)”, which would guide domestic funds to invest in high-quality leading companies in low carbon practice. Going forward, the Bank will issue wealth management products tied to this index.

Group business was in high degree of collaboration and the result of integrated operation was remarkably enhanced. The Bank provided strategic customer groups with wealth management solutions, in an effort to facilitate the development and comprehensive management of customer groups of the Head Office and branches. Meanwhile, the Bank worked with strategic customer groups to invest in their certain projects, the scale of assets allocated to such projects increased by 75.90% as compared with the corresponding period of the previous year.

During the Reporting Period, the daily average size of wealth management products of the Bank amounted to RMB1,044,128 million, representing an increase of RMB143,629 million, or 15.95%, as compared with the corresponding period of the previous year.

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(IV) Institutional business

During the Reporting Period, focusing on finance and government business, the Bank made a big push for chain-based development of special bonds and the marketing of institutional business in lower-tier areas. The Bank optimised the management of customer groups in education, medical care, culture, tourism and tobacco, expanded the institutional customer base, strengthened the team building for personnel of institutional business at the Head Office and branches, and optimised the marketing models for institutional business.

Taking multiple measures to stabilise deposits and expand customer base. Despite negative effects of the pandemic, the Bank managed to stabilise and increase deposits by conducting differentiated marketing for different customer groups, intensifying chain-based development and business synergy of special bonds, and strongly expanding institutional business to lower tier areas. As at the end of the Reporting Period, institutional deposits of the Bank amounted to RMB805,545 million, representing an increase of RMB21,011 million as compared with the end of the previous year. The number of institutional customers¹³ was 28,837, representing an increase of 5.05% as compared with the end of the previous year.

Refining chain-based marketing of special bonds. As at the end of the Reporting Period, the Bank approved and underwrote local government bonds with an amount of RMB31,358 million. The Bank fully supported the issuance of local government special bonds, helped the issuance of 436 local government special bond projects, and introduced in deposits with an amount of RMB51,810 million cumulatively.

Continuously advancing qualification construction. As at the end of the Reporting Period, the Bank obtained 385 qualifications for business agencies of national treasury at all levels, representing an increase of 37 as compared with the end of the previous year. In 2021, the Bank was rated as "Excellent" in the evaluations on direct payment of national treasury of central finance and on collection of non-tax revenues, and as "Good" on authorised payment.

Intensifying platform project construction. The Bank helped local governments with the development of intelligent government administration through construction of platform projects. During the Reporting Period, the Bank approved and initiated a total of 43 platform projects and managed institutional deposits under the platform projects with a daily average amount of RMB78,878 million, representing an increase of RMB2,710 million as compared with the previous year.

¹³ Institutional customers mainly include government agencies, public institutions, social organisations, and private non-enterprise units.

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(V) Digital transformation

The Bank remained committed to building itself into an agile and efficient digital bank with ultimate customer experience and value growth, strengthened top-level planning and organisational promotion, and fully deepened digital transformation. New breakthroughs were made in the construction of “eco-bank” and “intelligent bank”, technology and data empowerment gradually showed effects, the agile innovation mechanism featuring business-technology integration was further deepened, the online and offline customer experiences were continuously enhanced, and the digital operation and management capabilities of the Bank were significantly improved.

1. New model of eco-bank featuring “scenario-based service + integrated operation + batch customer acquisition” taking shape rapidly

The Bank made overall planning and deployment in accordance with the ecosystems of scenarios, and focused on 25 broad categories of ecosystem scenarios around corporate production and operation, personal life journey, and intelligent government administration. With strategic clients as the core and the integrated development of large, medium, small, micro, and retail customers as the focus, the Bank innovated the product and business models of digital ecosystem finance and incubated a batch of important ecosystem projects, leading to a significant rise in its capability to manage customers in an integrated manner and to acquire customers in batches based on scenarios. Among which:

In terms of corporate operation scenarios, the Bank upgraded the online supply chain finance platform and the ecosystem finance operation platform. Focusing on core enterprises and their upstream and downstream, the Bank established a data-based risk identification and credit rating system, enhanced service efficiency, and expanded coverage. The Bank constantly enriched the E-series of scenario-based financial products of supply chains, used multi-dimensional data to conduct precise credit extension, and provided customised financial service solutions in line with different scenarios. Based on big data analysis and in partnership with Beijing National Cotton Trade Market Co., Ltd. (全國棉花交易市場集團), the Bank launched a product series of “Cotton Express (全棉通)”, and innovatively rolled out the “Single Window” Letter of Guarantee for Customs Duties, “Express Loan (快易貸)”, “Petal Loan (花瓣貸)”, “Government Procurement Fast Loan (政採快貸)”, and other online credit products, so as to support fast financing, immediate turnover and inclusive services.

In terms of personal life scenarios, in collaboration with self-owned channels and scenario cooperation platforms, the Bank integrated user behavioural data among the links of “cultivation, reach, interaction, conversion, service, retention and recommendation”, and built customer view across all links and scenarios. Based on cooperative projects with leading platforms and focusing on non-financial demands such as “clothes, food, accommodation, transportation, travel, entertainment, and shopping”, the Bank co-built scenarios and shared technology, and launched one-stop services integrating “car owner services, member benefits, trips to amusement parks, and public utility payments”. The payment services on the Minsheng Butler platform covered more than 300 cities across China.

In terms of intelligent government administration, based on the government administration platforms, such as government procurement platform and the “Single Window (單一窗口)”, “Integrated Online Platform (一網通辦)” and “E-Window (e 窗通)” of the customs, along with data connections, the Bank launched one-stop convenient services under government administration scenarios. New services included agency corporate registration, electronic business license, electronic social security card, and other convenient government administration services and services related to people’s livelihood.

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2. Comprehensive upgrading of new intelligent banking services featuring “digital marketing + digital products + digital risk control + digital operation + digital decision-making”

The Bank fully upgraded its financial service capabilities and realised intelligent operation by pursuing “value-growing” digital marketing, “considerate” digital products, “in-depth” digital risk control, “efficient” digital operation and “data-based” digital decision-making. Among which:

For digital marketing, the Bank intensified large-scale data application and the support of tools and platforms. **In terms of data and platform**, the Bank set up multi-dimensional customer portrait, enriched behavioural data, and improved the tag system. **In terms of empowerment of digital tools**, focusing on corporate, retail, small and micro customers, the Bank launched the Stand By Me 3.0 (伴我行 3.0), Mofang (魔方), workbench dedicated to wealth managers, as well as digital marketing tools including marketing management, clue management, online companion, AI-based smart outbound calls, and digital employees. **In terms of smart marketing services**, based on algorithm and strategies, the Bank segmented customer demands to enhance marketing efficiency and customer experiences. During the Reporting Period, the strategy library added 1,054 new strategies, reaching 8,253 thousand customers, and the overall financial assets of the target customer groups increased by RMB67,100 million. **In terms of collaboratively expanding customer base**, the Bank used corporate WeChat accounts as the bridge to connect closely with customers, and pushed for sharing of data tags, coordinated operation of social groups, and cross-selling of credit card and retail customers.

For digital products, the Bank consistently upgraded the functions of basic products and enhanced the service capabilities for inclusive finance. **In terms of upgrading basic products**, the Bank rolled out a wide range of functions such as account-opening through convenient appointment, smart due diligence investigation, smart credit approval, smart asset preservation, and fast online loan extension for micro consumer loans. The product series of E-Account-Opening covered all customers groups and channels. The Minsheng Finance and Asset Cloud (民生財資雲) product realised integrated management of business, finance, bills, and taxes. The Bank rolled out a series of innovative transaction banking products such as Acceptance and Discount Express (承貼直通車), Fast Collection (收款通), Payment Express (付款直通車), and Foreign Currency Legal Person Account Overdraft (外幣法人賬戶透支). The “Minsheng Small Business” App provided comprehensive services and products exclusive to online channels. The digital credit card realised full-process digitalisation of card issuance. The WeChat mini programme of “Minsheng Bank E-Service (民生銀行 E 點通)” offered online wealth management products and value-added services. **In terms of inclusive finance**, the Bank applied privacy computing technology and federated learning modeling to precisely extend loans and expand the scope of inclusive finance services. Based on the agriculture big data platform of Heilongjiang Provincial Government, the Bank launched the “Agricultural Loan Express (農貸通)” product, cumulatively extended credit of RMB1 billion to farmers in the pilot region and received more than 13 thousand online loan applications from farmers.

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For digital risk control, the Bank applied it throughout the full process of loan operations including pre-loan, in-loan, and post-loan operations. **In terms of pre-loan operations**, the Bank iterated data models such as anti-fraud and credit pricing and completed the design of 120 large-amount and suspicious model rules and 576 suspicious factors of the anti-money laundering system. Regarding sci-tech innovation loans, green finance, “dedicated, refined, distinctive and innovative” and other business scenarios, the Bank tapped into the business opportunities and risk identification of large-scale and unstructured data. **In terms of in-loan operations**, with the marketing behaviour management system of “Palm Eye (掌中眼)”, customer scenarios were fully demonstrated and the management and control of risks associated with on-site marketing to customers was intensified. The Bank introduced systematic management and control methods such as recognition of qualified investors and smart audio and video recording for wealth product transactions, in a bid to enhance its capabilities for risk control compliance in wealth management and private banking business. **In terms of post-loan operations**, the Bank set up the retail business quality control system of “Watchtower (望樓)” and the small business loan monitoring and early-warning platform of “Sky Eye Cloud (天眼雲)”, making post-loan risk management more timely and accurate. Based on the Basel B-card rating, early-warning rating, public debt index and others, the Bank monitored credit card crossover risks and mitigated post-loan management risk in advance.

For digital operation, the Bank improved intensive, smart and remote service capabilities. **In terms of intensive services**, through “grand operation”, the Bank fully integrated business processes and services and designed standard operation processes, in an effort to efficiently support coordination across business lines. Through the account management system of “Timely Help (及時雨)”, the Bank promoted the automatic operational functions and fully optimised the digital operation bank-wide. **In terms of smart services**, based on RPA (Robotic Process Automation), OCR (Optical Character Recognition), blockchain and other technologies, the Bank launched account robot, AI-based review of corporate customers’ qualification for account opening, smart remote teller, and digitalised documents handling, thus expanding the application of smart technologies and enhancing efficiency by replacing manual work. **In terms of remote services**, remote banking offered 24/7 services to ensure uninterrupted services during the pandemic and substantially shortened connection time of customers, and the successful connection rate increased by 6.1% as compared with the end of the previous year. The Bank built an integrated bank-wide operation service system with coordination among branches and sub-branches and online and offline integration, which improved support to comprehensive businesses in multiple scenarios.

For digital decision-making, the Bank optimised the operation analysis platform and intensified support for management decision-making. **In terms of operation analysis**, the Bank optimised value cloud map, management accounting platform and other digital management views, built algorithm-driven digital decision-making models, and developed smart operation analysis platform based on the big data platform, AI platform and data visualisation analysis tools. **In terms of decision-making support**, regarding resource allocation, profitability analysis, risk management, market forecasting and other aspects, the Bank further enhanced the online, digital and refined scientific decision-making management of the full process integrating “decision-making, strategy implementation, and evaluation optimisation”.

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3. Increasingly strengthened digital core capability system empowered by fintech

The Bank developed enterprise-level IT architecture and platform supporting digital and smart operation, strengthened the application of technologies including cloud computing, AI, privacy computing, 5G and blockchain, and conducted special actions on large-scale application of real-time data, thereby further unleashing the effectiveness of technology and data in enhancing operation and management.

Feature: Large-Scale Application of Real-Time Data

To empower frontline employees and management personnel at all levels, during the Reporting Period, the Bank launched the special task of large-scale application of real-time data. IT and business departments, the Head Office and branches jointly set up an agile project team and rolled out 52 applications of real-time data, which formed a map on the application of real-time data of the Bank covering five key real-time application scenarios including “real-time insight into customers, real-time services to customers, real-time risk management and control, real-time operation management and real-time decision-making support”. As a result, the smart application of bank-wide data was implemented in full swing after breakthroughs in certain fields. Among which:

Real-time insight into customers: The Bank deeply integrated data inside and outside the Bank, online and offline data, and financial and non-financial data, portrayed the characteristics of dimensions such as “user, scenario, and service” in a more precise, comprehensive, and real-time manner, and formed a map on basic events of real-time data, thus realising real-time insight capabilities including customer views and customer group tags.

Real-time services to customers: The Bank restructured customer journey and extracted links such as customer reach, interaction, use, and evaluation into data application models including event analysis model, funnel analysis model, retention analysis model, frequency analysis model, compartment analysis model, and path analysis model, in a bid to build real-time service capabilities such as clue reminder and special reporting.

Real-time risk management and control: By building data-based risk control models including credit funds real-time management and control model, smart assessment model, anti-fraud model, smart early-warning model, overdue reminder model, and smart risk reporting model, the Bank consistently developed and improved risk tags and risk portraits across customer, institution, product, and other dimensions, and built up real-time risk management and control capabilities such as large screen for risk control and interception of irregularities.

Real-time operation management: Focusing on “operations of channels, products, activities, and contents”, the Bank integrated real-time data links of 39 modules, supported timely transmission of business process and execution result and the linked triggering among relevant business activities. The Bank established overall view and closed-loop path to build real-time operation capabilities such as experience monitoring and effectiveness evaluation.

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Real-time decision-making support: The Bank built the retail management cockpit and other visualised data platforms, which, depending on different user attributes, supported functions such as real-time display, real-time search, and real-time analysis of key operation information and key indicators across different dimensions. The Bank associated and examined the changing course of indicators and elements from the perspective of the full process, in an effort to develop real-time decision-making capabilities such as fast reporting of indicators and panoramic view.

Technological capabilities featuring “efficient replication and rapid empowerment”. Based on the “Head Office Cloud, Branch Cloud and Ecosystem Cloud (總行雲、分行雲、生態雲)”, the Bank established cloud native applications and service platforms. DevOps development-operation integration and the application of container, micro service, non-service, service grid, and other technologies were further popularised, and the efficiencies for resource use, research and development and delivery, and maintenance and deployment were significantly improved. Additionally, cLoan system, the new-generation corporate loan system based on distributed technologies, was officially put into operation, which offered flexible functional interfaces for multiple business scenarios and supported rapid innovations of loan products.

Data capabilities featuring “standards integration and real-time application”. To enhance data governance and data assets management, the Bank advanced data standards development and data quality improvement, intensified data sharing, and built an enterprise-level data platform featuring Data LakeHouse. The Bank designed the smart value system, capability system, and service system for bank-wide data. It built the real-time data technical system, set up real-time data links, supported large-scale application of real-time data, and pushed forward the development of measurement and management applications of credit risk, market risk, and operational risk in line with Basel III.

4. Agile innovation and reform

Based on innovative mechanisms and research and development system featuring IT-business integration, the Bank established organisational capabilities suitable for value creation, fast iteration, and agile delivery. Among 37 agile subject domains, the Bank organised resources and initiated projects based on agile product model, thus rapidly enhancing the overall research and development efficiency of the whole Bank.

The Bank reshaped customer journeys in an end-to-end manner, thus fully enhancing customer experiences. It set up cross-functional teams to reshape customer journeys such as non-financial services for VIP customers and payroll agency service for salary-earning customers. For online services, the Bank coordinated multiple channels to recommend customers compatible products, allocate personalised benefits, and invite them to take part in distinctive activities. For offline services, the Bank followed up on personalised asset allocation demands of customers. During the Reporting Period, 6 pilot branches cumulatively served 325 thousand payroll agency customers, and the responding speed to customer demand increased considerably.

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5. Innovations in internet finance

The Bank kept optimising platform service experiences and innovating payment products, and strove to expand open bank. Its comprehensive services of internet finance were enhanced to a higher level and its market share and brand effect continued to rise. The Bank was awarded the “Leader of Enterprise Standards for Online Banking Services” and the “Leader of Enterprise Standards for Mobile Finance Client Application (Banks)” in 2021 (2021年網上銀行服務企業標準“領跑者”稱號和移動金融客戶端應用(銀行業)企業標準“領跑者”).

Building distinctive retail online service platforms. The Bank piloted experience officer mechanism, optimised experiences of mobile banking, and rolled out customer benefit systems including dedicated private banking version of mobile banking, dedicated wealth management area, joint log-in with WeChat, as well as V+ members and Apex Privileges, substantially diversifying its products and services. Additionally, the Bank perfected the security sensing strategy for mobile banking and kept strengthening its capability to prevent telecom frauds. As at the end of the Reporting Period, the number of retail online platform users of the Bank was 98,299.6 thousand, representing an increase of 5.07% as compared with the end of the previous year. The number of monthly active users of the retail online platform was 24,927.5 thousand, representing an increase of 9.85% as compared with the corresponding period of the previous year. The Bank took a leading position in the banking industry in terms of the transaction activeness of users.

Constantly iterating and optimising corporate online service platform. The Bank upgraded the “Minsheng E-Enterprise (民生 e 企)” service system by launching function demonstration and help center for FAQs of corporate online banking. It optimised multiple high-frequency scenario-based services including log-in, notes and account services, in order to enhance the service capabilities of corporate online banking. It introduced wealth management and contract signing services, delivering increasingly diversified mobile banking products. It innovatively launched the Micro Service Platform for Minsheng E-Enterprise and iterated micro account, micro finance, and micro services. Moreover, the Bank developed signature terminals featuring direct bank-enterprise connect, accelerating customer transaction speed. As at the end of the Reporting Period, the number of corporate online platform users of the Bank was 3,136.0 thousand, representing an increase of 5.56% as compared with the end of the previous year. The total transaction amount of corporate online platform was RMB33.08 trillion, representing an increase of 5.72% as compared with the corresponding period of the previous year. The number of customers using bank-enterprise direct connect was 3,703, representing an increase of 10.77% as compared with the end of the previous year. The size of daily average deposits of customers using bank-enterprise direct connect per annum amounted to RMB900,091 million, representing an increase of 33.92% as compared with the corresponding period of the previous year.

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Constantly innovating integrated payment product and service systems. The Bank continued to diversify the types of Happy Cashier (樂收銀) collection terminals, perfected collection methods of Minsheng Pay, and built a shelf of payment products covering large, medium, small, and micro customer groups. It strengthened synergy between payment products and booking system, and provided enterprises with payment and settlement as well as comprehensive fund management services. In addition, the Bank expanded the scenarios for e-CNY (數字人民幣) and pioneered in the industry to support card binding without entering card number on the e-CNY App, launched the service of direct salary payment in e-CNY for corporate accounts, and directly participated in government-sponsored coupon activities via interconnection platforms. As at the end of the Reporting Period, the number of Minsheng bank cards bound with e-CNY reached 72 thousand. The total transaction volume of mobile payment with debit cards was RMB33,149 million, representing an increase of 64.16% as compared with the corresponding period of the previous year.

Officially releasing “Minsheng Cloud” (民生雲) series of products of open bank. The Bank released seven products including “Minsheng•Cloud Agency Book Keeping (民生•雲代賬)”, “Minsheng•Cloud Human Resource (民生•雲人力)”, “Minsheng•Cloud Freight (民生•雲貨運)”, “Minsheng•Cloud Cost Control (民生•雲費控)”, “Minsheng•Cloud Healthcare (民生•雲健康)”, “Minsheng•Cloud Wallet (民生•雲錢包)” and “Minsheng•Cloud Easy Payment (民生•雲易付)”. In collaboration with over 500 partners, the Bank launched 410 open services across 5 broad categories of account, payment, settlement, investment, and loan, covering all ecosystems of customer groups and markets and serving over 7 thousand corporate customers and over 1 million individual customers. The open bank was awarded the Gold Award for Innovation in Special Fields of Digital Intelligence Platform (數智平台專項領域創新金獎) in the 5th (2022) Digital Finance Innovation Competition organised by China Financial Certification Authority.

6. Transformation and upgrading of outlets

To further upgrade “services, experience, and risk control”, the Bank applied technology to empower digital transformation and upgrading of outlets.

Upgrading services. Based on new technologies, the Bank optimised layout of outlets and pursued diversified and full-channel operation, leading to higher utilisation rate of outlet resources and significantly increased customer reach rate to financial products and services.

Upgrading experience. The Bank continued to popularise online acceptance, efficient handling and fast delivery of operation services. Chengdu Branch, Shenzhen Branch, and Guangzhou Branch opened intelligent outlets, in a bid to deliver brand new “smart, intelligent, and cosy” service experience.

Upgrading risk control. The Bank built an full-channel risk monitoring platform and set up the digital risk control system of “Windbell (風鈴)” featuring “risk model system + risk evaluation mechanism + early-warning risk control”. From “post-loan response” to “pre-loan monitoring”, the Bank proactively prevented and defused risk and accommodated the demands of branches and outlets for preventing and controlling customer risk, business risk, operational risk, among others under the new situation, thereby effectively safeguarding fund security of customers.

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(VI) Business outside the Chinese mainland

During the Reporting Period, the Hong Kong Branch overcame multiple challenges such as turmoil in the financial market, weak economic growth and relapses of the COVID-19 pandemic. Adhering to implementing the development strategy of the Bank, the Branch fully played its role as a platform for business outside the Chinese mainland, strengthened cross-border coordination and synergy, managed high-quality customer groups in a deep-going way, further explored businesses in its distinctive business sectors, focused on building differentiated competitive advantages, and enhanced its capabilities in providing comprehensive financial services across the board. All the three major business segments, namely corporate banking, financial markets, private banking and wealth management, saw high-quality and steady development.

1. Taking root in Hong Kong, strengthening cross-border coordination and deepening the management of strategic customer groups

To practise the key regional development strategy of the Bank, Hong Kong Branch took Hong Kong as the base and focused on the development of the Guangdong-Hong Kong-Macau Greater Bay Area to expand its advantages in cross-border coordination and synergy and provide customers with professional and integrated cross-border financial solutions. During the Reporting Period, Hong Kong Branch carried out 17 significant coordinated projects with strategic customers, and provided RMB4,838 million credit assets to the cross-border cooperations, representing an increase of 72.05% as compared with the corresponding period of the previous year.

Hong Kong Branch highly valued the adjustments to structure and the improvement in quality of credit customers. During the Reporting Period, the newly placed credit assets to high-quality corporate customers with high ratings accounted for 63.37%. The Branch emphasised the in-depth development of strategic customer groups, and provided comprehensive financial services for over 200 corporate strategic customers of the Bank. As at the end of the Reporting Period, the overall credit assets placed to corporate strategic customers was HKD50,551 million. The Branch also attached great importance to cross-border wealth management of mid- and high-end retail customers. As at the end of the Reporting Period, the AUM of private banking and wealth management customer groups exceeded HKD26.5 billion.

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2. Developing distinctive sectors, improving service capabilities and building core advantages

Committed to creating value for customers, Hong Kong Branch further explored distinctive businesses and has seen significant growth in asset custody, foreign exchange trading, green finance, among others. In terms of asset custody, Hong Kong Branch kept enriching the custody product system and significantly improved its comprehensive custody capabilities. As at the end of the Reporting Period, assets under custody amounted to HKD114,563 million, representing an increase of 19.34% as compared with the end of the previous year, ranking 2nd among comparable Chinese joint-stock banks. In terms of foreign exchange trading, Hong Kong Branch fully deployed agency business of foreign exchange and derivatives, and further increased trading size and yield levels. During the Reporting Period, the size of agency business of foreign exchange and derivatives amounted to USD4,710 million, representing an increase of 18.58% as compared with the corresponding period of the previous year. In terms of green finance, Hong Kong Branch was committed to sustainable green development, and realised sound development in the green finance business field. As at the end of the Reporting Period, the size of green assets¹⁴ reached HKD10,940 million, representing an increase of 45.50% as compared with the end of the previous year. During the Reporting Period, Hong Kong Branch underwrote 11 green bonds, with a size of USD362 million.

Adhering to the customer-centric philosophy, Hong Kong Branch deeply dug into the financial demands of mid- and high-end individual customer groups, enriched products shelf, and innovated the model of value-added services, thereby constantly enhancing its capabilities in providing cross-border comprehensive financial services. During the Reporting Period, Hong Kong Branch strove to build private banking and wealth management fund platform and launched nearly 100 selected publicly offered funds including stock-based funds, hybrid funds, bond-based funds and monetary funds. Hong Kong Branch constantly deepened the cooperation with financial institutions customer groups and kept expanding the market leading advantages of its bank-securities transfer business platform. As at the end of the Reporting Period, Hong Kong Branch cooperated with up to 26 securities companies in terms of bank-securities transfer business with a 24/7 online foreign exchange trading volume of over HKD14 billion. Since Hong Kong Branch conducted the business of “Cross-Border Wealth Management Connect (跨境理財通)” at the end of 2021, Hong Kong Branch has electronised the whole processes of account opening and trading. As at the end of the Reporting Period, the market share of transfer volume through Cross-Border Wealth Management Connect of the Bank was 32.61%. Of which, the market share of “Southbound Connect (南向通)” showed obvious advantages with 50.72% in terms of total transfer amount, and 39.25% in terms of net inflow amount to Hong Kong, maintaining a leading position in the market.

¹⁴ Green assets include loans and bond investment.

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As at the end of the Reporting Period, total assets of Hong Kong Branch amounted to HKD193,345 million, representing a decrease of 7.51% as compared with the end of the previous year, mainly due to that Hong Kong Branch further optimised the asset structure and actively reduced the size of assets of financial institutions business and bond investment. During the Reporting Period, net income of Hong Kong Branch amounted to HKD1,312 million, representing an increase of 2.26% as compared with the corresponding period of the previous year. During the Reporting Period, net income realised growth against odds, mainly due to effective management and control of liability cost, increased size of loans, optimised portfolio structure, and continuous increase in non-interest income. In the meantime, Hong Kong Branch deepened the philosophy of compliance-based operation across the board, adhered to risk-first orientation, implemented credit approval mechanism reform, and intensified the construction of risk control system. As a result, the quality of credit assets remained steady.

(VII) Major equity investments and management of consolidated financial statements

As at the end of the Reporting Period, the investment of the Bank in subsidiaries was RMB13,381 million. For details, please refer to the notes to the financial statements.

1. Minsheng Financial Leasing

Minsheng Financial Leasing, one of the first five financial leasing companies with banking background approved by the former CBRC, was established in April 2008 with a registered capital of RMB5,095 million. 54.96% equity interest of Minsheng Financial Leasing was held by the Bank. The main business scope of Minsheng Financial Leasing includes financial leasing of vehicles, vessels, commercial aircraft, business jets, large-scale equipment and others, transfer and assign of leased assets, fixed-income bond investment and others.

During the Reporting Period, Minsheng Financial Leasing worked hard to overcome the adverse impact of the pandemic, its operating results and risk indicators remained generally stable, and its business structure was continuously optimised. During the Reporting Period, the operating income amounted to RMB3,411 million. Retail and small leasing businesses accounted for 61.80% of newly-increased placement, representing an increase of 8.44% as compared with the corresponding period of the previous year. Businesses of professional leasing of aircrafts and vessels accounted for 15.99%, representing a growth of 2.39% as compared with the corresponding period of the previous year. As at the end of the Reporting Period, total assets of the company amounted to RMB178,782 million.

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2. Minsheng Royal Fund

Minsheng Royal Fund is a Sino-Foreign fund management joint venture established in November 2008 under the approval of the CSRC, with a registered capital of RMB300 million. 63.33% equity interest of Minsheng Royal Fund was held by the Bank. Minsheng Royal Fund mainly engages in fund management, fund sales, specific customer asset management and other businesses approved by the CSRC.

Minsheng Royal Fund has won the Golden Bull Awards (金牛獎) for 23 times in the past nine years, and its medium- and long-term investment performance was affirmed by the investors and the industry. As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB2,673 million and net assets of RMB1,618 million. During the Reporting Period, its net profits amounted to RMB121 million. 95 publicly offered funds were managed by Minsheng Royal Fund with a total amount of RMB140,456 million. Minsheng Royal Fund also managed 54 private equity management plans with a total amount of RMB27,920 million.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and currently holds 52.71% equity interest in it. Minsheng Royal Asset Management's registered capital is RMB968 million, and the scope of business includes specific customer asset management and other businesses permitted by the CSRC. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB13,843 million.

3. CMBC International

CMBC International is a wholly-owned subsidiary of the Bank established on 11 February 2015 in Hong Kong under the approval of the former CBRC, with a registered capital of HKD4,207 million. The principal business of CMBC International includes sponsorship of listing in Hong Kong, financial advisory, underwriting and issuance of bonds, asset management and wealth management, stock brokerage, direct investment and structured finance. CMBC International is an important and strategic platform for the comprehensive development and international expansion of the Bank.

During the Reporting Period, CMBC International ramped up investment in and application of fintech, improved online customer experience, overcame the impacts of the pandemic and fluctuations in the capital market, optimised product and customer structure, and consolidated and improved its competitive edge. As at the end of the Reporting Period, CMBC International had total assets and total liabilities of HKD33,104 million and HKD27,717 million, respectively. Net assets amounted to HKD5,387 million, of which, total equity attributable to holders of equity shares of the Bank was HKD4,606 million.

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4. Minsheng rural banks

Minsheng rural banks are the rural banks initiated and established by the Bank as a major promoter. As at the end of the Reporting Period, the Bank established a total of 29 rural banks with 84 business outlets. Total assets, total deposits and total loans of the rural banks amounted to RMB41,316 million, RMB35,205 million and RMB24,563 million, respectively, representing increases of RMB1,851 million, RMB2,271 million, and RMB112 million as compared with the end of the previous year, respectively. During the Reporting Period, net profit amounted to RMB149 million.

During the Reporting Period, the Bank continuously pushed for rural banks to hold firmly the bottom line of compliance, support rural revitalisation, provide basic financial services to the “rural areas, agriculture and farmers”, residents in communities as well as small and micro customers within the county area where they are located. The Bank adhered to the business philosophy of “small amount and scattered distribution” and constantly boosted credit support. All the rural banks operated well and steadily. During the pandemic, all rural banks strictly abided by the pandemic prevention requirements, went all out to support work and production resumption and meet the financial service demands of the real economy, and bailed customers in difficulty out by supporting them financially.

5. CMBC Wealth Management

CMBC Wealth Management is a wholly-owned subsidiary of the Bank established under the approval of the CBIRC. It was allowed to open business on 16 June 2022 and registered on 24 June, with a registered capital of RMB5 billion. The principal business of CMBC Wealth Management includes issuance and investment management of publicly offered wealth management products and private equity wealth management products, wealth management advisory and consultancy services, and other businesses approved by the CBIRC.

After opening business, CMBC Wealth Management will implement the strategy with “fixed income and fixed income+” as the main body and “hybrid and equity” and “alternative investment” as two wings by adhering to the “customer-centric” philosophy. It will develop the product pattern featuring “low volatility and steady return” through allocation of major types of assets and diversified asset strategies. It will strive to build itself into a first-class asset management institution with distinctive characteristics, steady operation, customer trust and excellent organisation through professional and differentiated development with distinctive features.

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6. Consolidated management

During the Reporting Period, the Bank adhered to the integrated development strategy of the Group and strengthened coordination. According to the Guidelines for the Consolidated Management and Supervision of Commercial Banks 《商業銀行並表管理與監管指引》 of the CBIRC, the Bank constantly optimised the mechanism for consolidated management, perfected and upgraded the management model of subsidiaries, further strengthened integrated management of the Group in terms of corporate governance, risk management, capital management, business coordination, internal trading, etc., improved the institutional system for the management of subsidiaries, consolidated management responsibilities of the Head Office, refined the management requirements, further refined and differentiated the management of subsidiaries, and pushed forward all the work on consolidated management steadily.

XII. Risk Management

During the Reporting Period, the Bank deeply implemented the decisions and deployments of the CPC Central Committee and the State Council, and strengthened the political awareness and inclusive nature of finance by bearing in mind the top priorities of the country. Based on the strategy of “Party Committee leadership, comprehensive management and proactive management”, the Bank made continuous efforts to build the strong internal risk control system featuring “one core (一核)”, “two systems (兩系)”, “good management of people, business and money (三管齊下)” and “four beams and eight pillars (四梁八柱)”. With the goal of good management of people, business and risk, as well as supporting development, the Bank constantly consolidated the “construction of three lines of defense”, strengthened top-level design in advance, adopted refined management measures during operation process and improved the emergency response mechanism afterwards, thus improving its capacity in risk management across the board. The Bank strove to realise the unity of development quality, structure, scale, speed and safety, prevent and mitigate financial risks, better serve the construction of a new development pattern and the real economy, safeguard the long-term interests of shareholders, employees and customers, maximise shareholder value, and step forward on the road of stable and sustainable development.

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(I) Comprehensive risk management

Comprehensive risk management refers to that the Board of Directors, Board of Supervisors, Senior Management and the three lines of defense of risk management of the Bank perform their own duties respectively, and effectively control all risks in all fields and dimensions and at all levels, thus providing rational guarantee for the realisation of all goals of operation and management. With supporting real economy and preventing and mitigating risks as the goal of comprehensive risk management, through cultivating a compliant and sound risk culture, the Bank established risk governance framework featuring effective checks and balances, set unified risk preferences, risk management strategies and risk limits, executed standardised risk management policies and procedures, set up complete management information system and data quality management system, and implemented strict internal control and review evaluation mechanism, so as to ensure that risk management effectively covered all risk categories, all business lines, all procedures, all units and all personnel of the Bank.

During the Reporting Period, the Bank continued to strengthen the construction of the comprehensive risk management system, and pushed forward the improvement of comprehensive risk management effectiveness. **Firstly**, the Bank revised and improved the comprehensive risk management system, clarified the duty boundary of the three lines of defense of risk management, and specified division of responsibilities and methods and procedures of risk management, thus realising the effective connection between the comprehensive risk management system and special risk management system. **Secondly**, the Bank established and implemented a three-level management system involving risk preferences, strategies and policies, formulated annual risk preferences, risk management strategies and special risk policies, and strengthened effective top-down transmission of national policies, strategic deployments of the Party Committee of the Head Office and the Board of Directors, and risk philosophies. **Thirdly**, the Bank steadily promoted the construction of smart risk control system, consolidated the risk data governance basis, strengthened whole-process online management of risk control, improved its digital, smart, intensive risk control capacity. During the Reporting Period, the Bank launched the smart risk management portal and the non-retail customer association graph, continued to improve the smart level of due diligence, approval, loan placement, preservation, compliance, behavior monitoring and anti-laundering, and fully supported the smart innovation on product, risk control, internal management, ecosystem finance construction and other fields. **Fourthly**, the Bank enhanced new and special risk management, conducted research on strategy risk management, built a model-based risk management framework, and pushed forward the development of "enterprise-level" fraud risk management system.

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(II) Credit risk management

Credit risk is the risk that a borrower or a counterparty fails to make repayments in a timely manner in full amount for whatever reasons. A platform consisting of risk strategies, credit policies, portfolio management, risk measurement tools and information system support has been established by the Bank to control risks and support the steady development of businesses. The credit risk management system covers the whole process including pre-approval investigation, approval review, and post-loan management. Credit risks of loans extension and non-credit business are also strictly controlled.

The Bank continued to adjust and optimise the credit structure. The Bank earnestly implemented the national requirements on the work of credit structure adjustment and optimisation, continuously ramped up the support for fintech, green finance, rural revitalisation, inclusive finance and other key areas, steadily increased credit granting, supported the development of the real economy, actively undertook social responsibilities, and proactively prevented and mitigated environmental, social and governance risks. In terms of industries, the Bank enhanced support for fields including making up shortcomings of traditional infrastructure construction, transformation and upgrading of the manufacturing industry, “new infrastructure, new urbanisation initiatives and major projects (兩新一重)”, and sci-tech innovation, and increased granting of medium and long-term loans to the manufacturing industry. In terms of customers, the Bank increased support for the NSOEs, micro, small and medium-sized enterprises and enterprises related to supply chains, and strengthened financial services for securing supply and production. In terms of regions, the Bank actively implemented the development strategy for four major regions including the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing Economic Circle, and formulated differentiated regional credit policies, to ensure more resources allocated to businesses in the major regions.

The Bank consolidated and deepened the achievements of the credit approval system and mechanism reform. The Bank implemented the system of main accountable person for operation, optimised the requirements for credit granting investigation report, and fulfilled its risk management responsibilities of “the first line of defense”. The Bank enhanced empowerment with research in professional fields, continued to strengthen the construction of approval standardisation, formulated approval guidelines for key fields, and unified approval appetite of the Bank as a whole. It made credit investigation and review of compliance smarter, optimised the online approval of credit to small and micro legal persons, sped up the digital and smart transformation of credit approval, and improved the quality and efficiency of credit approval. The Bank strengthened credit approval evaluation management, timely identified problems and supervised and guided relevant rectifications. It opened green approval channels to support the credit approvals for the strategic clients at the Head Office and branch levels and in key fields.

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The Bank strengthened risk prevention and control in key fields. The Bank implemented national laws, regulations and regulatory policies on local debt management and financing platforms, strengthened loan access management and monitoring of existing businesses, cooperated with local governments and financing platforms to mitigate existing risks properly, continuously monitored and analysed assets, and guarded against the safety bottom line. The Bank resolutely implemented national policies in the real estate sector, strengthened prudent management on real estate businesses based on the general principles of “tightening access, optimising structure, enhancing management and improving quality”, and kept a watchful eye on risk changes of real estate businesses in major regions and of key enterprises.

The Bank reshaped the post-loan and post-investment management system. **Firstly**, the Bank consolidated policy base. The Bank strengthened the post-loan management responsibility of the first line of defense and integrated the post-loan management teams of the second line of defense through introducing guiding opinions on post-loan and post-investment operation and management, revising early-warning management rules and administrative measures on credit inspection, etc. **Secondly**, the Bank improved its early-warning response effectiveness. It established an early-warning reporting system featuring “real-time submission + regular report + special report”, and dynamically monitored all kinds of emergency information by means of early-warning management system analysis, external public opinions monitoring and other methods, thus realising “early-warning on all risks”. **Thirdly**, the Bank constructed a “three-dimensional” inspection system to realise comprehensive inspection system, multi-dimensional inspection rules, and regular inspection mechanism. **Fourthly**, the Bank strengthened active exit management, formulated annual exit plans, and realised rigid implementation and constraint. It carried out concentrated risk diagnosis and management on customers with potential risks and problem customers to reduce business and exit in a timely manner.

The Bank improved the risk measurement management. **Firstly**, the Bank continued to iterate and improve the internal credit risk rating model, and developed and optimised models for automatic rating of small and micro legal person customers, automatic rating of medium-sized enterprises in the upstream and downstream of the supply chains, and scoring of online small business loan applications, etc. **Secondly**, the Bank strengthened the management and monitoring of legal person rating. The Bank strictly appraised the quality of rating operating units and established the error correction mechanism, which further standardised and refined the management. **Thirdly**, the Bank improved the quality of implementing the expected credit loss approach. It completed the update of forward-looking information and relevant parameters in accordance with the latest regulatory requirements, and enhanced the forward-looking management of provision of allowance for impairment losses on financial assets.

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The Bank enhanced asset preservation. Adhering to the philosophy of “managing non-performing assets”, the Bank comprehensively improved relevant capacities. **Firstly**, the Bank clarified tasks and objectives, adopted suitable collection and disposal strategies, improved supporting management mechanism for asset preservation, and effectively supported the disposal of non-performing assets. **Secondly**, the Bank optimised the management model of asset preservation, promoted branches to standardise asset preservation, improved the management procedures, enhanced team building, and comprehensively built an asset preservation management system featuring integration of the Head Office and branches and centralised and professional collection. **Thirdly**, the Bank perfected the appraisal and evaluation mechanism, formed a three-in-one appraisal and evaluation model of collection and disposal integrating the whole Bank, risk segment and preservation business lines, strengthened value enhancement-oriented incentives and constraints, and thus stimulating the management efficiency. **Fourthly**, the Bank implemented segmented and classified management, conducted preferential disposal with multiple strategies, and sped up disposal of non-performing assets. Adhering to the priority of profitability, it strengthened cash collection, continuously tapped into the value of written-off assets, and comprehensively improved the value contribution of collection and disposal.

(III) Large-amount exposure management

According to the Administrative Measures on Large-amount Exposures of Commercial Banks (Yin Bao Jian Hui 2018 No.1 Order 《商業銀行大額風險暴露管理辦法》銀保監會2018年1號令) released by the CBIRC, large-amount exposure refers to the credit risk exposure of a commercial bank exceeding 2.5% of its net tier-1 capital (including various kinds of credit risk exposures arising in the banking book and the trading book) to a single customer or a group of connected customers. The Bank proactively established and improved the management mechanism for large-amount exposures, improved management rules, developed management systems, clarified large-amount exposure management limits in annual risk preference, and orderly implemented the measurement, monitoring and reporting of large-amount exposures, thus ensuring the compliance and effectiveness of management.

As at the end of the Reporting Period, except for customers exempted by the regulators, the non-peer single customers, non-peer group customers, peer single customers, and peer group customers of the Bank meeting large-amount exposure standards all satisfied the regulatory requirements.

(IV) Market risk management

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. In accordance with the regulatory requirements and the rules of the Basel accords, the Bank managed its interest rate risk, exchange rate risk, stock price risk and commodity price risk, and continuously strengthened the management of risk preference and limit, data governance and system development, measurement and valuation, product access and others, to cope with increasingly complex market environment.

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During the Reporting Period, the Bank conducted the identification, measurement, monitoring and reporting of market risks in an orderly manner, all policies and procedures operated well, the occupation of risk capital was generally stable, and the investment trading business witnessed steady and sustainable profitability. The Bank continuously improved the synergy, consistency, refinement, and visualisation of market risk management and control through implementing new regulatory rules of FRTB and upgrading the comprehensive market risk management platform. **Firstly**, the Bank constructed a synergy mechanism for comprehensive risk management, business procedures management, rules compliance management, and data model management through early examination on the investment trading business, ensuring that the Bank had matching management and control capacity in all risks and full-process of each investment trading product recorded in the banking book and the trading book of the Bank. **Secondly**, the Bank reconstructed the investment portfolio management architecture, ensured that the underlying management units of investment portfolio were consistent with investment trading strategies, thus realising the consistency between monitored subjects of the middle office and performance goals of the front office. On the one hand, it strengthened the data coordination and management synergy between the front office and middle office, on the other hand, it was conducive to guiding reasonable allocation of market risk capital and to segmented and classified precise allocation to different institutions based on risk factors. **Thirdly**, the Bank further optimised the market risk management and control responsibilities, and put in place the four-in-one market risk monitoring capability integrating product control, limit management, capital management and performance management. The Bank classified market risk monitoring personnel in accordance with business segments including interest rate, exchange rate, precious metals and commodity, and realised whole-process monitoring of all trading desks. **Fourthly**, the Bank strove to improve its capacity in the study, judgment and early-warning of market risks, explored the application scenarios of the simulation data of the neural network model in credit spread factor and volatility factor, etc., and gradually built market risk early-warning management system. **Fifthly**, the Bank further enhanced risk data governance. The Bank realised daily account checking of transaction data, and basically established the comparison mechanism for valuation data and profit and loss data in the middle and back offices. **Sixthly**, the Bank continuously improved the quality of risk reports, and gradually realised real-time, visualised and dynamically interactive management of market risk reports.

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(V) Operational risk management

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and IT system or external events. The major operational risk of the Bank comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets, interruption of business, paralysis of IT system and management of execution, transfer and processes. During the Reporting Period, the Bank proactively guarded against and responded to various operational risks through full identification, continuous monitoring, and examination and evaluation, and controlled the loss ratio of operational risks within the risk limit set by the Board.

During the Reporting Period, under the guidance of Basel III accord, the Bank actively explored advanced modes for operational risk management and measurement, developed measurement models, and followed up the implementation of new capital management standards. Taking this as an opportunity, the Bank comprehensively optimised the operational risk management system. **Firstly**, the Bank improved the development of basic tools for operational risk management. The Bank revised the administrative measures, formed list of targets subject to the four-level classified management covering the core businesses and management procedures of the Bank, carried out re-examination of key risk indicators of operational risks, built standardised operational risk indicator system of different levels, and upgraded the management system. **Secondly**, the Bank improved the outsourcing risk management system, reconstructed the architecture and procedures for outsourcing risk management, and established the models for outsourcing business handling and risk management and control featuring clear division of duties, clear-cut responsibilities, full-cycle coverage, and connection of major links. **Thirdly**, the Bank advanced business continuity management, and launched a new round of business importance evaluation and the formulation of business continuity drill plans.

(VI) Liquidity risk management

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds in a timely manner or to cope with increase in assets or fulfill debt obligations at reasonable costs. The Bank continues to improve its capabilities in identifying, measuring, monitoring, controlling and mitigating liquidity risks by establishing a scientific organisational structure for liquidity risk management, clarifying liquidity risk management responsibilities and formulating effective management rules, processes, strategies and policies of liquidity risks.

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During the Reporting Period, the Bank stuck to the bottom-line constraint of liquidity risks, adhered to prudent liquidity risk preference, closely monitored the changes in economic and financial situation, monetary regulatory policies and market liquidity, proactively judged and predicted future trends, enhanced monitoring frequency and preciseness, continued to improve the active management capability, maintained the monitoring indicators of liquidity risks within a reasonable range, and achieved a safe and stable status of daytime liquidity risks. **Firstly**, the Bank improved the Group's consolidated governance framework for liquidity risks, enhanced the development of the institutional system, and improved its institutional guarantee and compliant management for liquidity risks. **Secondly**, the Bank strengthened the management of structure, term, high-quality current assets, customer concentration degree and other factors of liquidity risks, enhanced the risk monitoring and limit management system, and effectively and comprehensively managed major liquidity risk points. **Thirdly**, the Bank pushed forward the improvement of the stability of liabilities, guided the increase of the proportion of core liabilities, strictly managed the term of interbank liabilities, ramped up efforts in high-quality current assets allocation and application management, and promoted the stable operation of asset-liability structure. **Fourthly**, the Bank optimised the early-warning management of liquidity risks, upgraded the stress test system, regularly conducted liquidity risk emergency drills, and improved the risk identification and emergency prevention capacity. **Fifthly**, the Bank strengthened system construction, improved the system analysis and prediction functions, and enhanced the system support for decision-making of risk management.

(VII) Country risk management

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to banking financial institutions, or banking financial institutions suffering from commercial losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region. In strict accordance with the regulatory requirements, the Bank integrates country risk management into the comprehensive risk management system, under which the Board assumes the ultimate responsibility for monitoring the effectiveness of country risk management, and the Senior Management is responsible for executing the country risk management policies approved by the Board.

During the Reporting Period, against the backdrop of continuous spread of the pandemic outside China and the complicated and ever-changing global political and economic landscape, the Bank continued to optimise the country risk management. Based on its objectives and exposures of country risks as well as business complexity, the Bank closely monitored the changes in country risk exposures, and continuously tracked and monitored country risks. It effectively prevented risks through rating and limit management and stress test of country risks. As at the end of the Reporting Period, the country risk exposures of the Bank were mainly distributed in countries and regions with "low risks" and "relatively low risks", and the degree of country risks continued to maintain at a relatively low level.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(VIII) Management of interest rate risk in banking book

Interest rate risk in banking book refers to the adverse changes in the level of interest rate, maturity structure and other factors which lead to loss on the economic value and overall revenue of banking book, primarily caused by the mismatch of the maturity structure and benchmark rates between financial positions and instruments of the whole banking book as well as embedded options. It can be classified into gap risk, benchmark risk and option risk according to the risk categories.

During the Reporting Period, the Bank followed prudent and steady risk preference, and comprehensively enhanced the management of interest rate risk in banking book, so as to ensure the steady operation of core risk indicators and promote the stability of risk factors. **Firstly**, the Bank perfected the governance framework of interest rate risks of the banking book, strengthened the development of institutional system, and improved its institutional guarantee and compliant management for interest rate risks of the banking book. **Secondly**, the Bank enhanced the identification, measurement, monitoring and control system for interest rate risk in banking book, comprehensively adopted repricing gap analysis, duration analysis, sensitivity analysis, stress test and other methods to analyse and monitor risks, closely followed interest rate changes in external market and changes in internal business structure, enhanced forward-looking judgment, and adjusted asset-liability structure and term management strategy in a dynamic manner, so as to ensure the steady operation of indicators of interest rate risk in banking book. **Thirdly**, the Bank improved the limit system, appraisal and supervision and early-warning and reminder of interest rate risk in banking book, practised strict and effective management in terms of term mismatching, duration and valuation fluctuation, so as to ensure that risk factors were kept at a steady level. **Fourthly**, the Bank optimised the functions of the asset-liability risk management system, improved management model and data governance, and enhanced the capabilities in risk data analysis and mining, so as to fully support data-based risk management decision-making.

(IX) Reputation risk management

Reputation risk refers to the risk that stakeholders, the public, media and other parties negatively evaluate banking institutions due to the institutional behaviours, behaviours of practitioners or external events, etc., which then undermine the brand value, go against normal operation, and even affect market stability and social stability. The Bank regards reputation risk management as one of the major tasks to safeguard normal business development, create a harmonious public opinion environment, safeguard sound image in the industry and fulfill corporate citizenship responsibilities.

During the Reporting Period, **firstly**, the Bank upgraded the institutional system for reputation risk management, revised and issued the measures for reputation risk management and the detailed rules for the implementation thereof. **Secondly**, the Bank gradually improved the mechanism of ex-ante evaluation and prevention and control from the source, and made reputation risk management more forward-looking and sensitive. **Thirdly**, the Bank formulated disposal plans in advance and actively mitigated the primary risks, and reduced the impact of reputation events to the largest extent. **Fourthly**, the Bank accumulated its reputation capital and demonstrated a new market image which was “stable, warm and responsible”.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(X) IT risk management

IT risk refers to the operational, legal and reputation risk and other risks due to natural factors, human factors, technical flaws and management defects in relation to the IT application in a commercial bank.

During the Reporting Period, the Bank comprehensively implemented the strategic requirement of developing into “an agile and open bank”, pushed forward digital transformation and development, continuously carried out the development of an “eco-bank” and “intelligent bank”, and improved the IT governance system. Its capabilities in IT risk identification, evaluation, monitoring and control were improved steadily. **Firstly**, the Bank stuck to in-depth integration of IT and risk management, empowered the development of eco-bank and intelligent bank, strengthened the construction of ecosystem scenarios of companies, individuals and government agencies, and improved its service and risk control capacity in financial scenarios. **Secondly**, the Bank continued to push forward the evolution of IT architecture, improved the development of disaster recovery system, optimised the production and operation service and management system, improved the business continuity management and information system service guarantee. **Thirdly**, the Bank strengthened the construction of protection system for cyber security, data security, and business security, promoted the implementation of information system development and the full-cycle data management and control measures, improved the business security defense mechanism through IT applications, and consolidated the basic security support platform, thus improving its in-depth defense capability in terms of information security. **Fourthly**, the Bank improved the IT risk management mechanism, optimised the IT risk monitoring indicator system, implemented risk evaluation and inspection in key IT fields, continuously improved risk control measures, eliminated potential risks, strengthened IT outsourcing process and service provider management, thus ensuring the safe and stable operation of IT systems.

(XI) Legal risk management

Legal risk refers to the risk that the Bank may assume criminal, administrative and civil legal liabilities because it fails to abide by laws, administrative regulations, regulatory provisions, contractual agreements, or fails to properly exercise its rights or properly fulfill its obligations. The Bank has put in place a relatively perfect legal risk management system and mechanism, providing guarantee for the law-based and compliant operation of the Bank.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank adhered to the philosophy that law-abiding and compliant operation is the core competitiveness, comprehensively improved the legal risk management framework system, and promoted safe business development and effective prevention and control of risks. **Firstly**, the Bank implemented the decisions and arrangements of the CPC Central Committee and the State Council on law-based governance, implemented the requirement of the CBIRC on promoting the rule of law, issued the Implementation Plan on the Rule of Law of China Minsheng Bank 《中國民生銀行法治建設實施方案》, clarified the framework, overall objectives, and key tasks for rule of law of the Bank, and made solid progress in promoting the rule of law of the Bank. **Secondly**, the Bank actively implemented stipulations and requirements of laws and regulations, continuously advanced the implementation of the Civil Code 《民法典》, Personal Information Protection Law 《個人信息保護法》, Law on Unified Registration for Pledge of Movable Property and Rights 《動產和權利擔保統一登記辦法》 and other laws and regulations in business rules, procedures and systems, and integrated the rule of law in the whole process of operation and management. **Thirdly**, the Bank improved the legal risk management system, strengthened the standardised whole-process management of contract use, improved the standard contract text system covering all businesses, formulated legal risk management standards for key businesses, and promoted the construction of smart system and platform for legal risk management, thus consolidating the basis for legal risk management of the Bank. **Fourthly**, the Bank conducted strict and full-coverage legal review covering rules and regulations, business projects and contract texts, offered guidance and tips of legal regulations, reinforced legal risk evaluation and supervised modification, and improved legal risk management through three lines of defense. **Fifthly**, the Bank improved the management mechanism of lawsuit and arbitration cases, optimised the management of lawyers of the Bank, effectively responded to and handled prosecuted cases and legal risk events, pushed forward the source-tracing rectification of issues of legal cases, and strengthened the standard business management. **Sixthly**, the Bank carried out the “8th Five-Year” law popularisation activity, organised all staff to deeply learn XI Jinping’s thought on the rule of law, the Constitution, the Civil Code, personal information protection and data security, Anti-Organised Crime Law, the legal bottom line of behaviours of banking staff and other legal knowledge, and conducted classified and segmented legal trainings and appraisals covering all staff, thus enhancing the awareness and capability in the rule of law throughout the Bank.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(XII) Compliance risk management

Compliance risk refers to the risk of possibly suffering from legal sanction, regulatory punishment, major financial loss and reputation loss due to the failure in abiding by laws, rules and norms. Compliance management is a core risk management practice of the Bank. The Bank comprehensively considers the relevance between compliance risk and credit risk, market risk, operational risk and other risks, establishes and improves the compliance management framework, and promotes the development of the comprehensive risk management system, thus ensuring legal and compliant operation.

During the Reporting Period, with the construction of the internal control and compliance management system of “four beams and eight pillars (四梁八柱)” as the core, the Bank launched the activity themed “Internal Control and Compliance Management Improvement Year” based on the six key points of “foundation consolidation, scope expansion, gap filling, priorities maintenance, highlights and efficiency improvement”. Through eight themed events including “consolidating system setups, reinforcing rules, managing behaviours, controlling cases, deepening reforms, optimising evaluation, enhancing culture and improving systems”, the Bank further improved its internal control management system and staff capability in compliance, thus building an “immune system” of internal control and compliance. **Firstly**, the Bank fully implemented the regulatory policies and improved its regulatory rating. The Bank actively analysed over 40 financial regulatory policies including inclusive finance, rural revitalisation, and bailout against the pandemic, and carried out in-depth special activities on improving regulatory rating. **Secondly**, the Bank reshaped the internal control management system, strengthened areas of weakness and consolidated advantages from eight aspects including framework, rules, procedures, systems, personnel, implementation, supervision, and culture, and formed a positive circulation composed of “inspection, evaluation, rectification and improvement”. The Bank built a comprehensive network-based employee management system and a three-dimensional case prevention system featuring the integration of four parties including the Party, mass, trade union and youth league, connection among the three lines of defense, internal and external screens and full coverage of processes. **Thirdly**, the Bank optimised the compliance management mechanism. The Bank strengthened management of related-party transactions, revised the measures for management of related-party transactions, promoted the development of standards and corresponding system transformation for related parties. It optimised rules classification, conducted regular monitoring of employee’s abnormal behaviours, set up the Risk Compliance Liability Identification Committee, and issued the measures for accountability confirmation with regard to non-performing assets. **Fourthly**, the Bank deepened the cultivation of compliance culture. The Bank held the internal risk control warning and education meeting across the whole bank, strengthened punishment on employees for behaviours violating regulations. All institutions signed the internal control and compliance management responsibility statement and all staff signed the compliance commitment letter. Compliant capability improvement and legal and compliance bottom line education was carried out in the whole Group, thus taking a tough stance on tightened and strict management of behaviours violating regulations. **Fifthly**, the Bank enhanced compliance technology empowerment. The Bank continued to enrich the model for monitoring the behaviours of practitioners, and constructed the “Five-in-One” technology platform for compliance management integrating core applications, management applications, tool applications, knowledge service system and compliance risk data mart of internal control and compliance.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(XIII) Money laundering risk management

Money laundering risk refers to the risk that the Bank may be utilised by “money laundering activity”, “financing of terrorism” and “diffusion financing” during business development and operating management. The Bank has established a relatively perfect system for managing money laundering risk, and constantly improved the management mechanism, providing guarantee for the steady and compliant operation of the Bank.

During the Reporting Period, the Bank actively performed its obligations on the anti-money laundering work, consolidated the anti-money laundering work basis, conducted anti-money laundering monitoring analysis, and strengthened continuously the effectiveness of anti-money laundering. **Firstly**, the Bank effectively implemented the regulatory requirements, continuously strengthened rectification validation, and established a long-term working mechanism of rectifications. **Secondly**, the Bank strengthened duty performance management, deployed annual anti-money laundering works, strengthened supervision on the anti-laundering work of operating units and subsidiaries, and formed a three-level anti-laundering duty performance list involving the “Head Office + operating units + subsidiaries”. **Thirdly**, the Bank deeply promoted the evaluation of money laundering risks, revised rules, formulated plans, and pushed forward the annual evaluation of money laundering and terrorist financing risks. **Fourthly**, the Bank carried out two off-site inspections on the anti-money laundering works of operating units of the Bank, and all-round inspections on the anti-money laundering works of 4 tier-one branches, constructed and optimised anti-money laundering inspection data mart, and effectively improved its capacity in improving accurate targeting of problems. **Fifthly**, the Bank made solid progress in governance of transaction record data, governed and improved transaction record data of 23 business scenarios. **Sixthly**, the Bank improved the quality and efficiency of anti-money laundering monitoring, conducted special spot checks on customers with high money laundering crime risks associated with new business formats and high-risk customers on the grey list for identification of suspicious transactions, continuously dug out key clues, and consolidated the risk monitoring results. **Seventhly**, the Bank promoted the construction of a new generation of anti-money laundering system and a platform for due diligence investigation of customers in an orderly manner.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

XIII. Prospects

(I) Layout and trend of the banking industry

Looking into the second half of 2022, China will face weakening external demands, fluctuating global financial markets, geopolitical conflicts and other spillover risks, and internal demand improvement will become the key to stabilising the macro-economic landscape. Policies will tilt towards stabilising growth and promoting work and production resumption, striving to facilitate the economy to rapidly return to the potential growth rate with proper fiscal and monetary policies. The banking industry should implement relevant policies and regulatory requirements, and pool efforts in pandemic control and financial services.

Firstly, the banking industry shall continuously increase credit supply to key areas and weak links, and make financial services more precise and accessible. The banking industry shall actively connect to the implementation of major national strategies and the construction of major engineering projects, and enhance the effective support to stabilising investment. Inclusive finance shall be promoted to constantly improve the coverage, availability and convenience of financial services. The banking industry shall also actively meet financial service demands in sci-tech innovation, green development, the manufacturing industry, agriculture, energy, logistics and other fields, and increase financial services to major consumption fields and new citizen groups.

Secondly, the banking industry shall increase support to industries, enterprises and individuals affected by the pandemic, and shall not blindly restrict, force to early repay and delay in granting loans. The banking industry shall fully utilise re-lending, re-discounting, inclusive small business loans and other supporting tools to increase support to the industries with temporary difficulties due to the impact of the pandemic. The banking industry shall implement various fee-cutting policies with high quality, and ensure supporting measures and bonuses to reach enterprise customers as soon as possible. The banking industry shall actively alleviate the repayment pressures of personal loans, and properly extend repayment terms of customers affected by the pandemic as per the principle of postponing those could be postponed.

Thirdly, the banking industry shall continue to put equal emphasis on supporting the real economy and preventing financial risks, and enhance the sustainability of financial supports. The banking industry shall strengthen comprehensive risk management, complete risk judgment, and effectively cope with the shocks from the changes in the international economic and financial landscape. The banking industry shall thoroughly take into account profit, provision, write-off and other factors, independently approve loans, autonomously make decisions and independently assume risks to continuously provide better financial support. The banking industry shall also reinforce monitoring on capital flow and risk status, ensure the compliant and reasonable use of funds by enterprises, and guard against ethical risks.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Potential risks

Looking into the next stage, as the policy package for stabilising economy has been put in place and brought positive results, China's macro economy is expected to speed up recovery, and commercial banks will embrace broad development opportunities. However, in the meantime, there will be some risks to be faced that deserve attention.

First, the potential risk of global economic slowdown. As inflation worsens in Europe and America and the US Federal Reserve speeds up the interest rate hikes, the expectation of global economic slowdown is rising gradually, while external demands may become weaker, which will exert uncertain impacts on China's foreign trade export. **Second**, the derivative risk of Russia-Ukraine conflict. The Russia-Ukraine conflict is becoming enduring and normalised, the large-scale sanctions on Russia by Europe and America have not been eliminated, global energy and food crises are exacerbating, and the rise in energy and food prices increases the uncertainties of continuing inflation. **Third**, challenges brought about by overseas monetary policy shift. As central banks of many countries start to increase interest rates and the European Central Bank releases expectation of increasing interest rate, some countries in the Eurozone will face growing debt pressure and increasing exchange rate risk. **Fourth**, multiple pressures on China's economic development. The locally scattered occurrence of the pandemic brings negative impact on production and operating activities and household consumption. Imported inflationary pressure squeezes the profit margin of downstream enterprises. The expectation of foreign trade export is subject to some uncertainties.

In view of the above-mentioned risks and challenges, the Bank will always adhere to the overall philosophy of "prioritising stability and seeking progress in stability (穩字當頭、穩中求進)", focus on the major fields such as the NSOEs, the medium, small and micro enterprises, green development, sci-tech innovation, energy conservation and supply, water conservancy infrastructure and others, and increase relevant credit supply. The Bank will enhance risk prevention in key areas, speed up risk disposal of non-performing assets, prevent and mitigate various financial risks in an orderly and powerful manner. Moreover, the Bank will actively integrate into the establishment of the new development pattern, thus better serving the high-quality development of China's economy.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Ordinary Shares

(I) Changes in ordinary shares

| | 30 June 2022 | | Changes over the Reporting Period | 31 December 2021 | |
|---|--------------------------------|-------------------|---|--------------------------------|-------------------|
| | Number of shares (share) | Percentage (%) | Number of shares (share) | Number of shares (share) | Percentage (%) |
| I. Shares subject to restriction on sales | - | - | - | - | - |
| 1. State-owned shares | - | - | - | - | - |
| 2. State-owned legal person shares | - | - | - | - | - |
| 3. Other domestic shares | - | - | - | - | - |
| Of which: Held by domestic legal person | - | - | - | - | - |
| Held by domestic natural person | - | - | - | - | - |
| 4. Foreign investor shares | - | - | - | - | - |
| Of which: Held by overseas legal person | - | - | - | - | - |
| Held by overseas natural person | - | - | - | - | - |
| II. Shares not subject to restriction on sales | 43,782,418,502 | 100.00 | - | 43,782,418,502 | 100.00 |
| 1. Ordinary shares in RMB | 35,462,123,213 | 81.00 | - | 35,462,123,213 | 81.00 |
| 2. Domestic listed foreign invested shares | - | - | - | - | - |
| 3. Overseas listed foreign invested shares | 8,320,295,289 | 19.00 | - | 8,320,295,289 | 19.00 |
| 4. Others | - | - | - | - | - |
| III. Total number of ordinary shares | 43,782,418,502 | 100.00 | - | 43,782,418,502 | 100.00 |

(II) Shares subject to restriction on sales and restrictions

During the Reporting Period, no shareholder of the Bank held shares subject to restriction on sales.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

II. Shareholders

(I) The table below sets out the top 10 shareholders of the Bank and their shareholdings:

| | | | |
|--|---------|---|---|
| Total number of holders of ordinary shares as at the end of the Reporting Period | 408,945 | Total number of holders of preference shares whose voting rights had been restored at the end of the Reporting Period | 0 |
|--|---------|---|---|

Particulars of shareholding of the top 10 holders of ordinary shares

| Name of shareholder | Type of shareholder | Shareholding percentage (%) | Number of shares held as at the end of the Reporting Period (share) | Changes over the Reporting Period (share) | Number of shares held subject to restriction on sales (share) | Shares pledged/marked/frozen | |
|---|---------------------------------------|-----------------------------|---|---|---|------------------------------|---|
| | | | | | | Status | Number |
| HKSCC Nominees Limited | Others | 18.92 | 8,284,698,426 | 57,360 | – | | Unknown |
| Dajia Life Insurance Co., Ltd. – Universal Product | Domestic legal person | 10.30 | 4,508,984,567 | – | – | | Nil |
| Dajia Life Insurance Co., Ltd. – Traditional Product | Domestic legal person | 6.49 | 2,843,300,122 | – | – | | Nil |
| Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. | Domestic legal person | 4.31 | 1,888,530,701 | – | – | Pledged | 1,303,102,321 |
| New Hope Liuhe Investment Co., Ltd. | Domestic non-state-owned legal person | 4.18 | 1,828,327,362 | – | – | | Nil |
| China Oceanwide Holdings Group Co., Ltd. | Domestic non-state-owned legal person | 4.12 | 1,803,182,618 | – | – | Pledged Frozen Marked | 1,799,582,617 388,800,001 1,410,782,617 |
| Shanghai Giant Lifetech Co., Ltd. | Domestic non-state-owned legal person | 3.15 | 1,379,679,587 | – | – | Pledged | 1,379,678,400 |
| Huaxia Life Insurance Co., Ltd. – Universal Insurance Product | Domestic non-state-owned legal person | 3.08 | 1,350,203,341 | -25,560,000 | – | | Nil |
| China Shipowners Mutual Assurance Association | Domestic non-state-owned legal person | 3.02 | 1,324,284,453 | – | – | | Nil |
| Orient Group Incorporation | Domestic non-state-owned legal person | 2.92 | 1,280,117,123 | – | – | Pledged | 1,192,329,488 |

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Shareholding of top 10 holders of ordinary shares not subject to restriction on sales

| Name of shareholder | Number of shares held not subject to restriction on sales (share) | Class of shares |
|--|---|-----------------|
| HKSCC Nominees Limited | 8,284,698,426 | H Shares |
| Dajia Life Insurance Co., Ltd. – Universal Product | 4,508,984,567 | A Shares |
| Dajia Life Insurance Co., Ltd. – Traditional Product | 2,843,300,122 | A Shares |
| Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. | 1,888,530,701 | A Shares |
| New Hope Liuhe Investment Co., Ltd. | 1,828,327,362 | A Shares |
| China Oceanwide Holdings Group Co., Ltd. | 1,803,182,618 | A Shares |
| Shanghai Giant Lifetech Co., Ltd. | 1,379,679,587 | A Shares |
| Huaxia Life Insurance Co., Ltd. – Universal Insurance Product | 1,350,203,341 | A Shares |
| China Shipowners Mutual Assurance Association | 1,324,284,453 | A Shares |
| Orient Group Incorporation | 1,280,117,123 | A Shares |
| Statement on the special accounts for repurchase of top 10 shareholders | Uninvolved | |
| Statement on entrusting, being entrusted with and waiving the voting rights of the aforesaid shareholders | Uninvolved | |
| Statement on the related relationship or concerted actions among the aforesaid shareholders | <ol style="list-style-type: none"> 1. Dajia Life Insurance Co., Ltd. – Universal Product and Dajia Life Insurance Co., Ltd. – Traditional Product have the same legal person. 2. Save as mentioned above, the Bank is not aware of any related relationship or concerted action among the above shareholders. | |
| Statement on holders of preference shares whose voting rights had been restored and their shareholdings | Uninvolved | |

Notes:

1. The number of shares held by holders of H shares was recorded in the register of members as kept by the H Share registrar of the Bank;
2. HKSCC Nominees Limited acted as an agent representing the total amount of H shares of the Bank held by all institutional and individual investors that registered in the account of such investors as at the end of the Reporting Period;
3. Shares held and pledged by Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. included 395,220,000 shares transferred to "Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. – special account for pledge of convertible corporate bonds non-publically issued to professional investors in 2022 (first tranche) ("同方國信投資控股有限公司 – 2022 年面向專業投資者非公開發行可交換公司債券(第一期)質押專戶")" due to issuing bonds;
4. As at the end of the Reporting Period, the credit securities account of China Oceanwide Holdings Group Co., Ltd. held 3,600,000 shares of the Bank, accounting for 0.0082% of the total share capital of the Bank. On 21 July and 29 July 2022, 1,799,582,618 shares of the Bank held by China Oceanwide Holdings Group Co., Ltd. were under waiting list freezing;
5. On 3 March 2022, Orient Group Incorporation informed the Bank that, of the 1,280,117,123 shares of the Bank held by Orient Group Incorporation, 9,407,635 shares were under judicial freezing, and 1,270,709,488 shares were under judicial marking. On 5 May 2022, Orient Group Incorporation informed the Bank that relevant judicial freezing and judicial marking were all removed. On 25 May 2022, Orient Group Co., Ltd. informed the Bank that 35,000,000 shares of the Bank held by Orient Group Co., Ltd. were under judicial marking. On 21 July 2022, Orient Group Co., Ltd. informed the Bank that relevant judicial marking was all removed.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

(II) Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations

As at 30 June 2022, the following persons (other than the Directors, Supervisors and chief executives of the Bank) had the following interests or short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

| Name of substantial shareholder | Class of shares | Long/short position | Capacity | Number of shares | Notes | Percentage of the relevant shares in issue (%) | Percentage of all the issued ordinary shares (%) |
|--|-----------------|---------------------|--|------------------|---------|--|--|
| Dajia Life Insurance Co., Ltd. | A | Long position | Beneficial owner | 7,352,284,689 | 1 | 20.73 | 16.79 |
| | H | Long position | Beneficial owner | 457,930,200 | 1 | 5.50 | 1.05 |
| Dajia Insurance Group Co., Ltd. | A | Long position | Interest held by the corporation(s) controlled by this substantial shareholder | 7,352,284,689 | 1 | 20.73 | 16.79 |
| | H | Long position | Interest held by the corporation(s) controlled by this substantial shareholder | 457,930,200 | 1 | 5.50 | 1.05 |
| China Oceanwide Holdings Group Co., Ltd. | A | Long position | Beneficial owner | 1,803,182,618 | 2 and 3 | 5.08 | 4.12 |
| Oceanwide Group Co., Ltd. | A | Long position | Interest held by the corporation(s) controlled by this substantial shareholder | 1,803,182,618 | 2 and 3 | 5.08 | 4.12 |
| Tohigh Holdings Co., Ltd. | A | Long position | Interest held by the corporation(s) controlled by this substantial shareholder | 1,803,182,618 | 2 and 3 | 5.08 | 4.12 |
| New Hope Group Co., Ltd. | A | Long position | Interest held by the corporation(s) controlled by this substantial shareholder | 1,930,715,189* | 4 and 7 | 5.44 | 4.41 |
| New Hope Liuhe Co., Ltd. | A | Long position | Interest held by the corporation(s) controlled by this substantial shareholder | 1,828,327,362* | 4 | 5.16 | 4.18 |

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

| Name of substantial shareholder | Class of shares | Long/short position | Capacity | Number of shares | Notes | Percentage of the relevant shares in issue (%) | Percentage of all the issued ordinary shares (%) |
|---|-----------------|---------------------|--|--|-------------|--|--|
| New Hope Liuhe Investment Co., Ltd. | A | Long position | Beneficial owner | 1,828,327,362* | 4 | 5.16 | 4.18 |
| LI Wei | A | Long position | Interest held by the corporation(s) controlled by the spouse of this substantial shareholder | 1,930,715,189* | 5 and 7 | 5.44 | 4.41 |
| LIU Chang | A | Long position | Interest held by the corporation(s) controlled by this substantial shareholder | 1,930,715,189* | 6 and 7 | 5.44 | 4.41 |
| Oceanwide International Equity Investment Limited | H | Long position | Beneficial owner | 604,300,950 | | | |
| | | | | Interest held by the corporation(s) controlled by this substantial shareholder | 138,442,500 | | |
| | | | | 742,743,450* | 8 | 8.93 | 1.70 |
| | | Short position | Beneficial owner | 604,300,950 | 8 | 7.26 | 1.38 |
| Alpha Frontier Limited | H | Long position | Beneficial owner | 713,501,653 | 9 and 10 | 8.58 | 1.63 |
| Shanghai Cibi Business Information Consulting Co., Ltd. | H | Long position | Interest held by the corporation(s) controlled by this substantial shareholder | 713,501,653 | 9 and 10 | 8.58 | 1.63 |
| Giant Investment Co., Ltd. | H | Long position | Interest held by the corporation(s) controlled by this substantial shareholder | 713,501,653 | 9 and 10 | 8.58 | 1.63 |

* As far as the Bank is aware, the above numbers of shares reflected the interests or short positions of the relevant substantial shareholders as at 30 June 2022. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Notes:

1. Dajia Insurance Group Co., Ltd. was deemed to have interests in the 7,352,284,689 A shares and 457,930,200 H shares of the Bank by virtue of its control of over 99.98% of the issued share capital of Dajia Life Insurance Co., Ltd.

The interests that Dajia Insurance Group Co., Ltd. and Dajia Life Insurance Co., Ltd. held in the 7,352,284,689 A shares and 457,930,200 H shares, as set out in the above table, were from the same block of shares.

2. The 1,803,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98.00% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. LU Zhiqiang (a Non-Executive Director of the Bank) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

According to the SFO, Mr. LU Zhiqiang, Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd. were deemed to have interests in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. (Mr. LU Zhiqiang's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").

3. The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. held in the 1,803,182,618 A shares, as set out in the above table, were from the same block of shares.

4. The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Liuhe Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd., respectively. 24.86% and 29.08% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively.

According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. As Mr. LIU Yonghao (a Non-Executive Director of the Bank) held 90.59% of the issued share capital of New Hope Group Co., Ltd., Mr. LIU Yonghao was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd. according to the SFO.

5. Ms. LI Wei is the spouse of Mr. LIU Yonghao (a Non-Executive Director of the Bank). According to the SFO, Ms. LI was deemed to have interests in the 1,930,715,189 A shares of the Bank in which Mr. LIU Yonghao had interests (Mr. LIU Yonghao's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
6. Ms. LIU Chang held 9.41% of the issued share capital of New Hope Group Co., Ltd. (see note 4 above). According to the SFO, Ms. LIU was deemed to have interests in the 1,930,715,189 A shares of the Bank in which New Hope Group Co., Ltd. had interests. Ms. LIU Chang is the daughter of Mr. LIU Yonghao (a Non-Executive Director of the Bank).
7. The interests that New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang held in the 1,930,715,189 A shares, as set out in the above table, were from the same block of shares.
8. The 742,743,450 H shares (long position) comprised 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 138,442,500 H shares directly held by Long Prosper Capital Company Limited, while the 604,300,950 H shares (short position) (all of which were held through other unlisted derivatives) are directly held by Oceanwide International Equity Investment Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 89.80% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd. 68.49% of the issued share capital of Oceanwide Holdings Co., Ltd. was held by China Oceanwide Holdings Group Co., Ltd. 98% of the issued share capital of China Oceanwide Holdings Group Co., Ltd. was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. LU Zhiqiang (a Non-Executive Director of the Bank) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

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9. The 713,501,653 H shares (Long position) were held by Alpha Frontier Limited. 42.04% of the issued share capital of Alpha Frontier Limited was held by Shanghai Cibi Business Information Consulting Co., Ltd. (上海賜比商務信息諮詢有限公司), which was wholly-owned by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. SHI Yuzhu (a Non-Executive Director of the Bank).

According to the SFO, Mr. SHI Yuzhu, Giant Investment Co., Ltd. and Shanghai Cibi Business Information Consulting Co., Ltd. were deemed to have interests in the 713,501,653 H shares held by Alpha Frontier Limited (Mr. SHI Yuzhu's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").

10. The interests that Mr. SHI Yuzhu, Giant Investment Co., Ltd., Shanghai Cibi Business Information Consulting Co., Ltd. and Alpha Frontier Limited held in the 713,501,653 H shares, as set out in the above table, were from the same block of shares.

Save as disclosed above and the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations", the Bank is not aware of any other person having any interests or short positions in the shares and underlying shares of the Bank as at 30 June 2022 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

(III) Controlling shareholder and ultimate controller

The Bank does not have any controlling shareholder or ultimate controller. According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange 《上海證券交易所股票上市規則》, the largest shareholder and its ultimate controller shall comply with corporate governance regulations by referring to the requirements for controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top 10 single shareholders of the Bank held an aggregate of 43.14% of the Bank's shares. Dajia Life Insurance Co., Ltd. – Universal Product is the single largest shareholder who held 10.30% of the total shares of the Bank. There was no shareholder who could control more than half of the voting rights of the Board or at the general meetings in accordance with the shareholding percentage, the Articles of Association or any agreements.

(IV) Restriction commitments regarding additional shares for shareholders with shareholding of 5% or more in the Bank

Not applicable.

(V) Purchase, sale or redemption of securities

During the Reporting Period, the Group had neither sold any securities of the Bank, nor repurchased or redeemed any securities of the Bank.

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(VI) Substantial shareholders

1. Substantial shareholders with aggregate shareholding of 5% or more of the Bank were as follows:

- (1) Dajia Life Insurance Co., Ltd.: It was incorporated on 23 June 2010; its registered capital was RMB30,790 million; its unified social credit code is 91110000556828452N; its legal representative is HE Xiaofeng; its controlling shareholder is Dajia Insurance Group Co., Ltd.; the controlling shareholder and the ultimate controller of Dajia Insurance Group Co., Ltd. is China Insurance Security Fund Co., Ltd.; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, the shares of the Bank held by Dajia Life Insurance Co., Ltd. had not been pledged.
- (2) China Oceanwide Holdings Group Co., Ltd.: It was incorporated on 7 April 1988; its registered capital was RMB20,000 million; its unified social credit code is 911100001017122936; its legal representative is LU Zhiqiang; its controlling shareholder is Oceanwide Group Co., Ltd.; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide International Investment Company Limited, Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: finance, real estate and investment management, etc. As at the end of the Reporting Period, China Oceanwide Holdings Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,799,582,617 ordinary shares, representing 4.11% of the total share capital of the Bank. Of which, 388,800,001 shares were under judicial freezing, and 1,410,782,617 shares were under judicial marking.

Oceanwide International Equity Investment Limited: It was incorporated on 17 March 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Wuhan CBD (Hong Kong) Company Limited; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, Oceanwide International Equity Investment Limited had pledged over 50% of the shares of the Bank it held, being 604,300,950 ordinary shares, representing 1.38% of the total share capital of the Bank.

Long Prosper Capital Company Limited: It was incorporated on 31 August 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Oceanwide International Equity Investment Limited; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Oceanwide International Equity Investment Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, Long Prosper Capital Company Limited had pledged over 50% of the shares of the Bank it held, being 138,442,500 ordinary shares, representing 0.32% of the total share capital of the Bank.

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China Oceanwide International Investment Company Limited: It was incorporated on 15 October 2008; its registered capital was HKD1,548,058,790; its controlling shareholder is China Oceanwide Holdings Group Co., Ltd.; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, China Oceanwide International Investment Company Limited had pledged over 50% of the shares of the Bank it held, being 8,237,520 ordinary shares, representing 0.02% of the total share capital of the Bank.

2. In accordance with the Interim Measures on Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) under the order of the former CBRC (2018 No. 1), other substantial shareholders of the Bank were as follows:

- (1) Shanghai Giant Lifetech Co., Ltd.: It was incorporated on 12 July 1999; its registered capital was RMB245,400,640; its unified social credit code is 913101041346255243; its legal representative is WEI Wei; its controlling shareholder is Giant Investment Co., Ltd.; its ultimate controller is SHI Yuzhu; its ultimate beneficiary is SHI Yuzhu; its parties acting in concert are Alpha Frontier Limited and Liberal Rise Limited; its principal business includes: production and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technology development, consultancy services and transfer in healthcare food aspect, wholesale of non-physical goods; pre-packaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy. As at the end of the Reporting Period, Shanghai Giant Lifetech Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,379,678,400 ordinary shares, representing 3.15% of the total share capital of the Bank.

Alpha Frontier Limited: It was incorporated on 24 June 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Shanghai Cibi Business Information Consulting Co., Ltd. (formerly known as Chongqing Cibi Business Information Consulting Co., Ltd., renamed on 8 July 2022); its ultimate controller is SHI Yuzhu; its ultimate beneficiaries are SHI Yuzhu and SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Liberal Rise Limited; its principal business includes: investment holding. As at the end of the Reporting Period, Alpha Frontier Limited had pledged over 50% of the shares of the Bank it held, being 713,501,653 H shares, representing 1.63% of the total share capital of the Bank.

Liberal Rise Limited: It was incorporated on 9 January 2018; its registered capital was USD50.0 thousand; its controlling shareholder is Abhaya Limited; its ultimate controller is SHI Jing; its ultimate beneficiary is SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Alpha Frontier Limited; its principal business includes: investment holding. As at the end of the Reporting Period, the shares of the Bank held by Liberal Rise Limited had not been pledged.

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- (2) New Hope Liuhe Investment Co., Ltd.: It was incorporated on 25 November 2002; its registered capital was RMB576,555,600; its unified social credit code is 91540091744936899C; its legal representative is WANG Pusong; its controlling shareholder is New Hope Liuhe Co., Ltd.; its ultimate controller is LIU Yonghao; its ultimate beneficiary is LIU Yonghao; its party acting in concert is South Hope Industrial Co., Ltd.; its principal business includes: venture capital investment, investment management, financial advisory, wealth management consultancy, corporate reorganisation consultancy, market research, credit investigation, technology development and transfer, and technology consultancy services, etc. As at the end of the Reporting Period, the shares of the Bank held by New Hope Liuhe Investment Co., Ltd. had not been pledged.

South Hope Industrial Co., Ltd.: It was incorporated on 17 November 2011; its registered capital was RMB1,034,313,725; its paid-up registered capital was RMB951,438,725; its unified social credit code is 9154009158575152X0; its legal representative is LI Jianxiong; its controlling shareholder is New Hope Group Co., Ltd.; its ultimate controller is LIU Yonghao; its ultimate beneficiary is LIU Yonghao; its party acting in concert is New Hope Liuhe Investment Co., Ltd.; its principal business includes: research and development of feeds, wholesale and retail, electronic products, hardware and electrical appliances, daily sundry goods, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the State), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services). As at the end of the Reporting Period, the shares of the Bank held by South Hope Industrial Co., Ltd. had not been pledged.

- (3) Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.: It was incorporated on 23 May 2007; its registered capital was RMB2,574,162,500; its unified social credit code is 91500000660887401L; its legal representative is LIU Qinqin; its largest shareholder is Tongfang Financial Holding (Shenzhen) Co., Ltd., a wholly-owned subsidiary of Tongfang Co., Ltd., a subsidiary controlled by CNNC Capital Holding Co., Ltd.; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its party acting in concert is Chongqing International Trust Company Limited; its business includes: transportation facilities maintenance; engineering management services; standardisation services; planning and design management; corporate headquarters management; corporate management; management services of commercial complex; international project contracting; property management; investments with its own funds (excluding financial businesses such as accepting public deposits or accepting public deposits in any form, extending loans or securities and futures); consultancy services in relation to investment information and policies for its related party companies; planning and consultancy services in relation to corporate restructuring and merger and acquisition (businesses could be operated independently with business licenses in accordance with laws, except those subject to pre-approvals according to laws). As at the end of the Reporting Period, Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,303,102,321 ordinary shares (including 395,220,000 ordinary shares held by “Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. – special account for pledge of convertible corporate bonds non-publically issued to professional investors in 2022 (first tranche) (“同方國信投資控股有限公司 – 2022 年面向專業投資者非公開發行可交換公司債券(第一期)質押專戶”)), representing 2.98% of the total share capital of the Bank.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Chongqing International Trust Company Limited: It was incorporated on 22 October 1984; its registered capital was RMB15,000 million; its unified social credit code is 91500000202805720T; its legal representative is WENG Zhenjie; its controlling shareholder is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd; it has no ultimate controller; its ultimate beneficiary is Chongqing International Trust Company Limited; its party acting in concert is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its principal business includes: funds trust, chattel trust, real estate trust, negotiable securities trust, other properties or property rights trusts; investment fund business as a promoter of investment fund or fund management companies; providing asset reorganisation, mergers and acquisitions, project financing, corporate wealth management, financial advisory and other services of enterprises; securities underwriting business approved by the relevant authorities of the State Council; intermediary business, consultancy, credit investigation; safe custody and safe deposits box business; use of inherent properties as balance with banks and other financial institutions, placements with banks and other financial institutions, loans, leasing and investment; providing collateral for others with inherent properties; interbank lending, and other businesses permitted under the laws and regulations and approved by the CBIRC. Above scope includes businesses denominated in RMB and foreign currencies. As at the end of the Reporting Period, the shares of the Bank held by Chongqing International Trust Company Limited had not been pledged.

- (4) China Shipowners Mutual Assurance Association: It was incorporated on 1 January 1984; its registered capital was RMB100,000; its unified social credit code is 51100000500010993L; its legal representative is SONG Chunfeng; it has no controlling shareholder; it has no ultimate controller; it has no ultimate beneficiary; it has no party acting in concert; its principal business includes: marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service. As at the end of the Reporting Period, the shares of the Bank held by China Shipowners Mutual Assurance Association had not been pledged.
- (5) Orient Group Incorporation: It was incorporated on 16 August 1989; its registered capital was RMB3,659,150,735; its unified social credit code is 91230199126965908A; its legal representative is SUN Mingtao; its controlling shareholder is Orient Group Co., Ltd.; its ultimate controller is ZHANG Hongwei; its ultimate beneficiary is ZHANG Hongwei; its party acting in concert is Orient Group Co., Ltd.; its principal business includes: permitted items: food production (through its subsidiaries), grain processing and food production (through its subsidiaries), bean product manufacturing (through its subsidiaries), operation of crop seeds (through its subsidiaries), employment agency activities. General items: grain procurement, import and export of goods, import and export of technologies, international project contracting, property management, sales of light building materials, sales of building materials, sales of construction machines, sales of furniture, wholesale of hardware and electrical appliances, sales of sanitary wares, sales of metal materials, technology research and development of new materials, sales of grain, plantation of grain (through its subsidiaries), corporate headquarters management, and primary processing of edible agricultural products (through its subsidiaries). As at the end of the Reporting Period, Orient Group Incorporation had pledged over 50% of the shares of the Bank it held, being 1,192,329,488 ordinary shares, representing 2.72% of the total share capital of the Bank.

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Orient Group Co., Ltd.: It was incorporated on 26 August 2003; its registered capital was RMB1,000 million; its unified social credit code is 911100007541964840; its legal representative is ZHANG Xianfeng; its ultimate controller is ZHANG Hongwei; its ultimate beneficiary is ZHANG Hongwei; its party acting in concert is Orient Group Incorporation; its principal business includes: project investment, investment management, real estate development, agent import and export, import and export of goods, economic and trade consultation, etc. As at the end of the Reporting Period, Orient Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 35,000,000 ordinary shares, representing 0.08% of the total share capital of the Bank.

- (6) Good First Group Co., Ltd.: It was incorporated on 2 May 1995; its registered capital was RMB133 million; its unified social credit code is 91310000612260305J; its legal representative is WU Di; its controlling shareholder is WONG Hei; its ultimate controller is WONG Hei; its ultimate beneficiary is WONG Hei; its parties acting in concert are Tibet Rong Jie Corporate Management Co., Ltd., Tibet Fujun Investment Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes: research, development and sale of high-tech products; industrial investment; investments in education, agriculture, secondary industry, entertainment industry and healthcare products; sales of photographic equipment and new-type construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, daily sundry goods, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products approved by the State. As at the end of the Reporting Period, Good First Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 268,180,000 ordinary shares, representing 0.61% of the total share capital of the Bank.

Tibet Fujun Investment Co., Ltd.: It was incorporated on 3 May 2016, its registered capital was RMB300 million; its unified social credit code is 91540195MA6T1A2K32; its legal representative is WU Di; its ultimate controller is CHEN Tianyi; its ultimate beneficiary is CHEN Tianyi; its parties acting in concert are Good First Group Co., Ltd., Tibet Rong Jie Corporate Management Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes investments in commercial, agricultural, medical, entertainment and education industries (excluding trust, financial asset management and securities asset management business, and excluding securities, insurance, fund and financial businesses and relevant restricted businesses) (businesses that require pre-approvals according to laws shall be operated only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Fujun Investment Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 264,500,000 ordinary shares, representing 0.60% of the total share capital of the Bank.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Tibet Rong Jie Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its unified social credit code is 915401953213242171; its legal representative is CHEN Zhenling; its ultimate controller is CHEN Zhenling; its ultimate beneficiary is CHEN Zhenling; its parties acting in concert are Good First Group Co., Ltd., Tibet Fujin Investment Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes corporate management service (other than investment management and investment consulting); service of corporate image, marketing and brand planning, exhibition and display service, market research (other than those involve state secrets and personal privacy), retail of building materials and ancillary materials, and metal materials; sales of feed, fertilisers, rubber products, chemical materials (excluding hazardous chemical products and precursor chemicals), investment on medical industry (excluding the engagement of equity investment business, excluding raising public fund, accepting public deposits, and extending loans, excluding public trading of security investment products or financial derivative products and excluding businesses in relation to financial products, wealth management products and relevant derivatives) (businesses that require pre-approvals according to laws shall be operated only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Rong Jie Corporate Management Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 145,600,000 ordinary shares, representing 0.33% of the total share capital of the Bank.

Tibet Heng Xun Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its unified social credit code is 91540195321324233N; its legal representative is HONG Zhihua; its ultimate controller is HONG Zhihua; its ultimate beneficiary is HONG Zhihua; its parties acting in concert are Good First Group Co., Ltd., Tibet Rong Jie Corporate Management Co., Ltd. and Tibet Fujin Investment Co., Ltd.; its principal business includes service of corporate image, marketing and brand planning, exhibition and display service, market research (other than those that involve state secrets and personal privacy), retail of building materials and ancillary materials, and sales of feeds and raw materials, chemical fertilisers, rubber products, chemical materials (other than hazardous chemical products and precursor chemicals), and metal materials (businesses that require pre-approvals according to laws shall be operated only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Heng Xun Corporate Management Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 104,400,000 ordinary shares, representing 0.24% of the total share capital of the Bank.

III. Issuance and Listing of Securities

During the Reporting Period, the Bank did not issue new ordinary shares, there were no changes in the total number and structure of the ordinary shares, and the Bank had no employee shares.

For details of the issuance of bonds of the Bank, please refer to Note IV to the Consolidated Financial Statements.

CHAPTER 5 INFORMATION ON PREFERENCE SHARES

I. Issuance and Listing of Preference Shares During the Reporting Period

During the Reporting Period, the Bank had no issuance or listing of preference shares.

II. Number of Holders of Preference Shares and Particulars of Shareholding

Code of preference shares: 360037.

As at the end of the Reporting Period, the number of holders of preference shares (or nominees) of the Bank was 29.

As at the end of the Reporting Period, particulars of shareholding of holder(s) (or nominees) of preference shares of the Bank with shareholding of 5% or more are set out as follows:

| Name of shareholder | Type of shareholder | Class of shares | Changes over the Reporting Period | Shareholding percentage (%) | Total number of shares held (share) | Number of shares subject to restriction on sales held | Shares pledged/ marked/frozen |
|--|---------------------|---------------------------|-----------------------------------|-----------------------------|-------------------------------------|---|-------------------------------|
| Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Customer Asset Management Plan | Other | Domestic preference share | – | 10.00 | 20,000,000 | – | Nil |
| China Post & Capital Fund – Huaxia Bank – Huaxia Bank Co., Ltd. | Other | Domestic preference share | – | 9.00 | 18,000,000 | – | Nil |
| Hwabao Trust Co., Ltd. – Hwabao Trust – Bao Fu Investment No. 1 Collective Fund Trust Plan | Other | Domestic preference share | – | 8.89 | 17,780,000 | – | Nil |
| Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product | Other | Domestic preference share | – | 7.00 | 14,000,000 | – | Nil |
| CCB Trust Co., Ltd. – “Qian Yuan – Ri Xin Yue Yi” Open-Ended Wealth Management Product Single Fund Trust | Other | Domestic preference share | -6,000,000 | 7.00 | 14,000,000 | – | Nil |
| Jiangsu International Trust Corporation Limited – JSITC – He Xiang Tian Li No. 1 Collective Fund Trust Plan | Other | Domestic preference share | – | 6.11 | 12,220,000 | – | Nil |
| China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001SH | Other | Domestic preference share | – | 5.00 | 10,000,000 | – | Nil |
| Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Funds | Other | Domestic preference share | – | 5.00 | 10,000,000 | – | Nil |

CHAPTER 5 INFORMATION ON PREFERENCE SHARES

| Name of shareholder | Type of shareholder | Class of shares | Changes over the Reporting Period | Shareholding percentage (%) | Total number of shares held (share) | Number of shares subject to restriction on sales held | Shares pledged/ marked/frozen |
|---|--|---------------------------|-----------------------------------|-----------------------------|-------------------------------------|---|-------------------------------|
| Taiping Life Insurance Co., Ltd. – Traditional – General Insurance Product – 022L – CT001SH | Other | Domestic preference share | – | 5.00 | 10,000,000 | – | Nil |
| Guotai Junan Securities Asset Management – Futong • Rixin H14001 RMB Wealth Management Product – Guojun Asset Management 0638 Targeted Asset Management Contract | Other | Domestic preference share | – | 5.00 | 10,000,000 | – | Nil |
| BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan | Other | Domestic preference share | – | 5.00 | 10,000,000 | – | Nil |
| Statement on the related relationship or concerted actions among the top 10 holders of preference shares or among the above shareholders and the top 10 holders of ordinary shares | “Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product” and “Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Funds” have a related relationship. Save as the above, the Bank does not know any related relationship or concerted action among the above holders of domestic preference shares or among the above holders of domestic preference shares and the top 10 holders of ordinary shares. | | | | | | |

III. Distribution of Dividends of Preference Shares

No dividends of preference shares of the Bank have been distributed during the Reporting Period.

IV. Repurchase or Conversion of Preference Shares

During the Reporting Period, no preference shares of the Bank have been repurchased or converted.

V. Recovery of Voting Rights of Preference Shares

During the Reporting Period, no voting rights of preference shares of the Bank have been restored.

VI. Accounting Policies for Preference Shares and the Underlying Reasons

According to the requirements promulgated by the Ministry of Finance, such as the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments 《企業會計準則第 37 號 – 金融工具列報》, there was no need for the issued and existing domestic preference shares of the Bank to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Bank will have no obligation to deliver a variable quantity of its equity instruments. Therefore, the domestic preference shares are accounted as other equity instruments.

CHAPTER 6 CORPORATE GOVERNANCE

I. Corporate Governance Overview

During the Reporting Period, the Bank strictly complied with laws and regulations, administrative rules, regulatory provisions, as well as the requirements of the listing rules of the stock exchanges where it is listed, continuously and deeply promoted in-depth integration of the Party's leadership with its corporate governance, incorporated the Party's leadership into all corporate governance links including "decision-making, supervision and execution", and gave play to the role of the Party Committee in "setting the direction, controlling the big picture, and guaranteeing implementation". In accordance with the principles of "each performing its own duties, each taking responsibility for itself, coordinated operation, and effective checks and balances", the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the Senior Management performed their statutory duties in compliance with laws and rules, and continuously enhanced corporate governance.

The Bank resolutely implemented the decisions and arrangements made by the CPC Central Committee and the State Council, focused on its strategic positionings, and worked harder to serve the real economy. The Board of Directors continuously strengthened strategic management, intensified compliance risk management and control, consistently improved construction of the mechanisms for the Board, fortified the institutional foundation for corporate governance, and pursued more scientific and effective corporate governance. The Board of Supervisors constantly improved its operational mechanisms, advanced the supervision function, intensified supervision over key fields, conducted performance evaluation carefully and solidly, and pushed for a synergy of various supervisions, so as to improve supervision quality and effectiveness.

II. Shareholders' General Meetings

During the Reporting Period, one shareholders' general meeting was convened to consider and approve 20 proposals and to receive briefings on 3 special reports, with details as follows:

On 10 June 2022, the 2021 annual general meeting, the first A share class meeting for 2022 and the first H share class meeting for 2022 of the Bank were held in Beijing by the means of on-site and online voting. For details of the resolutions of the meetings, please refer to the announcement published on the website of the Bank, the website of the SSE and the HKEXnews website of the SEHK on 10 June 2022, and posted on China Securities Journal, Shanghai Securities News and Securities Times on 11 June 2022.

CHAPTER 6 CORPORATE GOVERNANCE

III. Meetings of the Board of Directors and Its Special Committees

During the Reporting Period, six Board meetings were convened to consider a total of 62 proposals as well as to receive briefings on and study 38 special work reports. Two non-decision-making meetings were convened to receive briefings on seven special reports. The Strategic Development and Consumer Rights Protection Committee, the Nomination Committee, the Compensation and Remuneration Committee, the Audit Committee, the Related Party Transactions Supervision Committee, and the Risk Management Committee of the Board convened a total of 27 meetings to consider 92 proposals and receive briefings on and study 47 special work reports.

During the Reporting Period, the Independent Directors of the Bank strictly complied with the relevant provisions of laws and regulations, administrative rules, and other relevant normative documents, as well as the Articles of Association, performed their duties independently, professionally, and diligently, attended shareholders' general meetings, Board meetings and meetings of special committees of the Board on time, where they leveraged their professionalism and advantages to express independent opinions on major matters such as major related-party transactions and remuneration of the Directors and the Senior Management. They fully utilised the meeting mechanism and the on-duty policy of Independent Directors to study matters regarding major reforms and duty performance of the Independent Directors of the Bank. In addition, they actively conducted surveys on business outlets and subsidiaries and proposed work suggestions regarding operation and development, strategy implementation, internal control evaluation, rectification of problems identified in audits, among others.

IV. Meetings of the Board of Supervisors and Its Special Committees

During the Reporting Period, two meetings of the Board of Supervisors of the Bank were convened to consider a total of 19 proposals and review 22 reports. The special committees of the Board of Supervisors convened eight meetings, including six meetings of the Supervisory Committee to consider and review 18 issues and two meetings of the Nomination and Examination Committee to consider nine proposals.

During the Reporting Period, in accordance with regulatory requirements and based on the need for duty performance, the Board of Supervisors and its special committees focused on supervision of the meetings. The members of the Board of Supervisors supervised the legality and compliance of the meeting proposals and decision-making process by attending important Board meetings and meetings of the Senior Management as non-voting delegates. The Board of Supervisors emphasised on improving the effectiveness of discussion supervision and reminded key issues and urged for rectification through supervisory notices. It formulated one comparative analysis on other banks and financial institutions and operation supervision report, issued 20 supervisory notices and four supervision summaries on supervisory works. During the Reporting Period, all External Supervisors of the Bank strictly complied with the requirements of laws and regulations, regulatory provisions, and the Articles of Association, abided by the high-standard code of professional ethics, performed their supervisory duties faithfully and diligently, actively attended meetings, received briefings on reports, participated in surveys, independently proposed supervisory opinions, and protected the legitimate rights and interests of shareholders and stakeholders, which promoted the Board of Supervisors to improve the quality and effectiveness of supervision.

CHAPTER 6 CORPORATE GOVERNANCE

V. Internal Control and Internal Audit

(I) Internal control evaluation

The Bank has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board, the Board of Supervisors and the management team and maintained an effective internal control management system. In compliance with the Law of the People's Republic of China on Commercial Banks 《中華人民共和國商業銀行法》, the Guidelines for Internal Control of Commercial Banks 《商業銀行內部控制指引》, the Basic Standard for Corporate Internal Control 《企業內部控制基本規範》 and other laws and regulations and regulatory rules, the Bank has gradually formed a set of rational and comprehensive internal control systems and established internal control mechanisms for the prevention beforehand, control in the process, subsequent supervision and rectification of risks.

The Bank gave full play to the role of internal audit in supervision and evaluation, constantly improved the evaluation and supervision system of internal control, optimised procedures and tools of internal control evaluation, and enhanced refined internal control management. During the Reporting Period, in accordance with the principles of internal control evaluation and annual audit plan, the Bank conducted comprehensive inspection of internal control evaluation on three subsidiaries including Ningjin Rural Bank, Changyuan Rural Bank, and Qijiang Rural Bank, four tier-one branches including Hangzhou Branch, Xiamen Branch, Shenyang Branch and Chengdu Branch and six tier-two branches/remote sub-branches in Baoji, Jiaying, Jinhua, Dongguan, Xianning, and Zhuzhou, in the first half of 2022 in aggregate, which covered key businesses and major risks. The Bank supervised the effective implementation of the rectifications of internal control and risks-related issues through various measures, including daily monitoring, subsequent centralised audits and assessment on effectiveness of internal control. Accountabilities on violations of regulations and disciplines found in inspections were made according to the regulations of the Bank. Through constant internal control evaluations, the Bank effectively improved the internal control system and enhanced the internal control management.

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(II) Internal audit

The Bank has set up an internal audit organisation – the Audit Department, which adopted an independent audit model with a vertical management structure topped by the Head Office. The Bank has six regional audit centres in the North, East, South, Central, Northeast and West China. The Bank has set up the Corporate Banking Audit Centre, Retail Banking Audit Centre, Financial Markets Business Audit Centre, IT Audit Centre, Audit Centre for the Group and Middle- and Back- Office, Comprehensive Risk Audit and Data Management Centre, Planning and Operation Management Centre and Evaluation and Supervision Centre according to the characteristics of specialised operation of the Bank. The Audit Department is responsible for performing independent inspection and evaluation on all businesses and management of the Bank, supervising and examining the effectiveness of internal control and carrying out independent and objective evaluation and consultation of internal control. To ensure the independence and effectiveness of the internal audit, material audit findings and internal control defects would be directly reported to the Board and notices would be given to the Senior Management. The Bank has formulated and improved standardised policies and systems for internal audit. An integrated audit examination system comprising on-site and off-site audit was established with the digital audit platform covering all asset and liability businesses of the Bank. Risk-oriented audit on internal control was adopted, covering all business lines including corporate banking, retail banking, financial markets, trade financing, credit card, finance and accounting and risk management as well as all internal control management procedures. The Bank has principally achieved full coverage of audit on credit, operational, market and compliance risks.

The Bank performed supervision and examination on the internal control of business units through various forms including comprehensive audits, special audits and economic accountability audits. During the Reporting Period, in accordance with the annual audit plan, the Audit Department efficiently completed the audit tasks for the first half of the year and carried out a total of 38 special audits and 95 economic accountability audits. It also issued eight risk reminders and audit suggestions. Moreover, 12 reports concerning major events, updates and researches were issued. As a result, it gave full swing to the role of internal audit in supervision, evaluation and consultation.

CHAPTER 6 CORPORATE GOVERNANCE

VI. Directors, Supervisors and Senior Management

(I) Basic information

| Name | Gender | Year of birth | Position | Term of office | Shares held at the beginning of the Reporting Period (share) | Shares held at the end of the Reporting Period (share) |
|----------------|--------|---------------|---|-------------------------------|--|--|
| GAO Yingxin | M | 1962 | Chairman & Executive Director | July 2020 – 2023 election | 500,000 | 500,000 |
| ZHANG Hongwei | M | 1954 | Vice Chairman & Non-Executive Director | January 2001 – 2023 election | – | – |
| LU Zhiqiang | M | 1951 | Vice Chairman & Non-Executive Director | November 2006 – 2023 election | – | – |
| LIU Yonghao | M | 1951 | Vice Chairman & Non-Executive Director | June 2009 – 2023 election | – | – |
| ZHENG Wanchun | M | 1964 | Vice Chairman | December 2020 – 2023 election | 430,000 | 430,000 |
| | | | Executive Director | March 2016 – 2023 election | | |
| | | | President | January 2016 – 2023 election | | |
| SHI Yuzhu | M | 1962 | Non-Executive Director | March 2017 – 2023 election | – | – |
| WU Di | M | 1965 | Non-Executive Director | March 2013 – 2023 election | – | – |
| SONG Chunfeng | M | 1969 | Non-Executive Director | March 2017 – 2023 election | – | – |
| WENG Zhenjie | M | 1962 | Non-Executive Director | February 2017 – 2023 election | – | – |
| YANG Xiaoling | M | 1958 | Non-Executive Director | March 2021 – 2023 election | – | – |
| ZHAO Peng | M | 1973 | Non-Executive Director | June 2021 – 2023 election | – | – |
| LIU Jipeng | M | 1956 | Independent Non-Executive Director | February 2017 – (Note 1) | 150,000 | 150,000 |
| LI Hancheng | M | 1963 | Independent Non-Executive Director | February 2017 – (Note 1) | – | – |
| XIE Zhichun | M | 1958 | Independent Non-Executive Director | March 2017 – (Note 1) | – | – |
| PENG Xuefeng | M | 1962 | Independent Non-Executive Director | March 2017 – (Note 1) | – | – |
| LIU Ningyu | M | 1969 | Independent Non-Executive Director | March 2017 – (Note 1) | – | – |
| QU Xinjiu | M | 1964 | Independent Non-Executive Director | March 2021 – 2023 election | – | – |
| YUAN Guijun | M | 1963 | Executive Director | March 2021 – 2023 election | 150,000 | 150,000 |
| | | | Executive Vice President | December 2020 – 2023 election | | |
| ZHANG Juntong | M | 1974 | Chairman of the Board of Supervisors & Employee Supervisor | February 2017 – 2023 election | 350,000 | 350,000 |
| YANG Yu | M | 1964 | Vice Chairman of the Board of Supervisors & Employee Supervisor | November 2021 – 2023 election | – | – |
| LU Zhongnan | M | 1955 | Shareholder Supervisor | January 2007 – 2023 election | – | – |
| ZHAO Huan John | M | 1963 | Shareholder Supervisor | October 2020 – September 2022 | – | – |

CHAPTER 6 CORPORATE GOVERNANCE

| Name | Gender | Year of birth | Position | Term of office | Shares held at the beginning of the Reporting Period (share) | Shares held at the end of the Reporting Period (share) |
|--------------|--------|---------------|----------------------------|-------------------------------|--|--|
| LI Yu | M | 1974 | Shareholder Supervisor | October 2020 – 2023 election | – | – |
| WANG Yugui | M | 1951 | External Supervisor | February 2017 – 2023 election | – | – |
| ZHAO Fugao | M | 1955 | External Supervisor | June 2019 – 2023 election | – | – |
| ZHANG Liqing | M | 1963 | External Supervisor | October 2020 – 2023 election | – | – |
| GONG Zhijian | M | 1967 | Employee Supervisor | November 2021 – 2023 election | – | – |
| CHEN Qiong | F | 1963 | Executive Vice President | August 2018 – 2023 election | 350,000 | 350,000 |
| SHI Jie | M | 1965 | Executive Vice President | January 2017 – 2023 election | 350,000 | 350,000 |
| LI Bin | F | 1967 | Executive Vice President | January 2017 – 2023 election | 350,000 | 350,000 |
| LIN Yunshan | M | 1970 | Executive Vice President | January 2017 – 2023 election | 350,000 | 350,000 |
| HU Qinghua | M | 1963 | Executive Vice President | August 2018 – 2023 election | 350,000 | 350,000 |
| BAI Dan | F | 1963 | Chief Financial Officer | May 2012 – 2023 election | 360,000 | 360,000 |
| | | | Board Secretary | August 2018 – 2023 election | | |
| ZHANG Yuebo | M | 1962 | Chief Audit Officer | February 2017 – 2023 election | 350,000 | 350,000 |
| ZHANG Bin | M | 1967 | Chief Information Officer | November 2021 – 2023 election | – | – |
| OUYANG Yong | M | 1963 | Former Assistant President | June 2018 – February 2022 | 350,000 | 350,000 |

Notes:

1. According to the Corporate Governance Standards for Banking or Insurance Institutions 《銀行保險機構公司治理準則》 issued by the CBIRC, independent directors must not serve for a term of more than six years in the same banking or insurance institution; the independent director shall continue to perform his/her duties before the new independent director takes office in case that the resignation of such independent director leads to the number of independent directors less than one third of the total number of members of the Board. The actual expiration date of the terms of office of the Independent Directors, namely Mr. LIU Jipeng, Mr. LI Hancheng, Mr. XIE Zhichun, Mr. PENG Xuefeng and Mr. LIU Ningyu will comply with the requirements above;
2. According to the regulations of the CSRC, the commencement date of the terms of office of re-elected Directors, Supervisors and Senior Management in the above table shall be the date of their first appointment and qualification approval. As the qualification of Mr. WENG Zhenjie as a Director is subject to the approval of the CBIRC, the commencement date of his term of office is temporarily taken as the date when he is elected at the shareholders' general meeting;
3. None of the incumbent Directors, Supervisors and Senior Management nor those resigned during the Reporting Period had been subject to any penalty imposed by any securities regulatory institutions in the recent three years;
4. On 8 February 2022, due to job changes, Mr. OUYANG Yong resigned from the position of Assistant President of the Bank;
5. On 1 September 2022, due to personal time and attention allocation, Mr. ZHAO Huan John resigned as a Supervisor of the eighth session of the Board of Supervisors and a member of the related special committee under the Board of Supervisors of the Bank.

CHAPTER 6 CORPORATE GOVERNANCE

(II) Resignation of Directors, Supervisors and Senior Management

Senior Management

On 8 February 2022, due to job changes, Mr. OUYANG Yong resigned from the position of Assistant President of the Bank.

(III) Changes of information of Directors and Supervisors

1. On 2 September 2022, upon the approval of the Tianjin office of the CBIRC, Mr. YUAN Guijun, an Executive Director and an Executive Vice President of the Bank, was appointed as a director of Minsheng Financial Leasing.
2. Mr. WENG Zhenjie, a Non-Executive Director of the Bank, ceased to serve as a vice chairman of the Chongqing Municipal Committee of China Democratic National Construction Association.
3. Mr. LIU Jipeng, an Independent Non-Executive Director of the Bank, ceased to serve as an independent non-executive director of Chongqing Changan Automobile Co., Ltd. (listed on the SZSE (stock code: 000625)).
4. Mr. LI Hancheng, an Independent Non-Executive Director of the Bank, ceased to serve as director of the executive committee of Beijing S&P Haikou Law Firm.
5. Mr. PENG Xuefeng, an Independent Non-Executive Director of the Bank, ceased to serve as director of Beijing Dacheng Law Office.
6. Mr. LIU Ningyu, an Independent Non-Executive Director of the Bank, ceased to serve as an independent non-executive director of Luoyang Zhongchao New Material Co., Ltd.
7. Mr. ZHAO Huan John, a Supervisor of the Bank, was appointed as executive president of Goldstream Investment Limited (listed on the SEHK (stock code: 01328)) and ceased to serve as a non-executive director of Eros Media World PLC (formerly known as Eros STX Global Corporation) (listed on the NYSE (stock code: EMWP)) and a non-executive director of Shanghai Jin Jiang International Hotels Co., Ltd. (listed on the SSE (stock code: 600754)).
8. Mr. ZHANG Liqing, a Supervisor of the Bank, was appointed as an independent non-executive director of Poly Property Services Co., Ltd. (listed on the SEHK (stock code: 06049)).

(IV) Service contracts of Directors and Supervisors

In accordance with rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Bank has entered into contracts with its Directors and Supervisors in respect of compliance with the relevant laws and regulations, the Articles of Association and the provisions of arbitration. Except as disclosed above, the Bank has not entered into and does not intend to enter into any service contracts with its Directors or Supervisors in respect of their services as Directors or Supervisors (excluding the service contracts which will expire within one year or are terminable by the Bank within one year without payment of compensation, other than statutory compensation).

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(V) Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations

1. As at 30 June 2022, the following Directors and Supervisors of the Bank had the following interests in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

| Name | Position | Class of shares | Long/short position | Capacity | Number of shares | Notes | Percentage of the relevant class of shares in issue (%) | Percentage of all the issued ordinary shares (%) |
|---------------|-------------------------------------|-----------------|---------------------|--|------------------|-------|---|--|
| GAO Yingxin | Executive Director | A | Long position | Beneficial owner | 200,000 | | 0.0006 | 0.0005 |
| | | H | Long position | Beneficial owner | 300,000 | | 0.0036 | 0.0007 |
| ZHENG Wanchun | Executive Director | A | Long position | Beneficial owner | 180,000 | | 0.0005 | 0.0004 |
| | | H | Long position | Beneficial owner | 250,000 | | 0.0030 | 0.0006 |
| YUAN Guijun | Executive Director | A | Long position | Beneficial owner | 150,000 | | 0.0004 | 0.0003 |
| LIU Yonghao | Non- Executive Director | A | Long position | Interest held by his controlled corporation(s) | 1,930,715,189 | 1 | 5.44 | 4.41 |
| | | H | Long position | Interest held by his controlled corporation(s) | 240,789,500 | 2 | 2.89 | 0.55 |
| ZHANG Hongwei | Non- Executive Director | A | Long position | Interest held by his controlled corporation(s) | 1,315,117,123 | 3 | 3.71 | 3.00 |
| LU Zhiqiang | Non- Executive Director | A | Long position | Interest held by his controlled corporation(s) | 1,803,182,618 | 4 | 5.08 | 4.12 |
| | | H | Long position | Interest held by his controlled corporation(s) | 750,980,970 | 5 | 9.03 | 1.72 |
| | | H | Short position | Interest held by his controlled corporation(s) | 604,300,950 | 5 | 7.26 | 1.38 |
| SHI Yuzhu | Non- Executive Director | A | Long position | Interest held by his controlled corporation(s) | 1,379,679,587 | 6 | 3.89 | 3.15 |
| | | H | Long position | Interest held by his controlled corporation(s) | 713,501,653 | 7 | 8.58 | 1.63 |
| LIU Jipeng | Independent Non- Executive Director | A | Long position | Beneficial owner | 150,000 | | 0.0004 | 0.0003 |
| ZHANG Juntong | Employee Supervisor | A | Long position | Beneficial owner | 150,000 | | 0.0004 | 0.0003 |
| | | H | Long position | Beneficial owner | 200,000 | | 0.0024 | 0.0005 |

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Notes:

1. The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while 25% and 75% of the issued share capital of New Hope Liuhe Investment Co., Ltd. were held by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd., respectively. 24.86% and 29.08% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd.

As Mr. LIU Yonghao held 90.59% of the issued share capital of New Hope Group Co., Ltd., Mr. LIU Yonghao was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. LIU Yonghao and the interests held by New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang, the details of which are disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations" in this Interim Report, were from the same block of shares.

2. The 240,789,500 H shares (long position) were directly held by South Hope Industrial Co., Ltd. (see note 1 above).
3. The 1,315,117,123 A shares comprised 1,280,117,123 A shares directly held by Orient Group Incorporation and 35,000,000 A shares directly held by Orient Group Co., Ltd. 29.66% of the issued share capital of Orient Group Incorporation was held by Orient Group Co., Ltd. 94% of the issued share capital of Orient Group Co., Ltd. was held by Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司), while Mingze Orient Investment Co., Ltd. was wholly-owned by Mr. ZHANG Hongwei.
4. The 1,803,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98.00% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. LU Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.
5. The 750,980,970 H shares (long position) comprised 8,237,520 H shares directly held by China Oceanwide International Investment Company Limited, 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 138,442,500 H shares directly held by Long Prosper Capital Company Limited, while the 604,300,950 H shares (short position) were directly held by Oceanwide International Equity Investment Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 89.22% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd., while all of the issued share capital of China Oceanwide International Investment Company Limited and 65.09% of the issued share capital of Oceanwide Holdings Co., Ltd. were held by China Oceanwide Holdings Group Co., Ltd. (see note 4 above).
6. The 1,379,679,587 A shares were held by Shanghai Giant Lifetech Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. SHI Yuzhu.
7. The 713,501,653 H shares (long position) were held by Alpha Frontier Limited. 42.04% of the issued share capital of Alpha Frontier Limited was held by Shanghai Cibi Business Information Consulting Co., Ltd. (上海賜比商務信息諮詢有限公司), which was wholly-owned by Giant Investment Co., Ltd. (see note 6 above).

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2. As at 30 June 2022, the following Director of the Bank had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

| Name | Position | Long/short position | Capacity | Contribution to the registered capital | Note | Percentage of the total registered capital (%) |
|-------------|------------------------|---------------------|--|--|------|--|
| LIU Yonghao | Non-Executive Director | Long position | Interest held by his controlled corporation(s) | RMB2,000,000 | 1 | 3.64 |

Note:

1. New Hope Group Co., Ltd. is interested in RMB2 million of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. LIU Yonghao held 90.59% of the issued share capital of New Hope Group Co., Ltd., Mr. LIU Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.
3. As at 30 June 2022, the following Director of the Bank had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

| Name | Position | Long/short position | Capacity | Contribution to the registered capital | Note | Percentage of the total registered capital (%) |
|-----------|------------------------|---------------------|--|--|------|--|
| SHI Yuzhu | Non-Executive Director | Long position | Interest held by his controlled corporation(s) | RMB24,000,000 | 1 | 10 |

Note:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB24 million of the registered capital of Shanghai Songjiang Minsheng Rural Bank Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. SHI Yuzhu. Mr. SHI Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. according to the SFO.

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4. As at 30 June 2022, the following Directors of the Bank had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

| Name | Position | Long/short position | Capacity | Contribution to the registered capital | Notes | Percentage of the total registered capital (%) |
|-------------|------------------------|----------------------------|--|---|--------------|---|
| SHI Yuzhu | Non-Executive Director | Long position | Interest held by his controlled corporation(s) | RMB2,500,000 | 1 | 10 |
| LIU Yonghao | Non-Executive Director | Long position | Interest held by his controlled corporation(s) | RMB1,500,000 | 2 | 6 |

Notes:

- Shanghai Giant Lifetech Co., Ltd. is interested in RMB2.5 million of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. SHI Yuzhu. Mr. SHI Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.
- South Hope Industrial Co., Ltd. is interested in RMB1.5 million of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while Mr. LIU Yonghao held 90.59% of the issued share capital of New Hope Group Co., Ltd. Mr. LIU Yonghao was deemed to be interested in the equity interest held by South Hope Industrial Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

Save as disclosed above, as at 30 June 2022, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Bank and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

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(VI) Securities transactions by Directors, Supervisors and relevant employees

The Bank has adopted its own code of conduct of the Directors and the Supervisors regarding transactions in securities, on terms no less exacting than the Model Code. The Bank has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the Model Code during the Reporting Period. The Bank also formulated the guidelines for dealings in securities of the Bank by employees, which are no more lenient than the Model Code. The Bank is not aware of any non-compliance with these guidelines by the relevant employees.

(VII) Administrative penalties imposed on the Bank and Directors, Supervisors, Senior Management and controlling shareholders of the Bank

During the Reporting Period, the Bank was not aware of the Bank or any of its incumbent Directors, Supervisors or Senior Management being subject to any investigation by the competent authorities or mandatory measures imposed by the judicial authorities or commission for discipline inspection, or handled over to judicial authorities for criminal liabilities, nor any of them being a subject to examination or administrative penalty by the CSRC, or prohibited from the securities market or deemed as ineligible persons, or subject to any material administrative penalty imposed by the environmental protection, safety, taxation and other administrative authorities or publicly censured by any stock exchanges.

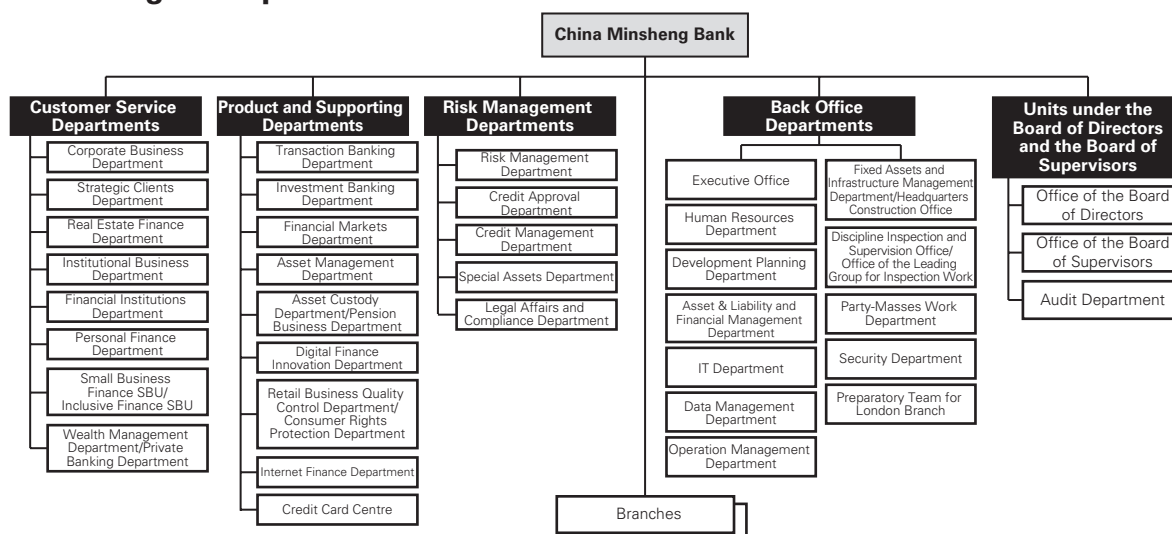
VII. Employees

As at the end of the Reporting Period, the Group had 60,278 employees, of which 57,676 were employees of the Bank and 2,602 were employees of the subsidiaries of the Bank. Divided by work nature, 6,289 employees were categorised as the management sequence team and 51,387 employees as the professional sequence team. The Bank had 12,141 employees with graduate degree or above, accounting for 21.1%, 41,491 employees with bachelor's degree, accounting for 71.9%, and 4,044 employees with tertiary qualification or below, accounting for 7%. 767 employees of the Bank have retired. (Note: The professional sequence team represents personnel engaging in product research and development, risk management, IT and operation support, etc.)

In the first half of 2022, the Bank closely focused on its central tasks to push forward the training work, comprehensively launched the training system reform with learning maps as the core driving force, and continuously strengthened training and publicity on reform and transformation as well as strategic priorities. During the Reporting Period, the Bank built six pilot sequence learning maps, and organised 362 training projects, such as training at Party schools for senior management, "The Voice of Reform (改革V動力)" Session II, and the "Digital Champions CampLive (數字化金融主力軍培養)", with 62 thousand attendances. 3,145 online courses were delivered with 3,390 thousand attendances, a total of 1,707 thousand class hours and a total of 2,840 thousand credit points. 205 sessions of livestreaming courses were conducted, and five qualification attestation examinations were organised with 100 thousand attendances and 64 thousand certificates issued. These endeavours effectively helped the Bank improve its organising capability and develop its strategic business.

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VIII. Setting of Departments of the Bank



IX. Business Network

As at the end of the Reporting Period, the Bank had 42 tier-one branches and 102 tier-two branches (including remote sub-branches) in 41 cities across China, with 144 branch-level banking outlets in total.

During the Reporting Period, the Bank did not have newly opened tier-one branch, but had three newly opened tier-two branches, namely Bengbu Branch, Beihai Branch and Luzhou Branch.

Major branches of the Bank as at the end of the Reporting Period are shown as follows:

| Name of branch | Number of outlets | Headcount | Total assets (in RMB million, excluding deferred income tax assets) | Address |
|------------------|-------------------|-----------|---|--|
| Head Office | 1 | 13,120 | 3,254,650 | No. 2 Fuxingmennei Avenue, Xicheng District, Beijing |
| Beijing Branch | 162 | 3,907 | 948,978 | Unit 02 on 1/F and 3/F-12/F, Tower B, Zhaotai International Centre, No. 10 Chaoyangmen Nan Avenue, Chaoyang District, Beijing |
| Shanghai Branch | 92 | 2,677 | 556,374 | No. 100 Pudong Nan Road, Pudong New Area, Shanghai |
| Guangzhou Branch | 100 | 2,642 | 301,022 | Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province |
| Shenzhen Branch | 60 | 1,936 | 251,897 | Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen, Guangdong Province |
| Wuhan Branch | 91 | 1,555 | 92,438 | China Minsheng Bank Tower, No. 396 Xinhua Road, Jiangnan District, Wuhan, Hubei Province |

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| Name of branch | Number of outlets | Headcount | Total assets (in RMB million, excluding deferred income tax assets) | Address |
|---------------------|-------------------|-----------|---|--|
| Taiyuan Branch | 110 | 1,441 | 104,790 | 3-5/F and 9-21/F, Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan, Shanxi Province |
| Shijiazhuang Branch | 139 | 2,006 | 117,012 | Minsheng Bank Tower, No. 197 Yuhua Dong Road, Chang'an District, Shijiazhuang, Hebei Province |
| Dalian Branch | 46 | 841 | 117,431 | Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian, Liaoning Province |
| Nanjing Branch | 189 | 3,298 | 364,449 | Minsheng Bank, Block One, Zijin Finance Centre, No. 399 Jiangdong Zhong Road, Jianye District, Nanjing, Jiangsu Province |
| Hangzhou Branch | 87 | 1,978 | 226,402 | Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province |
| Chongqing Branch | 107 | 1,189 | 118,070 | Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing |
| Xi'an Branch | 93 | 1,216 | 87,822 | Minsheng Bank, Building 5, Taihua Jinmao International, No. 16, Fenghui Nan Road, Gaoxin District, Xi'an, Shaanxi Province |
| Fuzhou Branch | 42 | 959 | 52,465 | No. 282 Hudong Road, Fuzhou, Fujian Province |
| Jinan Branch | 132 | 1,970 | 135,396 | No. 229 Luoyuan Street, Jinan, Shandong Province |
| Ningbo Branch | 42 | 747 | 48,088 | No. 815 Juxian Road, Gaoxin District, Ningbo, Zhejiang Province |
| Chengdu Branch | 116 | 1,551 | 148,175 | Block 6, No. 966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu, Sichuan Province |
| Tianjin Branch | 54 | 985 | 107,616 | China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin |
| Kunming Branch | 81 | 916 | 72,171 | No. 11800 Caiyun Bei Road, Kunming, Yunnan Province |
| Quanzhou Branch | 42 | 621 | 30,097 | No. 689 Citong Road, Fengze District, Quanzhou, Fujian Province |
| Suzhou Branch | 36 | 1,101 | 98,935 | Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou, Jiangsu Province |
| Qingdao Branch | 47 | 940 | 74,624 | No. 190 Hai'er Road, Laoshan District, Qingdao, Shandong Province |

CHAPTER 6 CORPORATE GOVERNANCE

| Name of branch | Number of outlets | Headcount | Total assets (in RMB million, excluding deferred income tax assets) | Address |
|------------------|-------------------|-----------|---|--|
| Wenzhou Branch | 23 | 576 | 65,738 | Minsheng Bank, Finance Tower, No. 1 Huajiang Road, Lucheng District, Wenzhou, Zhejiang Province |
| Xiamen Branch | 27 | 531 | 42,233 | Xiamen Minsheng Bank Tower, No. 50 Hubin Nan Road, Xiamen, Fujian Province |
| Zhengzhou Branch | 104 | 1,574 | 133,146 | Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province |
| Changsha Branch | 47 | 985 | 81,442 | Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha, Hunan Province |
| Changchun Branch | 23 | 562 | 24,793 | Minsheng Tower, No. 500 Changchun Street, Nangan District, Changchun, Jilin Province |
| Hefei Branch | 66 | 860 | 82,354 | Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District, Hefei, Anhui Province |
| Nanchang Branch | 38 | 638 | 77,855 | No. 545, Huizhan Road, Honggutan New District, Nanchang, Jiangxi Province |
| Shantou Branch | 27 | 484 | 28,113 | 1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou, Guangdong Province |
| Nanning Branch | 37 | 582 | 81,276 | 1-3/F, 3M/F, 30-31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning, Guangxi Zhuang Autonomous Region |
| Hohhot Branch | 21 | 424 | 30,445 | China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chilechuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region |
| Shenyang Branch | 47 | 513 | 22,479 | No. 65 Nanjing Bei Street, Heping District, Shenyang, Liaoning Province |
| Hong Kong Branch | 1 | 264 | 165,237 | 3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong |
| Guiyang Branch | 39 | 523 | 53,140 | Block 8, Tianyi International Plaza, No. 33 Changling Nan Road, Gaoxin District, Guiyang, Guizhou Province |
| Haikou Branch | 16 | 201 | 11,593 | Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou, Hainan Province |
| Lhasa Branch | 4 | 164 | 6,390 | Global Plaza, No. 8 Beijing Xi Road, Lhasa, Tibet Autonomous Region |

CHAPTER 6 CORPORATE GOVERNANCE

| Name of branch | Number of outlets | Headcount | Total assets (in RMB million, excluding deferred income tax assets) | Address |
|---------------------------------------|-------------------|---------------|---|---|
| Shanghai Pilot Free Trade Zone Branch | 1 | 111 | 68,886 | 40/F, No. 100 Pudong Nan Road, Pudong New Area, Shanghai |
| Harbin Branch | 15 | 323 | 28,987 | 1-6/F, Zone One, Olympic Centre, No. 11 Aijian Road, Daoli District, Harbin, Heilongjiang Province |
| Lanzhou Branch | 11 | 268 | 18,867 | 1-4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou, Gansu Province |
| Urumqi Branch | 7 | 206 | 21,494 | No. 314, Yangziji Road, Saybagh District, Urumqi, Xinjiang Autonomous Region |
| Xining Branch | 4 | 142 | 10,370 | 1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining, Qinghai Province |
| Yinchuan Branch | 4 | 149 | 10,220 | 1-5/F, Block 19, Jinhaimingyue, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region |
| Inter-region adjustment | - | - | -1,301,267 | |
| Total | 2,431 | 57,676 | 7,072,693 | |

Notes:

1. The number of institutions takes into account all types of banking outlets, including the Head Office, tier-one branches and business departments, business departments of tier-two branches, remote sub-branches, county-level sub-branches, intra-city sub-branches, community sub-branches, small-business special sub-branches and small-business sub-branches;
2. Headcount of the Head Office includes the total number of employees in the departments of the Head Office, Credit Card Centre and centralised operation, exclusive of employees of branches. Of which, the headcount of the Credit Card Centre was 8,469;
3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

X. Incentive Share Option Scheme, Employee Share Ownership Scheme or Other Employee Incentive Measures and Their Implementations During the Reporting Period

Up to date, the Bank had no incentive share option scheme, employee share ownership scheme or other employee incentive measures.

XI. Compliance with the Corporate Governance Code Set Out in Appendix 14 to the Hong Kong Listing Rules

During the Reporting Period, the Bank has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and has complied with most of the recommended best practices contained therein.

CHAPTER 7 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

I. Environmental Protection

The Bank and its subsidiaries were not included in the list of key pollutant-discharging units published by the environmental protection authority. The Bank strictly complied with the laws and regulations in respect of environmental protection, such as the Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, the Law of the People's Republic of China on Conserving Energy 《中華人民共和國節約能源法》, Water Pollution Prevention and Control Law of the People's Republic of China 《中華人民共和國水污染防治法》, Atmospheric Pollution Prevention and Control Law of the People's Republic of China 《中華人民共和國大氣污染防治法》, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes 《中華人民共和國固體廢物污染防治法》. During the Reporting Period, the Bank was not subject to any administrative penalties for environmental issues.

The Bank insisted on green development, actively promoted the layout of green finance, and gave play to the leverage effect of finance to facilitate the development of green economy, low-carbon economy and circular economy. The Bank paid attention to guarding against environmental and social risks, restricted credit granting to industries with high pollution and high energy consumption, and accelerated the exit of enterprises with outdated production capacity, in a bid to propel the industrial structure adjustment. The Bank also advocated green office, practised green operation, and promoted suppliers to fulfill their environmental and social responsibilities through green purchase.

II. Promoting Rural Revitalisation with Financial Services

The Bank thoroughly implemented the requirements of comprehensively promoting rural revitalisation with financial services. By improving the organisational management system, enhancing the guiding role of appraisal, strengthening policy guidance, optimising supporting policies and other measures, the Bank increased credit granting to rural revitalisation, and witnessed relatively rapid growth in agriculture-related loans, loans to areas lifted out of poverty, and loans to counties receiving focused assistance from the country in rural revitalisation. At the same time, the Bank constantly stepped up efforts in technological innovation in the key fields of "agriculture, rural areas and farmers", continuously enriched the service system for rural revitalisation based on agriculture-related scenarios, realised data-based credit enhancement and supply chain-based development of large, medium, small and micro enterprises, and further enhanced customer experience.

CHAPTER 7 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

During the Reporting Period, following the national strategy of rural revitalisation and the requirements for paired assistance, the Bank pooled the strength of the whole Bank and the wisdom of all parties to solidly promote paired assistance in Hua County and Fengqiu County in Henan Province. During the Reporting Period, the Bank provided free assistance funds of RMB30.34 million for these two counties, and introduced free assistance funds of RMB20.105 million. The balance of loans to the two counties amounted to RMB182 million. The Bank continued to consolidate the poverty alleviation achievements in these two counties, launched “Minsheng Class (民生班)”, an education financing programme, and purchased medical insurance for rural people eligible for the “Five Guarantees” and targeted people monitored for any trend indicating a return to poverty, in order to ensure that people in these two counties will not return to impoverishment in large numbers. The Bank strove to promote the implementation of rural revitalisation strategy, continued to strengthen the paired assistance, and established a paired assistance system of “one branch supporting one township (一行興一鄉)”. 33 branches in the southeast coastal and developed areas established comprehensive pairing co-construction relationship with 42 villages and towns of these two counties to support their economic and social development in an all-round and multi-level manner. By integrating relevant resources, the Bank planned and launched the Party building training courses themed “Rural Talent Revitalisation (鄉村人才振興)” for primary-level cadres in villages and towns, in an effort to strengthen the role of fighting bastion of the primary-level Party branch in rural areas. The Bank launched the “Cooperation for Rural Revitalisation Initiative (鄉村振興攜手計劃)” to introduce strategic clients to counties receiving paired assistance for business cooperation and public welfare. The Bank developed a cultural tourism project of making Dishang Village one of the 100 Beautiful Villages (堤上村“百美村莊”), established e-commerce center for online agricultural products exhibition and sales, mushroom industrial park, cold-chain warehouse for breeding, and experimental base for structural adjustment of agricultural products, explored and cultivated industrial cooperatives for planting agricultural products, and popularised and replicated modern management models. The Bank organised the first entrepreneurship and innovation competition for rural revitalisation with the theme of “Mass Innovation in Hua County (眾創滑州)”, and guided the first secretary and entrepreneurial leaders to play the guiding role by funding the winners. To enrich the cultural life in rural areas, the Bank held a range of cultural activities such as “Anti-Telecom Fraud Publicity Week (防電信詐騙宣傳周)”, “Flowers DIY on Mother’s Day (母親節鮮花DIY)” and “Party Building-Themed Movie Watching (黨建主題觀影)”, striving to build demonstration sites of rural revitalisation.

CHAPTER 8 MAJOR EVENTS

I. Material Litigation and Arbitration

During the Reporting Period, the Bank had no litigation or arbitration proceeding that had significant impact on its operations. As at 30 June 2022, there were 2,196 pending litigations with disputed amounts of over RMB1 million involving the Bank as plaintiff for approximately RMB49,265 million and 179 pending litigations involving the Bank as defendant for approximately RMB3,760 million.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Bank has strictly complied with the Articles of Association, the Basic Accounting Rules 《基本財務規則》 and the Administrative Measures on Fixed Assets 《固定資產管理辦法》 of the Bank. The Bank has made arrangements for writing off residual value and account treatment of fixed assets that satisfied the conditions for disposal. The shareholders' interest has not been prejudiced and the Bank has not experienced any loss of assets.

III. Material Contracts and Their Performances

The Bank participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing. The integrated construction of soil protection and foundation engineering on the sixth construction site where the project is located is in progress.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 on the north of Headquarters Economic Zone in Donghai Sub-District, Quanzhou. The construction commenced in May 2016. The construction of facade, the installation of mechanical and electrical equipment, fire engineering, elevator engineering and renovation of public facilities were completed, and the item-by-item check for acceptance is underway. The bidding for constructors of second-round refined decoration was completed. The contract signing is on the agenda and preparation for construction is under progress.

The Bank participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side Road in Taijiang District, Fuzhou. The land handover was completed with Fuzhou Land Development Centre (福州市土地發展中心) in August 2018. The new office building project of Fuzhou Branch was considered and approved by the Board on 23 September 2020. The approval procedures of pile foundation construction permit were completed on 25 September 2020. The Bank signed the contract with entrusted construction firms in May 2021, and the construction management work is being carried out pursuant to the entrusted construction management model. The pile foundation construction was completed on 15 May 2022. Currently, the enclosing pile foundation construction is in progress.

CHAPTER 8 MAJOR EVENTS

The Phase I of Shunyi Headquarters in Beijing has been accepted for completion and put into operation. The settlement and auditing of the construction have been completed and the transfer of entitlement is in progress. As at the end of the Reporting Period, the determination of land premium had been completed. The Phase II of Shunyi Headquarters in Beijing was granted the Project Filing Certificate of Beijing Non-Governmental Investment in Industrial and IT Fixed Assets (Shun Jing Xin Bei [2019] No. 0008) 《北京市非政府投資工業和信息化固定資產投資項目備案證明》(順經信備〔2019〕0008號)) on 14 May 2019, the Letter of Preliminary Review Opinions on “Plan Integration” Synergetic Platform of Shunyi Phase II Cloud Computing Centre of China Minsheng Bank (Jing Gui Zi (Shun) Chu Shen [2019] No. 0002) 《關於民生銀行順義二期雲計算數據中心項目“多規合一”協同平台初審意見的函》(京規自(順)初審〔2019〕0002號)) on 11 June 2019, and the Review Opinions on Energy Conservation of Shunyi Headquarters Phase II Cloud Computing Centre of China Minsheng Bank of the Development and Reform Commission of Beijing Municipality (Jing Fa Gai Neng Ping [2020] No. 8) 《北京市發展改革委員會關於中國民生銀行順義總部基地二期雲計算數據中心項目的節能審查意見》(京發改能評〔2020〕8號)) on 17 March 2020. The preliminary design was completed in April 2020. The project was granted the Letter of Consolidated Consulting Opinions on “Plan Integration” Synergetic Platform of Headquarters Phase II Cloud Computing Centre 《關於總部基地二期雲計算數據中心項目“多規合一”協同平台綜合會商意見的函》 on 15 May 2020 and the Planning Permit on Construction Project (2020 Gui Zi Shun Jian Zi No. 0032) 《建設工程規劃許可證》(2020 規自順建字 0032號)) on 17 July 2020. The general investment estimation and the construction plan of the project were approved by the Board on 30 December 2020. The construction permit for the project was obtained on 7 December 2021, and the construction was started. Currently, the basement structure is under construction, the computer room structure is under construction on the first floor, and the floor of garage is under construction.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2013) No. 4 on the south of Baifo Road and the east of Xuzhuang Street in Zhengdong New District, Zhengzhou, and has completed the earthwork excavation and pile foundation construction. The construction is currently suspended.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 1 on the west of East Fourth Ring Road and the south of Lianhu Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 3 on the south of Shangding Road and the west of Mingli Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction.

IV. Major Guarantees

During the Reporting Period, no major guarantees of the Group were required to be disclosed except for the financial guarantees provided within the business scope approved by the PBOC.

CHAPTER 8 MAJOR EVENTS

V. Commitments by the Bank and Its Relevant Entities

According to the relevant rules of the CSRC, the Bank considered and approved the Proposal on Impacts on Dilution of Current Returns of the Non-public Issuance of Preference Shares and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd. 《關於中國民生銀行股份有限公司非公開發行優先股攤薄即期回報及填補措施的議案》 at the first extraordinary general meeting for 2016 on 1 February 2016 and the Proposal on Impacts on Dilution of Current Returns of the Public Issuance of A Shares Convertible Corporate Bonds and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd. 《關於中國民生銀行股份有限公司公開發行A股可轉換公司債券攤薄即期回報及填補措施的議案》 at the 2016 annual general meeting on 16 June 2017, in which remedial measures on the dilution of current returns that might arise from the non-public issuance of preference shares and the public issuance of A share convertible corporate bonds by the Bank was formulated, respectively. These measures included strengthening capital management, optimising resources allocation, promoting the transformation of business model and management mechanism, enhancing comprehensive management and refined management, improving comprehensive risk management, and further increasing its corporate value. At the same time, the Directors and the Senior Management of the Bank also made commitments to effectively execute the remedial measures on current returns. During the Reporting Period, the Bank and the Directors and the Senior Management of the Bank did not violate any of the aforesaid commitments.

VI. Appointment of Accounting Firms

The 2021 annual general meeting of the Bank approved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Bank, being the auditing firms responsible for domestic and international auditing of the Bank for 2022, respectively.

According to the terms of contracts, the total remuneration agreed between the Bank and the above auditors in respect of their audit services for the year, including 2022 annual auditing, 2022 interim review, agreed procedures of 2022 quarterly financial statements, auditing of the effectiveness of internal control for 2022, and auditing of projects of tier-two capital bonds and financial bonds in 2022, was RMB9.6 million, including a service fee of RMB1.0 million for the audit of the effectiveness of internal control.

As at the end of the Reporting Period, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have been providing audit services to the Bank for the fourth year. YAN Lin and ZHANG Honglei, the signing accountants, have been providing services for the Bank for the fourth year.

VII. Material Related Party Transactions

The Bank does not have any controlling shareholders.

For details of the related party transactions subject to relevant accounting standards as at the end of the Reporting Period, please refer to Note IX Related Parties to the Consolidated Financial Statements.

CHAPTER 8 MAJOR EVENTS

VIII. Profit and Dividend Distribution

(I) Annual profit distribution for 2021

The Bank distributed dividends to all shareholders according to the profit distribution plan for 2021, which was considered and approved at the 19th meeting of the eighth session of the Board and the 2021 annual general meeting. On the basis of the total share capital of the Bank as at the record dates, the Bank distributed a cash dividend for 2021 of RMB0.213 (tax inclusive) per share to all shareholders whose names appeared on the registers as at the record dates. The total cash dividend amounted to RMB9,326 million. The cash dividend was denominated and declared in RMB and was paid in RMB to holders of A shares and in Hong Kong dollar to holders of H shares.

The Bank has distributed the cash dividends to holders of A shares and investors of Northbound Trading in June 2022 in accordance with relevant provisions, and distributed the cash dividends to holders of H shares and investors of Southbound Trading in July 2022 in accordance with relevant provisions. The implementation of the distribution plan was thus completed. For details, please refer to the announcement of the Bank dated 10 June 2022 published on the HKEXnews website of the SEHK and the announcement dated 17 June 2022 published on the website of the SSE, respectively.

(II) Profit distribution plan for the first half of 2022

No interim profit will be distributed and no capital reserve will be used for capitalisation for the first half of 2022.

IX. Audit Committee

As at the end of the Reporting Period, the members of the Audit Committee of the Bank included LIU Ningyu (chairman), SONG Chunfeng, WENG Zhenjie, PENG Xuefeng and QU Xinjiu.

The main duties of the Audit Committee include reviewing and inspecting the financial reporting procedures and internal monitoring system of the Bank and issuing opinions to the Board. The Audit Committee of the Bank has reviewed and confirmed the 2022 Interim Report and the 2022 interim results announcement as at 30 June 2022.

X. Non-Operating Fund Occupation by Controlling Shareholders and Other Related Parties

The Bank does not have any controlling shareholder and Dajia Life Insurance Co., Ltd. is the largest shareholder. The Bank does not have any non-operating fund occupation by the largest shareholder and its ultimate controller and other related parties.

XI. Illegal Guarantees

During the Reporting Period, the Bank did not enter into any guarantee contracts in violation of the guarantee procedures prescribed by laws, administrative regulations and the CSRC.

CHAPTER 8 MAJOR EVENTS

XII. Pre-Emptive Rights

Pre-Emptive rights are not prescribed in the Company Law of the People's Republic of China 《中華人民共和國公司法》) and the Articles of Association, and the Bank is not required by the above provisions to issue new shares to the current shareholders based on the holding proportion of the shareholders. In accordance with Article 31 of the Articles of Association, the Bank may increase its capital by public offering of ordinary shares, issuance of ordinary shares to its existing shareholders, distribution of new ordinary shares to its existing shareholders, private placing of ordinary shares, conversion of preference shares to ordinary shares, and any other methods permitted by the applicable laws and administrative regulations. There is no compulsory rule in relation to pre-emptive rights in the Articles of Association.

XIII. Consumer Rights Protection

During the Reporting Period, the Bank stuck to the "people-centric" development philosophy and implemented the "customer-centric" business philosophy when performing its duty in consumer rights protection. The Bank strengthened the top-level design, optimised systems and mechanisms, strengthened complaint management and promoted cultural development, in a bid to continuously enhance consumer rights protection. In respect of strengthening the top-level design, the Bank deeply integrated consumer rights protection into corporate governance, and continuously strengthened the hierarchical governance of consumer rights protection involving the Strategic Development and Consumer Rights Protection Committee of the Board, Consumer Rights Protection Working Committee of the Head Office, and consumer rights protection working committees of operating units, so as to promote the integrated management and synergy between different levels in terms of consumer rights protection. In respect of optimising systems and mechanisms, the Bank formulated the 2022 work plan for consumer rights protection, continuously improved the management systems for consumer rights protection, optimised the reviewing mechanism for consumer rights protection, facilitated classified appraisals regarding consumer rights protection, strengthened the whole-process management and control of products and services, so as to further consolidate the basis of consumer rights protection management and safeguard the rights and interests of consumers. In respect of strengthening complaint management, the Bank optimised the complaint distribution rules, carried out normalised source-tracing and rectification of key complaints, promoted the launching of mechanism for diversified settlement of disputes, and focused on settling disputes and enhancing the quality and effectiveness of compliant handling, so as to improve consumer satisfaction. In respect of promoting cultural cultivation, the Bank actively organised three centralised education and publicity campaigns, namely "15 March" Promotion Week, "Protect Your Wealth (守住"錢袋子")" and "Financial Knowledge Promotion Tour (金融知識萬里行)", continuously conducted multi-level and multi-field trainings on consumer rights protection, and strove to enhance the depth and breadth of publicity and training.

XIV. Other Major Events

During the Reporting Period, the Bank had no other major events.

FINANCIAL REPORTS

- I. Report on Review of Interim Financial Information
- II. Condensed Consolidated Interim Income Statement, Condensed Consolidated Interim Statement of Comprehensive Income, Condensed Consolidated Interim Statement of Financial Position, Condensed Consolidated Interim Statement of Changes in Equity and Condensed Consolidated Interim Statement of Cash Flows
- III. Notes to the Condensed Consolidated Interim Financial Statements
- IV. Unaudited Supplementary Financial Information

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of China Minsheng Banking Corp., Ltd.

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

Introduction

We have reviewed the interim financial information set out on pages 149 to 289, which comprises the condensed consolidated statement of financial position of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2022 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Conclusion

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



PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2022

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| | Note 4 | Six months ended 30 June | |
|--|--------|--------------------------|---------------------|
| | | 2022 (unaudited) | 2021 (unaudited) |
| Interest income | | 131,728 | 140,736 |
| Interest expense | | (76,905) | (74,983) |
| Net interest income | 1 | 54,823 | 65,753 |
| Fee and commission income | | 12,253 | 15,359 |
| Fee and commission expense | | (2,388) | (2,675) |
| Net fee and commission income | 2 | 9,865 | 12,684 |
| Net trading gain | 3 | 3,814 | 1,072 |
| Net gain from investment securities | 4 | 3,011 | 5,740 |
| Including: disposals of financial assets measured at amortised cost | | 246 | 601 |
| Net other operating income | 5 | 1,223 | 1,101 |
| Operating expenses | 6 | (21,947) | (20,366) |
| Credit impairment losses | 7 | (23,960) | (36,543) |
| Other impairment losses | | (310) | (501) |
| Profit before income tax | | 26,519 | 28,940 |
| Income tax expense | 8 | (1,635) | (2,203) |
| Net profit | | 24,884 | 26,737 |
| Net profit attributable to: | | | |
| Equity holders of the Bank | | 24,638 | 26,556 |
| Non-controlling interests | | 246 | 181 |
| Earnings per share (expressed in RMB Yuan) | | | |
| Basic and diluted earnings per share | 9 | 0.49 | 0.56 |

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| Net profit | 24,884 | 26,737 |
| Other comprehensive income of the year, net of tax | (938) | 659 |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income | (54) | 4 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Financial assets at fair value through other comprehensive income | | |
| Changes in fair value | (1,413) | (154) |
| Allowance for impairment losses | 31 | 785 |
| Effective hedging portion of gains or losses arising from cash flow hedging instruments | 20 | 17 |
| Exchange difference on translating foreign operations | 478 | 7 |
| Total comprehensive income of the year | 23,946 | 27,396 |
| Total comprehensive income attributable to: | | |
| Equity holders of the Bank | 23,527 | 27,189 |
| Non-controlling interests | 419 | 207 |

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| | Note 4 | 30 June 2022 (unaudited) | 31 December 2021 (audited) |
|---|--------|--------------------------------|----------------------------------|
| ASSETS | | | |
| Cash and balances with central bank | 10 | 365,960 | 361,302 |
| Balances with banks and other financial institutions | 11 | 104,615 | 92,546 |
| Precious metals | | 19,819 | 13,189 |
| Placements with banks and other financial institutions | 12 | 175,764 | 158,768 |
| Derivative financial assets | 13 | 30,380 | 27,461 |
| Financial assets held under resale agreements | 14 | 12,544 | 1,362 |
| Loans and advances to customers | 15 | 4,131,646 | 3,967,679 |
| Financial investments: | 16 | 2,184,594 | 2,034,433 |
| – Financial assets at fair value through profit or loss | | 385,453 | 300,684 |
| – Financial assets at fair value through other comprehensive income | | 459,148 | 435,529 |
| – Financial assets measured at amortised cost | | 1,339,993 | 1,298,220 |
| Long-term receivables | 17 | 111,798 | 122,716 |
| Property and equipment | 18 | 54,136 | 53,466 |
| Right-of-use assets | 19(1) | 13,408 | 14,105 |
| Deferred income tax assets | 20 | 53,438 | 51,904 |
| Investments in associates | 21(3) | 2 | 2 |
| Other assets | 22 | 62,476 | 53,853 |
| Total assets | | 7,320,580 | 6,952,786 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| | Note 4 | 30 June 2022 (unaudited) | 31 December 2021 (audited) |
|--|--------|--------------------------------|----------------------------------|
| LIABILITIES | | | |
| Borrowings from central bank | | 259,068 | 279,787 |
| Deposits and placements from banks and other financial institutions | 24 | 1,272,024 | 1,294,358 |
| Financial liabilities at fair value through profit or loss | | 2,629 | 2,856 |
| Borrowings from banks and other financial institutions | 25 | 111,867 | 114,461 |
| Derivative financial liabilities | 13 | 26,559 | 26,114 |
| Financial assets sold under repurchase agreements | 26 | 52,484 | 36,485 |
| Deposits from customers | 27 | 4,161,548 | 3,825,693 |
| Lease liabilities | 19(2) | 9,612 | 10,225 |
| Provisions | 28 | 2,158 | 2,250 |
| Debt securities issued | 29 | 762,428 | 711,024 |
| Current income tax liabilities | | 4,209 | 8,811 |
| Deferred income tax liabilities | 20 | 166 | 247 |
| Other liabilities | 30 | 53,117 | 53,936 |
| Total liabilities | | 6,717,869 | 6,366,247 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| | Note 4 | 30 June 2022 (unaudited) | 31 December 2021 (audited) |
|---|--------|--------------------------------|----------------------------------|
| EQUITY | | | |
| Share capital | 31 | 43,782 | 43,782 |
| Other equity instruments | | 94,962 | 89,964 |
| Including: Preference shares | 32 | 19,975 | 19,975 |
| Perpetual bonds | 33 | 74,987 | 69,989 |
| Reserves | | | |
| Capital reserve | 31 | 58,149 | 58,149 |
| Surplus reserve | 35 | 51,843 | 51,843 |
| General reserve | 35 | 87,057 | 87,013 |
| Other reserves | | (693) | 385 |
| Retained earnings | 35 | 255,060 | 243,144 |
| <hr/> | | | |
| Total equity attributable to equity holders of the Bank | | 590,160 | 574,280 |
| Non-controlling interests | | 12,551 | 12,259 |
| <hr/> | | | |
| Total equity | | 602,711 | 586,539 |
| <hr/> | | | |
| Total liabilities and equity | | 7,320,580 | 6,952,786 |

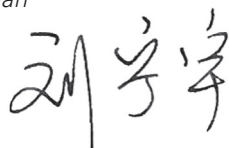
The accompanying notes form an integral part of these condensed consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 26 August 2022.



Gao Yingxin

Chairman



Liu Ningyu

Director



Zheng Wanchun

Vice Chairman and President

(Company Seal)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| Unaudited | Attributable to equity shareholders of the Bank | | | | | | | | | | | | |
|--|---|---------------|--------------------------|-----------------|-----------------|-----------------|--------------------------------|------------------|---------------------------|-------------------|--------|---------------------------|--------------|
| | Note 4 | Reserves | | | | | | | | | Total | Non-controlling interests | Total equity |
| | | Share capital | Other equity instruments | Capital reserve | Surplus reserve | General reserve | Investment revaluation reserve | Exchange reserve | Cash flow hedging reserve | Retained earnings | | | |
| | | 31 | 32&33 | 31 | 35 | 35 | 38 | | 38 | 35 | | | |
| At 31 December 2021 | 43,782 | 89,964 | 58,149 | 51,843 | 87,013 | 573 | (181) | (7) | 243,144 | 574,280 | 12,259 | 586,539 | |
| (I) Net profit | - | - | - | - | - | - | - | - | 24,638 | 24,638 | 246 | 24,884 | |
| (II) Other comprehensive income, net of tax | - | - | - | - | - | (1,470) | 339 | 20 | - | (1,111) | 173 | (938) | |
| Total comprehensive income | - | - | - | - | - | (1,470) | 339 | 20 | 24,638 | 23,527 | 419 | 23,946 | |
| (III) Capital injection and deduction by equity holders | | | | | | | | | | | | | |
| 1. Capital injection by other equity instrument holders | - | 4,998 | - | - | - | - | - | - | - | 4,998 | - | 4,998 | |
| (IV) Profit distribution | | | | | | | | | | | | | |
| 1. Appropriation to general reserve | - | - | - | - | 44 | - | - | - | (44) | - | - | - | |
| 2. Cash dividends | - | - | - | - | - | - | - | - | (9,326) | (9,326) | (81) | (9,407) | |
| 3. Perpetual bond interest | - | - | - | - | - | - | - | - | (3,230) | (3,230) | - | (3,230) | |
| (V) Transfers within the owners' equity | | | | | | | | | | | | | |
| 1. Other comprehensive income transferred to retained earnings | - | - | - | - | - | 33 | - | - | (33) | - | - | - | |
| (VI) Others | | | | | | | | | | | | | |
| 1. Subsidiaries shares repurchased | - | - | - | - | - | - | - | - | (89) | (89) | (46) | (135) | |
| At 30 June 2022 | 43,782 | 94,962 | 58,149 | 51,843 | 87,057 | (864) | 158 | 13 | 255,060 | 590,160 | 12,551 | 602,711 | |

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| Unaudited | Attributable to equity shareholders of the Bank | | | | | | | | | | | |
|--|---|--------------------------|-----------------|-----------------|-----------------|--------------------------------|------------------|---------------------------|-------------------|---------|---------------------------|--------------|
| | Reserves | | | | | | | | | | | Total equity |
| | Share capital | Other equity instruments | Capital reserve | Surplus reserve | General reserve | Investment revaluation reserve | Exchange reserve | Cash flow hedging reserve | Retained earnings | Total | Non-controlling interests | |
| Note 4 | 31 | 32&33 | 31 | 35 | 35 | 38 | | 38 | 35 | 36 | | |
| At 31 December 2020 | 43,782 | 69,860 | 57,419 | 48,479 | 86,599 | (1,740) | (85) | (24) | 225,247 | 529,537 | 11,711 | 541,248 |
| (I) Net profit | - | - | - | - | - | - | - | - | 26,556 | 26,556 | 181 | 26,737 |
| (II) Other comprehensive income, net of tax | - | - | - | - | - | 587 | 29 | 17 | - | 633 | 26 | 659 |
| Total comprehensive income | - | - | - | - | - | 587 | 29 | 17 | 26,556 | 27,189 | 207 | 27,396 |
| (III) Capital injection and deduction by equity holders | | | | | | | | | | | | |
| 1. Capital injection by other equity instrument holders | - | 29,996 | - | - | - | - | - | - | - | 29,996 | - | 29,996 |
| (IV) Profit distribution | | | | | | | | | | | | |
| 1. Appropriation to general reserve | - | - | - | - | 118 | - | - | - | (118) | - | - | - |
| 2. Cash dividends | - | - | - | - | - | - | - | - | (9,326) | (9,326) | (47) | (9,373) |
| 3 Perpetual bond interest | - | - | - | - | - | - | - | - | (1,940) | (1,940) | - | (1,940) |
| (V) Transfers within the owners' equity | | | | | | | | | | | | |
| 1. Other comprehensive income transferred to retained earnings | - | - | - | - | - | (3) | - | - | 3 | - | - | - |
| (VI) Others | | | | | | | | | | | | |
| 1. Subsidiaries shares repurchased | - | - | - | - | - | - | - | - | (20) | (20) | (12) | (32) |
| At 30 June 2021 | 43,782 | 99,856 | 57,419 | 48,479 | 86,717 | (1,156) | (56) | (7) | 240,402 | 575,436 | 11,859 | 587,295 |

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| Audited | Attributable to equity shareholders of the Bank | | | | | | | | | | | | |
|--|---|---------------------|-----------------------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|------------------|---------------------------------|-------------------------|----------|---------------------------------|--------------|
| | Note 4 | Share capital 31 | Other equity instruments 32&33 | Reserves | | | | | | Retained earnings 35 | Total | Non-controlling interests 36 | Total equity |
| | | | | Capital reserve 31 | Surplus reserve 35 | General reserve 35 | Investment revaluation reserve 38 | Exchange reserve | Cash flow hedging reserve 38 | | | | |
| At 31 December 2020 | | 43,782 | 69,860 | 57,419 | 48,479 | 86,599 | (1,740) | (85) | (24) | 225,247 | 529,537 | 11,711 | 541,248 |
| (I) Net profit | | - | - | - | - | - | - | - | - | 34,381 | 34,381 | 472 | 34,853 |
| (II) Other comprehensive income, net of tax | | - | - | - | - | - | 2,312 | (96) | 17 | - | 2,233 | 38 | 2,271 |
| Total comprehensive income | | - | - | - | - | - | 2,312 | (96) | 17 | 34,381 | 36,614 | 510 | 37,124 |
| (III) Capital injection and deduction by equity holders | | | | | | | | | | | | | |
| 1. Capital injection by other equity instrument holders | | - | 29,996 | - | - | - | - | - | - | - | 29,996 | - | 29,996 |
| 2. Capital deduction by other equity instrument holders | | - | (9,892) | 730 | - | - | - | - | - | - | (9,162) | - | (9,162) |
| (IV) Profit distribution | | | | | | | | | | | | | |
| 1. Appropriation to surplus reserve | | - | - | - | 3,364 | - | - | - | - | (3,364) | - | - | - |
| 2. Appropriation to general reserve | | - | - | - | - | 414 | - | - | - | (414) | - | - | - |
| 3. Cash dividends | | - | - | - | - | - | - | - | - | (10,714) | (10,714) | (72) | (10,786) |
| 4. Perpetual bond interest | | - | - | - | - | - | - | - | - | (1,940) | (1,940) | - | (1,940) |
| (V) Transfers within the owners' equity | | | | | | | | | | | | | |
| 1. Other comprehensive income transferred to retained earnings | | - | - | - | - | - | 1 | - | - | (1) | - | - | - |
| (VI) Others | | | | | | | | | | | | | |
| 1. Capital injection by subsidiaries | | - | - | - | - | - | - | - | - | - | - | 140 | 140 |
| 2. Subsidiaries shares repurchased | | - | - | - | - | - | - | - | - | (51) | (51) | (30) | (81) |
| At 31 December 2021 | | 43,782 | 89,964 | 58,149 | 51,843 | 87,013 | 573 | (181) | (7) | 243,144 | 574,280 | 12,259 | 586,539 |

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| Cash flows from operating activities: | | |
| Profit before income tax | 26,519 | 28,940 |
| <i>Adjustments for:</i> | | |
| – Credit impairment losses | 23,960 | 36,543 |
| – Other impairment losses | 310 | 501 |
| – Depreciation and amortisation | 3,766 | 3,597 |
| – Losses on disposal of property and equipment and other long-term assets | (77) | (198) |
| – Losses/(Gains) from changes in fair value | 1,688 | (2,141) |
| – Net gains on disposal of investment securities | (3,970) | (4,170) |
| – Interest expense on debt securities issued | 10,202 | 13,025 |
| – Interest expense on lease liabilities | 194 | 207 |
| – Interest income from financial investments | (27,844) | (30,019) |
| Subtotal | 34,748 | 46,285 |
| <i>Changes in operating assets:</i> | | |
| Net increase in balances with central bank, banks and other financial institutions | (1,156) | (7,883) |
| Net (increase)/decrease in placements with banks and other financial institutions | (33,251) | 81,720 |
| Net (increase)/decrease in financial assets held under resale agreements | (11,177) | 12,355 |
| Net increase in loans and advances to customers | (185,389) | (199,090) |
| Net (increase)/decrease in financial assets held for trading purposes | (4,476) | 21,838 |
| Net (increase)/decrease in other operating assets | (15,404) | 1,395 |
| Subtotal | (250,853) | (89,665) |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| Cash flows from operating activities: (continued) | | |
| <i>Changes in operating liabilities:</i> | | |
| Net (decrease)/increase in borrowings from central bank | (25,378) | 9,423 |
| Net increase in deposits from customers | 337,869 | 124,166 |
| Net (decrease)/increase in deposits and placements from banks and other financial institutions | (23,933) | 232,233 |
| Net increase/(decrease) in financial assets sold under repurchase agreements | 15,954 | (32,779) |
| Income tax paid | (7,677) | (12,296) |
| Net increase in other operating liabilities | 1,192 | 10,623 |
| Subtotal | 298,027 | 331,370 |
| Net cash generated from operating activities | 81,922 | 287,990 |
| Cash flows from investing activities: | | |
| Proceeds from sale and redemption of investments and investment income | 591,946 | 652,574 |
| Proceeds from disposal of property and equipment, intangible assets and other long-term assets | 2,277 | 2,249 |
| Cash payment for investments | (704,363) | (551,834) |
| Cash payment for purchase of property and equipment, intangible assets and other long-term assets | (8,231) | (3,547) |
| Net cash (used in)/generated from investing activities | (118,371) | 99,442 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| Note 4 | 2022 | 2021 |
| | (unaudited) | (unaudited) |
| Cash flows from financing activities: | | |
| Capital injection by holders of other equity instruments | 4,998 | 29,996 |
| Proceeds from issue of debt securities | 420,256 | 306,378 |
| Repayment of debt securities issued | (374,285) | (570,993) |
| Subsidiaries shares repurchased | (135) | (32) |
| Interest paid on debt securities and perpetual bonds issued | (8,387) | (7,500) |
| Dividends paid | (7,682) | (7,581) |
| Cash payment in other financing activities | (1,854) | (1,783) |
| Net cash generated from/(used in) financing activities | 32,911 | (251,515) |
| Net (decrease)/increase in cash and cash equivalents | (3,538) | 135,917 |
| Cash and cash equivalents at 1 January | 163,418 | 157,919 |
| Effect of exchange rate changes on cash and cash equivalents | 2,837 | (982) |
| Cash and cash equivalents at 30 June | 162,717 | 292,854 |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

1 General information

China Minsheng Banking Corp., Ltd. (the “Bank”) is a national joint-stock commercial bank established in the People’s Republic of China (“PRC”) on 7 February 1996 with the approval of the State Council of the PRC and the People’s Bank of China (“PBOC”).

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking and Insurance Regulatory Commission (the former “China Banking Regulatory Commission” and “China Insurance Regulatory Commission”, the “CBIRC”), and the business licence as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

The Bank’s A Shares and H Shares are listed in the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, the stock codes are 600016 and 01988, respectively.

In these condensed consolidated financial statements for the six months ended 30 June 2022, China mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the “Group”) mainly provide corporate and personal banking, treasury business, financial leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 30 June 2022, the Bank had 42 tier-one branches and 33 subsidiaries.

2 Basis of preparation

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

3 Summary of significant accounting policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and critical accounting estimates and judgements used in preparing the unaudited condensed consolidated interim financial statements are the same as those followed in the preparation of the Group’s consolidated annual financial statements for the year ended 31 December 2021.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

3 Summary of significant accounting policies (*continued*)

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

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

| | |
|---|---|
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendments to IAS 37 | Cost of Fulfilling a Contract |
| Amendments to IAS 16 | Proceeds before Intended Use |
| Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 | Annual Improvements to IFRS Standards 2018-2020 cycle |

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

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

In current year, the Group has not adopted the following new or amended standards issued by the IASB and the IFRS Interpretations Committee (“IFRIC”), that have been issued but are not yet effective.

| Standards/Amendments | | Effective date |
|--|---|--|
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture | The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to IAS 12 | Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction | 1 January 2023 |

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements

4.1 Net interest income

| | Six months ended 30 June | |
|---|--------------------------|----------|
| | 2022 | 2021 |
| Interest income arising from: | | |
| Loans and advances to customers | 94,021 | 100,219 |
| Including: Corporate loans and advances | 42,923 | 49,336 |
| Personal loans and advances | 47,181 | 47,154 |
| Discounted bills | 3,917 | 3,729 |
| Financial investments | 27,844 | 30,019 |
| Including: Financial assets measured at amortised cost | 21,475 | 22,818 |
| Financial assets at fair value through other comprehensive income | 6,369 | 7,201 |
| Long-term receivables | 3,403 | 3,911 |
| Placements with banks and other financial institutions | 2,810 | 3,379 |
| Balances with central bank | 2,386 | 2,574 |
| Financial assets held under resale agreements | 989 | 475 |
| Balances with banks and other financial institutions | 275 | 159 |
| Subtotal | 131,728 | 140,736 |
| Interest expense arising from: | | |
| Deposits from customers | (44,247) | (40,043) |
| Deposits and placements from banks and other financial institutions | (15,925) | (14,635) |
| Debt securities issued | (10,202) | (13,025) |
| Borrowings from central bank | (3,913) | (4,369) |
| Borrowings from banks and other financial institutions and others | (1,892) | (2,005) |
| Financial assets sold under repurchase agreements | (532) | (699) |
| Lease liabilities | (194) | (207) |
| Subtotal | (76,905) | (74,983) |
| Net interest income | 54,823 | 65,753 |
| Of which: | | |
| Interest income from impaired loans and advances to customers | 558 | 535 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.2 Net fee and commission income

| | Six months ended 30 June | |
|--|--------------------------|---------|
| | 2022 | 2021 |
| Fee and commission income | | |
| Bank card services | 5,444 | 5,711 |
| Custodian and other fiduciary services | 2,725 | 3,048 |
| Agency services | 2,297 | 3,862 |
| Settlement services | 810 | 1,086 |
| Credit commitments | 691 | 1,083 |
| Others | 286 | 569 |
| Subtotal | 12,253 | 15,359 |
| Fee and commission expense | (2,388) | (2,675) |
| Net fee and commission income | 9,865 | 12,684 |

4.3 Net trading gain

| | Six months ended 30 June | |
|--|--------------------------|-------|
| | 2022 | 2021 |
| Net gain from interest rate products | 939 | 809 |
| Net gain from foreign exchange and foreign exchange products | 2,263 | (111) |
| Others | 612 | 374 |
| Total | 3,814 | 1,072 |

4.4 Net gain from investment securities

| | Six months ended 30 June | |
|---|--------------------------|-------|
| | 2022 | 2021 |
| Financial assets at fair value through profit or loss | 1,703 | 4,659 |
| Financial assets at fair value through other comprehensive income | 1,062 | 480 |
| Financial assets measured at amortised cost | 246 | 601 |
| Total | 3,011 | 5,740 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.5 Net other operating income

| | Six months ended 30 June | |
|-------------------------|--------------------------|---------|
| | 2022 | 2021 |
| Operating leases income | 2,369 | 1,959 |
| Operating leases costs | (1,407) | (1,175) |
| Others | 261 | 317 |
| Total | 1,223 | 1,101 |

4.6 Operating expenses

| | Six months ended 30 June | |
|--|--------------------------|--------|
| | 2022 | 2021 |
| Staff costs, including directors' emoluments | | |
| – Salaries, bonuses, allowances and subsidies payables | 11,731 | 11,609 |
| – Post-employment benefits-defined contribution plan | 1,106 | 1,307 |
| Depreciation and amortisation | 2,865 | 2,754 |
| Short-term lease expenses, low-value lease expenses and property management expenses | 414 | 389 |
| Tax and surcharges | 883 | 945 |
| Office expenses, business expenses and others | 4,948 | 3,362 |
| Total | 21,947 | 20,366 |

4.7 Credit impairment losses

| | Six months ended 30 June | |
|---|--------------------------|--------|
| | 2022 | 2021 |
| Loans and advances to customers | 21,475 | 26,691 |
| Financial assets measured at amortised cost | 997 | 6,932 |
| Financial assets at fair value through other comprehensive income | 362 | 575 |
| Long-term receivables | 1,015 | 1,735 |
| Other receivables | 289 | 236 |
| Others | (178) | 374 |
| Total | 23,960 | 36,543 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.8 Income tax expense

| | Six months ended 30 June | |
|----------------------------|---------------------------------|-------|
| | 2022 | 2021 |
| Current tax for the period | 3,088 | 2,725 |
| Deferred tax (Note 4.20) | (1,453) | (522) |
| Total | 1,635 | 2,203 |

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

| | Six months ended 30 June | |
|--|---------------------------------|---------|
| | 2022 | 2021 |
| Profit before income tax | 26,519 | 28,940 |
| Income tax at the tax rate of 25% | 6,630 | 7,235 |
| Effect of non-taxable income | (1) (4,594) | (4,620) |
| Effect of non-deductible expenses | (2) 91 | 171 |
| Effect of tax adjustment for prior periods | 213 | 4 |
| Others | (705) | (587) |
| Income tax expense | 1,635 | 2,203 |

(1) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, as well as dividends arising from fund investments which are exempted from income tax, and dividends of fund.

(2) It mainly includes tax effects of business entertainment expenses and deposit insurance premiums in excess of their respective pre-tax deductible limits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the condensed consolidated financial statements (*continued*)

4.9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue.

The Bank issued non-cumulative preference shares in 2016. The Bank issued non-cumulative preference shares and perpetual bonds in 2019 and 2021 respectively under the terms and conditions as detailed in Note 4.32 Preference Shares and Note 4.33 Perpetual Bonds.

The conversion feature of the preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2022 and 31 December 2021, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

| | Six months ended 30 June | |
|---|---------------------------------|---------|
| | 2022 | 2021 |
| Profit for the year attributable to equity holders of the Bank | 24,638 | 26,556 |
| Less: profit for the year attributable to other equity instrument holders of the Bank | (3,230) | (1,940) |
| Net profit attributable to ordinary equity holders of the Bank | 21,408 | 24,616 |
| Weighted average number of ordinary shares in issue (in millions) | 43,782 | 43,782 |
| Basic/Diluted earnings per share (in RMB) | 0.49 | 0.56 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.10 Cash and balances with central bank

| | 30 June 2022 | 31 December 2021 |
|----------------------------|-------------------------|---------------------|
| Cash | 5,356 | 5,292 |
| Balances with central bank | | |
| Mandatory reserve deposits | 315,818 | 313,375 |
| Surplus reserve deposits | 43,507 | 41,093 |
| Fiscal deposits and others | 1,156 | 1,409 |
| Subtotal | 360,481 | 355,877 |
| Interest accrued | 123 | 133 |
| Total | 365,960 | 361,302 |

The Group places mandatory reserve deposits with the PBOC or local regulator. The mandatory reserve deposits are not available for use in the Group's daily business.

As at 30 June 2022 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 7.75% (31 December 2021: 8.0%) and the reserve rate for foreign currency deposits is 8.0% (31 December 2021: 9.0%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

Surplus reserve deposits maintained with the PBOC is for the purposes of clearing interbank transactions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.11 Balances with banks and other financial institutions

| | 30 June 2022 | 31 December 2021 |
|---------------------------------------|-------------------------|---------------------|
| China mainland | | |
| – Banks | 84,799 | 40,181 |
| – Other financial institutions | 4,608 | 4,950 |
| Subtotal | 89,407 | 45,131 |
| Overseas | | |
| – Banks | 14,728 | 46,808 |
| – Other financial institutions | 436 | 552 |
| Subtotal | 15,164 | 47,360 |
| Interest accrued | 52 | 63 |
| Less: allowance for impairment losses | (8) | (8) |
| Total | 104,615 | 92,546 |

For the six months ended 30 June 2022 and for the year ended 31 December 2021, the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages were insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.12 Placements with banks and other financial institutions

| | 30 June 2022 | 31 December 2021 |
|---------------------------------------|-----------------|---------------------|
| China mainland | | |
| – Banks | 12,641 | 7,885 |
| – Other financial institutions | 155,977 | 138,194 |
| Subtotal | 168,618 | 146,079 |
| Overseas | | |
| – Banks | 6,511 | 10,626 |
| – Other financial institutions | 1,946 | 3,412 |
| Subtotal | 8,457 | 14,038 |
| Interest accrued | 210 | 240 |
| Less: allowance for impairment losses | (1,521) | (1,589) |
| Total | 175,764 | 158,768 |

Movements in allowance for impairment losses of placements with banks and other financial institutions

| | Six months ended 30 June 2022 | | | |
|--------------------------------|-------------------------------|---------|---------|---------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2022 | (411) | – | (1,178) | (1,589) |
| Net reversal | 68 | – | – | 68 |
| Balance as at 30 June 2022 | (343) | – | (1,178) | (1,521) |
| | Year ended 31 December 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2021 | (233) | – | (739) | (972) |
| Transfer: | | | | |
| to stage 3 | 5 | – | (5) | – |
| Net charge | (183) | – | (434) | (617) |
| Balance as at 31 December 2021 | (411) | – | (1,178) | (1,589) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.13 Derivatives

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

(1) The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

| | 30 June 2022 | | |
|------------------------------|--------------------|------------------|-----------------|
| | Notional amount | Fair value | |
| | | Assets | Liabilities |
| Foreign exchange derivatives | 2,334,675 | 24,474 | (19,722) |
| Interest rate derivatives | 1,545,729 | 2,196 | (852) |
| Precious metal derivatives | 72,131 | 3,630 | (5,904) |
| Others | 5,124 | 80 | (81) |
| Total | | 30,380 | (26,559) |
| | | 31 December 2021 | |
| | Notional amount | Fair value | |
| | | Assets | Liabilities |
| Foreign exchange derivatives | 2,611,330 | 24,790 | (21,468) |
| Interest rate derivatives | 1,422,507 | 1,047 | (903) |
| Precious metal derivatives | 59,693 | 1,521 | (3,641) |
| Others | 6,467 | 103 | (102) |
| Total | | 27,461 | (26,114) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.13 Derivatives *(continued)*

(2) Hedges

| | | 30 June 2022 | | |
|--------------------------------|-----|--------------------|------------|--------------|
| | | Notional amount | Fair value | |
| | | | Assets | Liabilities |
| Cash flow hedges | | | | |
| – Currency swap contracts | (a) | 4,966 | – | (137) |
| Fair value hedges | | | | |
| – Interest rate swap contracts | (b) | 22,773 | 865 | (2) |
| Total | | | 865 | (139) |

| | | 31 December 2021 | | |
|--------------------------------|-----|--------------------|------------|-------------|
| | | Notional amount | Fair value | |
| | | | Assets | Liabilities |
| Cash flow hedges | | | | |
| – Currency swap contracts | (a) | 4,272 | 96 | – |
| Fair value hedges | | | | |
| – Interest rate swap contracts | (b) | 13,235 | 98 | (26) |
| Total | | | 194 | (26) |

(a) The Group uses foreign exchange swaps to hedge against cash flow fluctuations arising from its exposures to foreign exchange risks. The hedged items include foreign bond investments of the Group, loans and advances denominated in foreign currencies, and foreign currency lending to other banks and financial institutions. For the six months ended 30 June 2022 and for the six months ended 30 June 2021, the accumulative profit or loss recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments was not significant.

(b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the six months ended 30 June 2022 and for the six months ended 30 June 2021, the fair value changes of hedging instruments, the net gain or loss of hedged items and ineffective part of fair value hedging recognised in fair value changes were not significant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.13 Derivatives (*continued*)

(3) Credit risk weighted amount

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Credit risk weighted amount for counterparty | 28,642 | 20,712 |

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the CBIRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract. The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

4.14 Financial assets held under resale agreements

Financial assets held under resale agreements are listed as follows according to collateral:

| | 30 June 2022 | 31 December 2021 |
|---------------------------------------|-------------------------|---------------------|
| Bonds | 12,047 | 823 |
| Others | 494 | 541 |
| Subtotal | 12,541 | 1,364 |
| Interest accrued | 24 | 18 |
| Less: allowance for impairment losses | (21) | (20) |
| Total | 12,544 | 1,362 |

For the six months ended 30 June 2022 and for the year ended 31 December 2021, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.15 Loans and advances to customers

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Measured at amortised cost: | | |
| Corporate loans and advances | | |
| – Corporate loans | 2,177,908 | 2,017,910 |
| Personal loans and advances | | |
| – Micro lending (1) | 606,381 | 577,327 |
| – Residential mortgage | 594,227 | 595,468 |
| – Credit cards | 465,605 | 472,077 |
| – Others | 88,342 | 96,459 |
| Gross Balance | 1,754,555 | 1,741,331 |
| Less: allowance for impairment losses | (101,228) | (103,806) |
| Subtotal | 3,831,235 | 3,655,435 |
| Measured at fair value through other comprehensive income: | | |
| Corporate loans and advances | | |
| – Corporate loans | 6,507 | 5,577 |
| – Discounted bills | 266,566 | 280,874 |
| Subtotal | 273,073 | 286,451 |
| Interest accrued | 27,338 | 25,793 |
| Total | 4,131,646 | 3,967,679 |

(1) Micro lending is a loan product offered to the micro enterprise owners and proprietors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
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4 Notes to the condensed consolidated financial statements (*continued*)

4.15 Loans and advances to customers (*continued*)

(1) Loans and advances to customers (excluding interest accrued) analysed by types of collateral

| | 30 June 2022 | | 31 December 2021 | |
|--|------------------|---------------|------------------|--------|
| | Amount | (%) | Amount | (%) |
| Unsecured loans | 1,132,926 | 26.94 | 1,010,309 | 24.97 |
| Guaranteed loans | 681,098 | 16.20 | 670,747 | 16.58 |
| Loans secured by | | | | |
| – Tangible assets other than monetary assets | 1,764,832 | 41.96 | 1,739,357 | 42.99 |
| – Monetary assets | 626,680 | 14.90 | 625,279 | 15.46 |
| Total | 4,205,536 | 100.00 | 4,045,692 | 100.00 |

(2) Overdue loans (excluding interest accrued) analysed by overdue period

| | 30 June 2022 | | | | Total |
|--|--------------------|--------------------|---------------|-------------------|---------------|
| | Less than 3 months | 3 months to 1 year | 1 to 3 years | More than 3 years | |
| Unsecured loans | 9,712 | 9,823 | 6,622 | 692 | 26,849 |
| Guaranteed loans | 6,373 | 5,624 | 4,663 | 960 | 17,620 |
| Loans secured by | | | | | |
| – Tangible assets other than monetary assets | 8,961 | 14,017 | 10,908 | 1,992 | 35,878 |
| – Monetary assets | 3,277 | 2,044 | 2,380 | 286 | 7,987 |
| Total | 28,323 | 31,508 | 24,573 | 3,930 | 88,334 |
| % of total loans and advances to customers | 0.67 | 0.75 | 0.59 | 0.09 | 2.10 |

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For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.15 Loans and advances to customers (*continued*)

(2) Overdue loans (excluding interest accrued) analysed by overdue period (*continued*)

| | 31 December 2021 | | | | Total |
|---|-----------------------|-----------------------|-----------------|----------------------|---------------|
| | Less than 3 months | 3 months to 1 year | 1 to 3 years | More than 3 years | |
| Unsecured loans | 9,618 | 12,522 | 3,873 | 1,011 | 27,024 |
| Guaranteed loans | 7,152 | 5,923 | 2,240 | 1,145 | 16,460 |
| Loans secured by | | | | | |
| – Tangible assets other than monetary assets | 13,454 | 14,093 | 9,389 | 2,096 | 39,032 |
| – Monetary assets | 171 | 2,441 | 2,293 | 304 | 5,209 |
| Total | 30,395 | 34,979 | 17,795 | 4,556 | 87,725 |
| % of total loans and advances to customers | 0.75 | 0.87 | 0.44 | 0.11 | 2.17 |

Overdue loans represent loans of which the principal or interest are overdue for 1 day or more.

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For the six months ended 30 June 2022
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4 Notes to the condensed consolidated financial statements (*continued*)

4.15 Loans and advances to customers (*continued*)

(3) Movements in allowance for impairment losses

(a) Movements in allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

| | Six months ended 30 June 2022 | | | |
|--|-------------------------------|-----------------|-----------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2022 | (20,197) | (37,076) | (46,533) | (103,806) |
| Transfer: | | | | |
| to stage 1 | (3,351) | 3,033 | 318 | – |
| to stage 2 | 979 | (1,209) | 230 | – |
| to stage 3 | 416 | 5,589 | (6,005) | – |
| Net reversal/(charge) | 1,556 | (5,454) | (17,660) | (21,558) |
| Write-offs and transfer out | – | – | 26,514 | 26,514 |
| Recoveries of amounts previously written off | – | – | (2,898) | (2,898) |
| Others | (90) | (96) | 706 | 520 |
| Balance as at 30 June 2022 | (20,687) | (35,213) | (45,328) | (101,228) |
| | Year ended 31 December 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2021 | (23,048) | (29,725) | (43,769) | (96,542) |
| Transfer: | | | | |
| to stage 1 | (1,084) | 749 | 335 | – |
| to stage 2 | 2,292 | (4,346) | 2,054 | – |
| to stage 3 | 612 | 7,234 | (7,846) | – |
| Net reversal/(charge) | 1,038 | (10,975) | (48,000) | (57,937) |
| Write-offs and transfer out | – | – | 54,324 | 54,324 |
| Recoveries of amounts previously written off | – | – | (5,204) | (5,204) |
| Others | (7) | (13) | 1,573 | 1,553 |
| Balance as at 31 December 2021 | (20,197) | (37,076) | (46,533) | (103,806) |

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For the six months ended 30 June 2022
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4 Notes to the condensed consolidated financial statements (*continued*)

4.15 Loans and advances to customers (*continued*)

(3) Movements in allowance for impairment losses (*continued*)

(b) Movements in allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income are as follows:

| | Six months ended 30 June 2022 | | | |
|--|-------------------------------|---------|---------|---------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2022 | (286) | (104) | (912) | (1,302) |
| Transfer: | | | | |
| to stage 3 | – | 4 | (4) | – |
| Net reversal/(charge) | 15 | 100 | (32) | 83 |
| Write-offs | – | – | 100 | 100 |
| Recoveries of amounts previously written off | – | – | (20) | (20) |
| Balance as at 30 June 2022 | (271) | – | (868) | (1,139) |
| | Year ended 31 December 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2021 | (496) | – | (599) | (1,095) |
| Transfer: | | | | |
| to stage 3 | 1 | – | (1) | – |
| Net reversal/(charge) | 209 | (104) | (828) | (723) |
| Transfer out | – | – | 516 | 516 |
| Balance as at 31 December 2021 | (286) | (104) | (912) | (1,302) |

4.16 Financial investments

| | | 30 June 2022 | 31 December 2021 |
|---|-----|-----------------|---------------------|
| Financial assets at fair value through profit or loss | (1) | 385,453 | 300,684 |
| Financial assets at fair value through other comprehensive income | (2) | 459,148 | 435,529 |
| Financial assets measured at amortised cost | (3) | 1,339,993 | 1,298,220 |
| Total | | 2,184,594 | 2,034,433 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the condensed consolidated financial statements (*continued*)

4.16 Financial investments (*continued*)

(1) Financial assets at fair value through profit or loss

| | 30 June 2022 | 31 December 2021 |
|---|-------------------------|---------------------|
| Held for trading purpose | | |
| Debt securities | | |
| Government | 3,176 | 4,512 |
| Policy banks | 8,591 | 12,686 |
| Banks and non-bank financial institutions | 19,360 | 15,353 |
| Corporates | 41,657 | 32,268 |
| Subtotal | 72,784 | 64,819 |
| Equity investments | 1,992 | 2,012 |
| Investment funds (a) | 9,986 | 13,694 |
| Subtotal | 84,762 | 80,525 |
| Other financial assets at fair value through profit or loss | | |
| Debt securities | | |
| Corporates | 1,235 | 964 |
| Banks and non-bank financial institutions | 1,405 | 2,660 |
| Equity investments | 24,280 | 25,267 |
| Investment funds (a) | 258,668 | 177,317 |
| Trust and asset management plans (b) | 13,724 | 12,860 |
| Others | 1,379 | 1,091 |
| Subtotal | 300,691 | 220,159 |
| Total | 385,453 | 300,684 |
| Listed | | |
| – Of which: listed in Hong Kong | 9,769 | 8,237 |
| Unlisted | 312,996 | 235,387 |
| Total | 385,453 | 300,684 |

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For the six months ended 30 June 2022
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4 Notes to the condensed consolidated financial statements *(continued)*

4.16 Financial investments *(continued)*

(1) Financial assets at fair value through profit or loss *(continued)*

Debt securities traded in China Domestic Interbank Bond Market are classified as listed bonds.

(a) As at 30 June 2022 and 31 December 2021, the investment funds primarily include public bond funds and public money market funds.

(b) As at 30 June 2022 and 31 December 2021, the underlying assets of trust and asset management plans primarily include bonds (Note 10.2 (9)).

(2) Financial assets at fair value through other comprehensive income

| | 30 June 2022 | 31 December 2021 |
|---|-------------------------|---------------------|
| Debt securities | | |
| Government | 122,086 | 112,163 |
| Policy banks | 41,717 | 55,571 |
| Banks and non-bank financial institutions | 162,744 | 126,751 |
| Corporates | 117,315 | 127,390 |
| Subtotal | 443,862 | 421,875 |
| Equity investments | 10,113 | 8,325 |
| Interest accrued | 5,173 | 5,329 |
| Total | 459,148 | 435,529 |
| Listed | 417,285 | 396,269 |
| – Of which: listed in Hong Kong | 46,462 | 41,619 |
| Unlisted | 36,690 | 33,931 |
| Interest accrued | 5,173 | 5,329 |
| Total | 459,148 | 435,529 |

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the six months ended 30 June 2022, dividend income of RMB2 million (for the six months ended 30 June 2021: RMB42 million) recognised for such equity investments was included in the profit or loss. The impact of gain on disposal of the equity investments at fair value through other comprehensive income was not significant for the six months ended 30 June 2022 (for the the six months ended 30 June 2021: insignificant).

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For the six months ended 30 June 2022
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4 Notes to the condensed consolidated financial statements (*continued*)

4.16 Financial investments (*continued*)

(2) Financial assets at fair value through other comprehensive income (*continued*)

Fair value

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Debt securities | | |
| Cost | 452,277 | 430,426 |
| Cumulative amount of change in fair value that is accrued to other comprehensive income | (3,242) | (3,222) |
| Fair value | 449,035 | 427,204 |
| Equity investment | | |
| Cost | 10,272 | 8,327 |
| Cumulative amount of change in fair value that is accrued to other comprehensive income | (159) | (2) |
| Fair value | 10,113 | 8,325 |
| Total | 459,148 | 435,529 |

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For the six months ended 30 June 2022
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4 Notes to the condensed consolidated financial statements *(continued)*

4.16 Financial investments *(continued)*

(2) Financial assets at fair value through other comprehensive income *(continued)*

Movements in allowance for impairment losses

| | Six months ended 30 June 2022 | | | |
|--------------------------------|-------------------------------|---------|---------|---------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2022 | (656) | (84) | (1,833) | (2,573) |
| Transfer: | | | | |
| to stage 2 | 1 | (1) | – | – |
| to stage 3 | 2 | 6 | (8) | – |
| Net charge | (36) | (5) | (321) | (362) |
| Write-offs and transfer out | – | – | 103 | 103 |
| Others | 7 | – | 158 | 165 |
| Balance as at 30 June 2022 | (682) | (84) | (1,901) | (2,667) |
| | | | | |
| | Year ended 31 December 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2021 | (1,292) | (11) | (826) | (2,129) |
| Transfer: | | | | |
| to stage 2 | 5 | (5) | – | – |
| to stage 3 | 1 | – | (1) | – |
| Net reversal/(charge) | 620 | (68) | (1,129) | (577) |
| Write-offs and transfer out | – | – | 72 | 72 |
| Others | 10 | – | 51 | 61 |
| Balance as at 31 December 2021 | (656) | (84) | (1,833) | (2,573) |

As at 30 June 2022, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB1,116 million (31 December 2021: RMB635 million), with allowance for impairment losses of RMB1,901 million (31 December 2021: RMB1,833 million).

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(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.16 Financial investments (*continued*)

(3) Financial assets measured at amortised cost

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Debt securities | | |
| Government | 933,292 | 886,728 |
| Policy banks | 65,073 | 44,839 |
| Banking and non-banking financial institutions | 41,834 | 43,006 |
| Corporates | 211,749 | 219,172 |
| Subtotal | 1,251,948 | 1,193,745 |
| Trust and asset management plans (a) | 69,175 | 87,596 |
| Debt financing plans | 11,651 | 12,817 |
| Others | 2,621 | 2,446 |
| Interest accrued | 17,401 | 16,242 |
| Less: allowance for impairment losses | (12,803) | (14,626) |
| Total | 1,339,993 | 1,298,220 |
| Listed | 1,243,997 | 1,191,474 |
| – Of which: listed in Hong Kong | 3,578 | 1,935 |
| Unlisted | 91,398 | 105,130 |
| Interest accrued | 17,401 | 16,242 |
| Less: allowance for impairment losses | (12,803) | (14,626) |
| Total | 1,339,993 | 1,298,220 |

(a) As at 30 June 2022 and 31 December 2021, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2 (9)).

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(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.16 Financial investments *(continued)*

(3) Financial assets measured at amortised cost *(continued)*

Movements in allowance for impairment losses

| | Six months ended June 2022 | | | |
|---------------------------------------|-----------------------------|--------------|-----------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2022 | (1,809) | (496) | (12,321) | (14,626) |
| Transfer | | | | |
| to stage 2 | 46 | (46) | – | – |
| to stage 3 | – | 5 | (5) | – |
| Net reversal/(charge) | 364 | (248) | (1,113) | (997) |
| Write-offs and transfer out | – | – | 2,919 | 2,919 |
| Write-offs after recovery | – | – | (103) | (103) |
| Others | 4 | – | – | 4 |
| Balance as at 30 June 2022 | (1,395) | (785) | (10,623) | (12,803) |
| | Year ended 31 December 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2021 | (2,618) | (37) | (7,420) | (10,075) |
| Transfer | | | | |
| to stage 2 | 112 | (112) | – | – |
| to stage 3 | 12 | 34 | (46) | – |
| Net reversal/(charge) | 694 | (381) | (14,428) | (14,115) |
| Write-offs and transfer out | – | – | 9,573 | 9,573 |
| Others | (9) | – | – | (9) |
| Balance as at 31 December 2021 | (1,809) | (496) | (12,321) | (14,626) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.17 Long-term receivables

| | | 30 June 2022 | 31 December 2021 |
|--|-----|-------------------------|---------------------|
| Finance lease receivables | (1) | 131,360 | 142,383 |
| Less: unearned finance lease income | | (15,145) | (15,504) |
| Present value of minimum finance lease receivables | | 116,215 | 126,879 |
| Less: allowance for impairment losses | (2) | (4,417) | (4,163) |
| Total | | 111,798 | 122,716 |

(1) Finance lease receivables are analysed by the remaining terms as follows:

| | | 30 June 2022 | 31 December 2021 |
|--------------------|-----|-------------------------|---------------------|
| Indefinite | (a) | 8,701 | 8,297 |
| Less than 1 year | | 50,926 | 64,259 |
| 1 year to 2 years | | 33,994 | 31,031 |
| 2 years to 3 years | | 16,593 | 17,506 |
| 3 years to 5 years | | 12,352 | 13,008 |
| More than 5 years | | 8,794 | 8,282 |
| Total | | 131,360 | 142,383 |

(a) The amount represents the balances being impaired or overdue for more than one month.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.17 Long-term receivables *(continued)*

(2) Movements in allowance for impairment losses of long-term receivables:

| | Six months ended 30 June 2022 | | | |
|---------------------------------------|-------------------------------|----------------|----------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2022 | (1,503) | (1,250) | (1,410) | (4,163) |
| Transfer: | | | | |
| to stage 1 | (143) | 61 | 82 | – |
| to stage 2 | 16 | (347) | 331 | – |
| to stage 3 | 6 | 105 | (111) | – |
| Net reversal/(charge) | 263 | 5 | (1,283) | (1,015) |
| Write-offs and transfer out | – | – | 790 | 790 |
| Others | (29) | – | – | (29) |
| Balance as at 30 June 2022 | (1,390) | (1,426) | (1,601) | (4,417) |
| | Year ended 31 December 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2021 | (1,177) | (1,826) | (1,266) | (4,269) |
| Transfer: | | | | |
| to stage 1 | (108) | 51 | 57 | – |
| to stage 2 | 100 | (100) | – | – |
| to stage 3 | 31 | 851 | (882) | – |
| Net charge | (385) | (294) | (2,166) | (2,845) |
| Write-offs and transfer out | – | – | 2,835 | 2,835 |
| Others | 36 | 68 | 12 | 116 |
| Balance as at 31 December 2021 | (1,503) | (1,250) | (1,410) | (4,163) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.18 Property and equipment

| | 30 June 2022 | 31 December 2021 | | | | | |
|---------------------------------------|-------------------------|----------------------------------|--|---------------------------|---|---|-----------------|
| Property and equipment | 54,130 | 53,461 | | | | | |
| Property and equipment to be disposed | 6 | 5 | | | | | |
| Total | 54,136 | 53,466 | | | | | |
| | Buildings | Leasehold improvement | Office equipment and others | Motor vehicles | Operating lease fixed assets | Construction in progress ("CIP") | Total |
| Original cost | | | | | | | |
| Balance as at 1 January 2022 | 22,249 | 4,135 | 8,705 | 470 | 38,315 | 4,203 | 78,077 |
| Increase | 51 | 227 | 262 | 11 | 1,104 | 661 | 2,316 |
| CIP transfers | 3 | - | - | - | - | (3) | - |
| Decrease and other movement | (1) | (91) | (14) | (4) | 351 | - | 241 |
| Balance as at 30 June 2022 | 22,302 | 4,271 | 8,953 | 477 | 39,770 | 4,861 | 80,634 |
| Accumulated depreciation | | | | | | | |
| Balance as at 1 January 2022 | (5,729) | (2,860) | (6,860) | (392) | (8,272) | - | (24,113) |
| Increase | (358) | (262) | (255) | (10) | (901) | - | (1,786) |
| Decrease and other movement | 1 | 92 | 12 | 4 | (160) | - | (51) |
| Balance as at 30 June 2022 | (6,086) | (3,030) | (7,103) | (398) | (9,333) | - | (25,950) |
| Impairment losses | | | | | | | |
| Balance as at 1 January 2022 | - | - | - | - | (503) | - | (503) |
| Increase | - | - | - | - | (30) | - | (30) |
| Decrease and other movement | - | - | - | - | (21) | - | (21) |
| Balance as at 30 June 2022 | - | - | - | - | (554) | - | (554) |
| Carrying amount | | | | | | | |
| Balance as at 1 January 2022 | 16,520 | 1,275 | 1,845 | 78 | 29,540 | 4,203 | 53,461 |
| Balance as at 30 June 2022 | 16,216 | 1,241 | 1,850 | 79 | 29,883 | 4,861 | 54,130 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.18 Property and equipment *(continued)*

| | Buildings | Leasehold improvement | Office equipment and others | Motor vehicles | Operating lease fixed assets | Construction in progress ("CIP") | Total |
|---------------------------------|-----------|-----------------------|-----------------------------|----------------|------------------------------|----------------------------------|----------|
| Original cost | | | | | | | |
| Balance as at 1 January 2021 | 21,114 | 4,285 | 8,634 | 491 | 36,175 | 2,946 | 73,645 |
| Increase | 1,177 | 435 | 659 | 22 | 4,619 | 1,258 | 8,170 |
| CIP transfers | 1 | - | - | - | - | (1) | - |
| Decrease and other movement | (43) | (585) | (588) | (43) | (2,479) | - | (3,738) |
| Balance as at 31 December 2021 | 22,249 | 4,135 | 8,705 | 470 | 38,315 | 4,203 | 78,077 |
| Accumulated depreciation | | | | | | | |
| Balance as at 1 January 2021 | (5,059) | (2,913) | (6,917) | (408) | (6,955) | - | (22,252) |
| Increase | (677) | (536) | (500) | (25) | (1,742) | - | (3,480) |
| Decrease and other movement | 7 | 589 | 557 | 41 | 425 | - | 1,619 |
| Balance as at 31 December 2021 | (5,729) | (2,860) | (6,860) | (392) | (8,272) | - | (24,113) |
| Impairment losses | | | | | | | |
| Balance as at 1 January 2021 | - | - | - | - | (270) | - | (270) |
| Increase | - | - | - | - | (236) | - | (236) |
| Decrease and other movement | - | - | - | - | 3 | - | 3 |
| Balance as at 31 December 2021 | - | - | - | - | (503) | - | (503) |
| Carrying amount | | | | | | | |
| Balance as at 1 January 2021 | 16,055 | 1,372 | 1,717 | 83 | 28,950 | 2,946 | 51,123 |
| Balance as at 31 December 2021 | 16,520 | 1,275 | 1,845 | 78 | 29,540 | 4,203 | 53,461 |

As at 30 June 2022 and 31 December 2021, the Group did not have any property and equipment which were acquired by means of finance lease or held for sale.

As at 30 June 2022, there were still certain properties and buildings, with a carrying value of RMB143 million (31 December 2021: RMB487 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.19 Lease contract

(1) Right-of-use assets

| | Buildings | Motor vehicles | Office equipment and Others | Land use rights | Total |
|---|-----------|-------------------|-----------------------------------|--------------------|---------|
| Original cost | | | | | |
| Balance as at 1 January 2022 | 17,677 | – | 64 | 4,646 | 22,387 |
| Increase | 1,069 | – | 8 | – | 1,077 |
| Decrease | (622) | – | (2) | – | (624) |
| Balance as at 30 June 2022 | 18,124 | – | 70 | 4,646 | 22,840 |
| Accumulated depreciation/ amortization | | | | | |
| Balance as at 1 January 2022 | (6,981) | – | (24) | (1,277) | (8,282) |
| Increase | (1,635) | – | (4) | (58) | (1,697) |
| Decrease | 545 | – | 2 | – | 547 |
| Balance as at 30 June 2022 | (8,071) | – | (26) | (1,335) | (9,432) |
| Carrying amount | | | | | |
| Balance as at 1 January 2022 | 10,696 | – | 40 | 3,369 | 14,105 |
| Balance as at 30 June 2022 | 10,053 | – | 44 | 3,311 | 13,408 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.19 Lease contract (*continued*)

(1) Right-of-use assets (*continued*)

| | Buildings | Motor vehicles | Office equipment and Others | Land use rights | Total |
|---|-----------|----------------|-----------------------------|-----------------|---------|
| Original cost | | | | | |
| Balance as at 1 January 2021 | 15,984 | 359 | 64 | 4,643 | 21,050 |
| Increase | 3,531 | – | 6 | 3 | 3,540 |
| Decrease | (1,838) | (359) | (6) | – | (2,203) |
| Balance as at 31 December 2021 | 17,677 | – | 64 | 4,646 | 22,387 |
| Accumulated depreciation/ amortization | | | | | |
| Balance as at 1 January 2021 | (5,441) | (97) | (20) | (1,161) | (6,719) |
| Increase | (3,053) | (136) | (7) | (116) | (3,312) |
| Decrease | 1,513 | 233 | 3 | – | 1,749 |
| Balance as at 31 December 2021 | (6,981) | – | (24) | (1,277) | (8,282) |
| Carrying amount | | | | | |
| Balance as at 1 January 2021 | 10,543 | 262 | 44 | 3,482 | 14,331 |
| Balance as at 31 December 2021 | 10,696 | – | 40 | 3,369 | 14,105 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.19 Lease contract (*continued*)

(2) Lease liabilities

| | 30 June 2022 | 31 December 2021 |
|-------------------|-------------------------|---------------------|
| Lease liabilities | 9,612 | 10,225 |

As at 30 June 2022, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB31 million (31 December 2021: RMB53 million).

4.20 Deferred income tax assets and liabilities

(1) Deferred income tax items

| | 30 June 2022 | 31 December 2021 |
|---------------------------------|-------------------------|---------------------|
| Deferred income tax assets | 53,438 | 51,904 |
| Deferred income tax liabilities | (166) | (247) |
| Total | 53,272 | 51,657 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.20 Deferred income tax assets and liabilities (*continued*)

(2) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

| | 30 June 2022 | | 31 December 2021 | |
|--|--|---|--|---|
| | Deferred income tax assets/ (liabilities) | Deductible/ (taxable) temporary differences | Deferred income tax assets/ (liabilities) | Deductible/ (taxable) temporary differences |
| Deferred income tax assets | | | | |
| Asset impairment allowance | 51,568 | 206,442 | 49,521 | 198,088 |
| Employee benefits payable | 2,610 | 10,440 | 3,136 | 12,544 |
| Fair value losses of derivatives | 6,605 | 26,420 | 6,500 | 26,000 |
| Fair value losses of financial assets at fair value through other comprehensive income | 219 | 876 | 106 | 424 |
| Financial assets at fair value through profit or loss | 805 | 3,220 | 484 | 1,936 |
| Others | 477 | 1,930 | 399 | 1,618 |
| Subtotal | 62,284 | 249,328 | 60,146 | 240,610 |
| Deferred income tax liabilities | | | | |
| Fair value gains of derivatives | (7,354) | (29,418) | (6,817) | (27,267) |
| Fair value gain of financial assets at fair value through other comprehensive income | (272) | (1,087) | (322) | (1,288) |
| Financial assets at fair value through profit or loss | (1,128) | (4,746) | (1,054) | (4,215) |
| Others | (258) | (1,034) | (296) | (1,186) |
| Subtotal | (9,012) | (36,285) | (8,489) | (33,956) |
| Deferred income tax assets, net | 53,272 | 213,043 | 51,657 | 206,654 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.20 Deferred income tax assets and liabilities (*continued*)

(3) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

| | Asset impairment allowance | Fair value losses | Others | Gross deferred income tax assets | Gross deferred income tax liabilities |
|---|----------------------------------|----------------------|--------------|---|--|
| Balance as at 1 January 2022 | 49,521 | 7,090 | 3,535 | 60,146 | (8,489) |
| Recognised in profit or loss | 2,047 | 426 | (448) | 2,025 | (572) |
| Recognised in other comprehensive income | – | 113 | – | 113 | 49 |
| Balance as at 30 June 2022 | 51,568 | 7,629 | 3,087 | 62,284 | (9,012) |
| Balance as at 1 January 2021 | 47,682 | 11,467 | 2,967 | 62,116 | (12,200) |
| Recognised in profit or loss | 1,839 | (3,802) | 568 | (1,395) | 3,852 |
| Recognised in other comprehensive income | – | (575) | – | (575) | (141) |
| Balance as at 31 December 2021 | 49,521 | 7,090 | 3,535 | 60,146 | (8,489) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.21 Investment in subsidiaries

(1) Directly held subsidiaries

| | 30 June 2022 | 31 December 2021 |
|--|-----------------|---------------------|
| Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing") | 3,302 | 3,302 |
| CMBC International Holdings Limited ("CMBC International") | 3,494 | 3,494 |
| Minsheng Royal Fund Limited ("Minsheng Royal Fund") | 190 | 190 |
| CMBC Wealth Management Co., Ltd. ("CMBC Wealth Management") | 5,000 | – |
| Pengzhou Rural Bank Co., Ltd. ("Pengzhou Rural Bank") | 20 | 20 |
| Cixi Rural Bank Co., Ltd. ("Cixi Rural Bank") | 107 | 107 |
| Songjiang Rural Bank Co., Ltd. ("Songjiang Rural Bank") | 70 | 70 |
| Qijiang Rural Bank Co., Ltd. ("Qijiang Rural Bank") | 30 | 30 |
| Tongnan Rural Bank Co., Ltd. ("Tongnan Rural Bank") | 25 | 25 |
| Meihekou Rural Bank Co., Ltd. ("Meihekou Rural Bank") | 169 | 169 |
| Ziyang Rural Bank Co., Ltd. ("Ziyang Rural Bank") | 172 | 172 |
| Jiangxia Rural Bank Co., Ltd. ("Jiangxia Rural Bank") | 41 | 41 |
| Changyuan Rural Bank Co., Ltd. ("Changyuan Rural Bank") | 26 | 26 |
| Yidu Rural Bank Co., Ltd. ("Yidu Rural Bank") | 26 | 26 |
| Jiading Rural Bank Co., Ltd. ("Jiading Rural Bank") | 102 | 102 |
| Zhongxiang Rural Bank Co., Ltd. ("Zhongxiang Rural Bank") | 36 | 36 |
| Penglai Rural Bank Co., Ltd. ("Penglai Rural Bank") | 51 | 51 |
| Anxi Rural Bank Co., Ltd. ("Anxi Rural Bank") | 74 | 74 |
| Funing Rural Bank Co., Ltd. ("Funing Rural Bank") | 52 | 52 |
| Taicang Rural Bank Co., Ltd. ("Taicang Rural Bank") | 76 | 76 |
| Ningjin Rural Bank Co., Ltd. ("Ningjin Rural Bank") | 20 | 20 |
| Zhangpu Rural Bank Co., Ltd. ("Zhangpu Rural Bank") | 25 | 25 |
| Puer Rural Bank Co., Ltd. ("Puer Rural Bank") | 15 | 15 |
| Jinghong Rural Bank Co., Ltd. ("Jinghong Rural Bank") | 60 | 60 |
| Zhidan Rural Bank Co., Ltd. ("Zhidan Rural Bank") | 7 | 7 |
| Ningguo Rural Bank Co., Ltd. ("Ningguo Rural Bank") | 20 | 20 |
| Yuyang Rural Bank Co., Ltd. ("Yuyang Rural Bank") | 25 | 25 |
| Guichi Rural Bank Co., Ltd. ("Guichi Rural Bank") | 26 | 26 |
| Tiantai Rural Bank Co., Ltd. ("Tiantai Rural Bank") | 31 | 31 |
| Tianchang Rural Bank Co., Ltd. ("Tianchang Rural Bank") | 20 | 20 |
| Tengchong Rural Bank Co., Ltd. ("Tengchong Rural Bank") | 20 | 20 |
| Xiang'an Rural Bank Co., Ltd. ("Xiang'an Rural Bank") | 36 | 36 |
| Linzhi Rural Bank Co., Ltd. ("Linzhi Rural Bank") | 13 | 13 |
| Total | 13,381 | 8,381 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (continued)

4.21 Investment in subsidiaries (continued)

(2) Basic information of directly held subsidiaries

| Name | | Place of incorporation and operation | Principal activities | Registered capital | % of ownership held by the Bank | % of voting rights held by the Bank |
|-------------------------------|-----|---|-------------------------|-----------------------|--|--|
| Minsheng Financial Leasing | | Tianjin China | Leasing | RMB5,095 million | 54.96% | 54.96% |
| CMBC International | | Hong Kong China | Investment banking | HKD4,207.3 million | 100.00% | 100.00% |
| Minsheng Royal Fund | | Guangdong China | Fund management | RMB300 million | 63.33% | 63.33% |
| CMBC Wealth Management | (a) | Beijing China | Wealth Management | RMB5,000 million | 100.00% | 100.00% |
| Pengzhou Rural Bank | (b) | Sichuan China | Commercial bank | RMB55 million | 36.36% | 36.36% |
| Cixi Rural Bank | | Zhejiang China | Commercial bank | RMB189 million | 64.68% | 64.68% |
| Songjiang Rural Bank | (b) | Shanghai China | Commercial bank | RMB150 million | 35.00% | 35.00% |
| Qijiang Rural Bank | (c) | Chongqing China | Commercial bank | RMB61.57 million | 48.73% | 51.27% |
| Tongnan Rural Bank | (b) | Chongqing China | Commercial bank | RMB50 million | 50.00% | 50.00% |
| Meihekou Rural Bank | | Jilin China | Commercial bank | RMB193 million | 95.36% | 95.36% |
| Ziyang Rural Bank | | Sichuan China | Commercial bank | RMB211 million | 81.41% | 81.41% |
| Jiangxia Rural Bank | | Hubei China | Commercial bank | RMB86 million | 51.00% | 51.00% |
| Changyuan Rural Bank | | Henan China | Commercial bank | RMB50 million | 51.00% | 51.00% |
| Yidu Rural Bank | | Hubei China | Commercial bank | RMB52.4 million | 51.00% | 51.00% |
| Jiading Rural Bank | | Shanghai China | Commercial bank | RMB200 million | 51.00% | 51.00% |
| Zhongxiang Rural Bank | | Hubei China | Commercial bank | RMB70 million | 51.00% | 51.00% |
| Penglai Rural Bank | | Shandong China | Commercial bank | RMB100 million | 51.00% | 51.00% |
| Anxi Rural Bank | | Fujian China | Commercial bank | RMB128 million | 57.99% | 57.99% |
| Funing Rural Bank | | Jiangsu China | Commercial bank | RMB85 million | 51.00% | 51.00% |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.21 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries *(continued)*

| Name | Place of incorporation and operation | Principal activities | Registered capital | % of ownership held by the Bank | % of voting rights held by the Bank |
|----------------------|--------------------------------------|----------------------|--------------------|---------------------------------|-------------------------------------|
| Taicang Rural Bank | Jiangsu China | Commercial bank | RMB135 million | 51.00% | 51.00% |
| Ningjin Rural Bank | Hebei China | Commercial bank | RMB40 million | 51.00% | 51.00% |
| Zhangpu Rural Bank | Fujian China | Commercial bank | RMB50 million | 51.00% | 51.00% |
| Puer Rural Bank | Yunnan China | Commercial bank | RMB30 million | 51.00% | 51.00% |
| Jinghong Rural Bank | Yunnan China | Commercial bank | RMB75 million | 80.40% | 80.40% |
| Zhidan Rural Bank | Shaanxi China | Commercial bank | RMB15 million | 51.00% | 51.00% |
| Ningguo Rural Bank | Anhui China | Commercial bank | RMB40 million | 51.00% | 51.00% |
| Yuyang Rural Bank | Shaanxi China | Commercial bank | RMB54 million | 51.00% | 51.00% |
| Guichi Rural Bank | Anhui China | Commercial bank | RMB50 million | 51.00% | 51.00% |
| Tiantai Rural Bank | Zhejiang China | Commercial bank | RMB60 million | 51.00% | 51.00% |
| Tianchang Rural Bank | Anhui China | Commercial bank | RMB40 million | 51.00% | 51.00% |
| Tengchong Rural Bank | Yunnan China | Commercial bank | RMB52 million | 51.00% | 51.00% |
| Xiang'an Rural Bank | Fujian China | Commercial bank | RMB77 million | 51.00% | 51.00% |
| Linzhi Rural Bank | Tibet China | Commercial bank | RMB25 million | 51.00% | 51.00% |

(a) Minsheng Wealth Management Co., Ltd. was established in June 2022 with the registered capital of RMB5 billion. The Bank holds 100% of the interest.

(b) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are treated as the Bank's subsidiaries and have been consolidated in these financial statements.

(c) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.21 Investment in subsidiaries (*continued*)

(3) Investment in associates

| | 30 June 2022 | 31 December 2021 |
|--------------------------|-------------------------|---------------------|
| Investment in associates | 2 | 2 |

4.22 Other assets

| | | 30 June 2022 | 31 December 2021 |
|--|-----|-------------------------|---------------------|
| Items in the process of clearance and settlement | | 18,174 | 13,384 |
| Prepayments for leased assets | (1) | 8,931 | 5,279 |
| Interest receivable | (2) | 7,041 | 7,822 |
| Other debt receivables and advances | | 7,022 | 4,518 |
| Foreclosed assets | (3) | 6,090 | 5,471 |
| Investment properties | | 4,922 | 5,655 |
| Fee and commission receivable | | 3,658 | 3,351 |
| Intangible assets | (4) | 1,945 | 1,917 |
| Legal costs receivable | | 1,365 | 1,245 |
| Continuously involved assets | | 1,038 | 1,038 |
| Prepayment | | 897 | 1,669 |
| Long-term deferred expenses | | 874 | 586 |
| Operating lease receivable | | 543 | 163 |
| Goodwill | (5) | 197 | 188 |
| Others | | 4,387 | 5,631 |
| Subtotal | | 67,084 | 57,917 |
| Less: allowance for impairment losses | | | |
| – Repossessed assets | | (969) | (731) |
| – Others | | (3,639) | (3,333) |
| Total | | 62,476 | 53,853 |

(1) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.22 Other assets *(continued)*

(2) Interest receivable

| | 30 June 2022 | 31 December 2021 |
|----------------------------------|-------------------------|---------------------|
| Financial investments and others | 1,399 | 1,822 |
| Loans and advances to customers | 5,642 | 6,000 |
| Total | 7,041 | 7,822 |

- (3) Foreclosed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB373 million during the six months ended 30 June 2022 (Six months ended 30 June 2021: RMB1,046 million).

(4) Intangible assets

| | Six months ended 30 June 2022 | Year ended 31 December 2021 |
|-----------------------------------|--|-----------------------------------|
| Cost | | |
| Balance as at 1 January | 6,659 | 5,576 |
| Increase | 382 | 1,087 |
| Decrease | – | (4) |
| Balance as at 30 June/31 December | 7,041 | 6,659 |
| Accumulated amortization | | |
| Balance as at 1 January | (4,742) | (4,120) |
| Increase | (354) | (625) |
| Decrease | – | 3 |
| Balance as at 30 June/31 December | (5,096) | (4,742) |
| Carrying amount | | |
| Balance as at 1 January | 1,917 | 1,456 |
| Balance as at 30 June/31 December | 1,945 | 1,917 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (continued)

4.22 Other assets (continued)

(5) Goodwill arising from CMBC Financial holdings

| | Six months ended 30 June 2022 | Year ended 31 December 2021 |
|-----------------------------------|--|-----------------------------------|
| Balance as at 1 January | 188 | 193 |
| Exchange difference | 9 | (5) |
| Balance as at 30 June/31 December | 197 | 188 |

As at 30 June 2022 and 31 December 2021, the Group was not aware of any indicators for the possibility of goodwill impairment, hence no impairment loss was recognised.

4.23 Allowances for impairment losses

| | Note 4 | Six months ended 30 June 2022 | | | | Balance as at 30 June 2022 |
|---|--------|--|--|--------------------------------------|--------------|-------------------------------------|
| | | Balances as at 1 January 2022 | Net (reversal)/ charge for the period | Write-offs and transfer out | Other | |
| Balances with banks and other financial institutions | 11 | 8 | - | - | - | 8 |
| Placements with banks and other financial institutions | 12 | 1,589 | (68) | - | - | 1,521 |
| Financial assets held under resale agreements | 14 | 20 | 1 | - | - | 21 |
| Loans and advances to customers | 15 | 105,108 | 21,475 | (26,614) | 2,398 | 102,367 |
| Financial investments | 16 | 17,199 | 1,359 | (3,022) | (66) | 15,470 |
| Long-term receivables | 17 | 4,163 | 1,015 | (790) | 29 | 4,417 |
| Property and equipment | 18 | 503 | 30 | 21 | - | 554 |
| Other assets | 22 | 4,064 | 571 | (27) | - | 4,608 |
| Total | | 132,654 | 24,383 | (30,432) | 2,361 | 128,996 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.23 Allowances for impairment losses (*continued*)

| | Note 4 | Year ended 31 December 2021 | | | | Balance as at 31 December 2021 |
|--|--------|-------------------------------|-------------------------|-----------------------------|--------------|--------------------------------|
| | | Balances as at 1 January 2021 | Net charge for the year | Write-offs and transfer out | Other | |
| Balances with banks and other financial institutions | 11 | 662 | 4 | (658) | – | 8 |
| Placements with banks and other financial institutions | 12 | 972 | 617 | – | – | 1,589 |
| Financial assets held under resale agreements | 14 | 4 | 16 | – | – | 20 |
| Loans and advances to customers | 15 | 97,637 | 58,660 | (54,840) | 3,651 | 105,108 |
| Financial investments | 16 | 12,204 | 14,692 | (9,645) | (52) | 17,199 |
| Long-term receivables | 17 | 4,269 | 2,845 | (2,835) | (116) | 4,163 |
| Property and equipment | 18 | 270 | 236 | – | (3) | 503 |
| Other assets | 22 | 4,047 | 1,695 | (1,640) | (38) | 4,064 |
| Total | | 120,065 | 78,765 | (69,618) | 3,442 | 132,654 |

4.24 Deposits and placements from banks and other financial institutions

| | 30 June 2022 | 31 December 2021 |
|------------------------------|------------------|------------------|
| China mainland | | |
| Banks | 207,553 | 168,846 |
| Other financial institutions | 992,141 | 1,054,415 |
| Overseas | | |
| Banks | 26,286 | 26,297 |
| Other financial institutions | 37,168 | 37,523 |
| Subtotal | 1,263,148 | 1,287,081 |
| Interest accrued | 8,876 | 7,277 |
| Total | 1,272,024 | 1,294,358 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.25 Borrowings from banks and other financial institutions

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Unsecured borrowings | 93,821 | 96,859 |
| Borrowings secured by – Tangible assets and monetary assets | 17,356 | 16,853 |
| Subtotal | 111,177 | 113,712 |
| Interest accrued | 690 | 749 |
| Total | 111,867 | 114,461 |

As at 30 June 2022 and 31 December 2021, the secured borrowings were secured by property and equipment and finance lease receivables as collateral; the above collateral has been included in the disclosure of Assets pledged (Note 6.3(1)).

4.26 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

| | 30 June 2022 | 31 December 2021 |
|--------------------|-------------------------|---------------------|
| Bonds | 9,796 | 12,828 |
| Rediscounted bills | 42,523 | 23,537 |
| Subtotal | 52,319 | 36,365 |
| Interest accrued | 165 | 120 |
| Total | 52,484 | 36,485 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.27 Deposits from customers

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Demand deposits | | |
| – Corporate customers | 1,156,366 | 1,215,239 |
| – Personal customers | 274,827 | 248,459 |
| Time deposits (including call and notice deposits) | | |
| – Corporate customers | 1,996,551 | 1,728,774 |
| – Personal customers | 677,191 | 576,964 |
| Certificates of deposit | 5,001 | 3,365 |
| Outward remittance and remittance payables | 3,694 | 2,960 |
| Subtotal | 4,113,630 | 3,775,761 |
| Interest accrued | 47,918 | 49,932 |
| Total | 4,161,548 | 3,825,693 |

The pledged deposits included in deposits from customers are analysed as follows:

| | 30 June 2022 | 31 December 2021 |
|---|-------------------------|---------------------|
| Pledged deposits for bank acceptances | 162,406 | 121,906 |
| Pledged deposits for letters of credit and guarantees | 15,453 | 17,663 |
| Other pledged deposits | 58,111 | 53,510 |
| Total | 235,970 | 193,079 |

4.28 Provisions

| | 30 June 2022 | 31 December 2021 |
|----------------------------------|-------------------------|---------------------|
| Credit loss of off-balance sheet | | |
| credit commitments | 1,723 | 1,834 |
| Litigation provision | 351 | 343 |
| Others | 84 | 73 |
| Total | 2,158 | 2,250 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.28 Provisions(*continued*)

The movements of credit loss of off-balance sheet assets are as follows:

| | Six months ended 30 June 2022 | | | |
|---------------------------------------|-------------------------------|--------------|-------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2022 | (1,227) | (524) | (83) | (1,834) |
| Transfer: | | | | |
| to stage 1 | (136) | 114 | 22 | – |
| to stage 2 | 24 | (30) | 6 | – |
| to stage 3 | 4 | 88 | (92) | – |
| Net (charge)/reversal | (31) | 78 | 65 | 112 |
| Other movements | (1) | – | – | (1) |
| Balance as at 30 June 2022 | (1,367) | (274) | (82) | (1,723) |
| | Year ended 31 December 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1 January 2021 | (1,619) | (221) | (45) | (1,885) |
| Transfer: | | | | |
| to stage 1 | (61) | 42 | 19 | – |
| to stage 2 | 58 | (138) | 80 | – |
| to stage 3 | 14 | 1 | (15) | – |
| Net reversal/(charge) | 323 | (208) | (122) | (7) |
| Other movements | 58 | – | – | 58 |
| Balance as at 31 December 2021 | (1,227) | (524) | (83) | (1,834) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.29 Debt securities issued

| | 30 June 2022 | 31 December 2021 |
|--------------------------------------|-------------------------|---------------------|
| Certificates of interbank deposit | 529,735 | 497,558 |
| Financial bonds (1) | 99,989 | 79,989 |
| Tier-two capital bonds (2) | 119,969 | 119,967 |
| Medium-term and short-term notes (3) | 9,722 | 10,161 |
| Subtotal | 759,415 | 707,675 |
| Interest accrued | 3,013 | 3,349 |
| Total | 762,428 | 711,024 |

For the six months ended 30 June 2022 and for the year ended 31 December 2021, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(1) Financial bonds

| | | 30 June 2022 | 31 December 2021 |
|--|--|-------------------------|---------------------|
| RMB20 billion-3-year fixed rate financial bonds 2022 (a) | | 19,998 | – |
| RMB30 billion-3-year fixed rate financial bonds 2021 (b) | | 29,996 | 29,995 |
| RMB30 billion-3-year fixed rate financial bonds 2021 (c) | | 29,996 | 29,995 |
| RMB20 billion-3-year fixed rate financial bonds 2020 (d) | | 19,999 | 19,999 |
| Total | | 99,989 | 79,989 |

- (a) RMB20 billion worth of fixed-rate financial bonds were issued at 7 April 2022, with a term of three years, and a fixed coupon rate of 2.95% per annum.
- (b) RMB30 billion worth of fixed-rate financial bonds were issued at 8 December 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.
- (c) RMB30 billion worth of fixed-rate financial bonds were issued at 10 November 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.
- (d) RMB20 billion worth of fixed-rate financial bonds were issued at 18 March 2020, with a term of three years, and a fixed coupon rate of 2.75% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.29 Debt securities issued (*continued*)

(2) Tier-two capital bonds

| | | 30 June 2022 | 31 December 2021 |
|--|-----|-------------------------|---------------------|
| RMB50 billion-10-year fixed rate tier-two capital bonds 2020 | (a) | 49,995 | 49,995 |
| RMB40 billion-10-year fixed rate tier-two capital bonds 2019 1st tranche | (b) | 39,994 | 39,994 |
| RMB15 billion-10-year fixed rate tier-two capital bonds 2017 1st tranche | (c) | 14,990 | 14,989 |
| RMB15 billion-10-year fixed rate tier-two capital bonds 2017 2nd tranche | (d) | 14,990 | 14,989 |
| Total | | 119,969 | 119,967 |

- (a) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued at 24 June 2020. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.
- (b) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued at 27 February 2019. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (c) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 12 September 2017 as the first tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (d) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 27 November 2017 as the second tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.29 Debt securities issued (*continued*)

(3) Medium-term and short-term notes

| | | 30 June 2022 | 31 December 2021 |
|-------------------------------|-----|-------------------------|---------------------|
| 2020-3-year medium-term notes | (a) | 3,350 | 3,182 |
| 2018-5-year medium-term notes | (b) | 4,024 | 3,824 |
| 2017-5-year medium-term notes | (c) | 2,348 | 2,231 |
| 2021 short-term notes | (d) | – | 924 |
| Total | | 9,722 | 10,161 |

(a) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued on 22 October 2020, with a term of 3 years. The coupon rate is 2.04%.

(b) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued at 9 March 2018, with a term of 5 years. The coupon rate is 2.74%.

(c) Medium-term notes with a nominal value of USD0.35 billion of medium-term notes were issued at 11 September 2017, with a term of 5 years. The coupon rate is 2.72%.

(d) Three short-term notes with total nominal value of USD0.145 billion of short-term notes were issued in 2021. The original maturities of the notes vary from 3 months to 1 year, and the interest rate range is 1.00%-1.80%. The Group repaid all of them on 16 March 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.30 Other liabilities

| | | 30 June 2022 | 31 December 2021 |
|--|-----|-------------------------|---------------------|
| Employee benefits payable | (1) | 10,631 | 12,907 |
| Items in the process of clearance and settlement | | 9,537 | 8,773 |
| Lease payments received in advance | | 8,083 | 8,334 |
| Notes payable | | 6,190 | 6,410 |
| Other tax payable | (2) | 3,866 | 4,674 |
| Output value added tax to be transferred | | 2,120 | 2,054 |
| Entrusted financial funds | | 1,998 | – |
| Dividend payable | | 1,778 | 53 |
| Other payable | | 1,156 | 2,406 |
| Continuously involved liabilities | | 1,038 | 1,038 |
| Accrued expenses | | 701 | 879 |
| Payable for long-term assets | | 658 | 328 |
| Deferred fee and commission income | | 534 | 671 |
| Intermediate collection and payment | | 210 | 669 |
| Others | | 4,617 | 4,740 |
| Total | | 53,117 | 53,936 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.30 Other liabilities (*continued*)

(1) Employee benefits payable

| | 1 January 2022 | Increase | Decrease | 30 June 2022 |
|--|-------------------|----------|----------|-----------------|
| Short-term employee benefits | | | | |
| – Salaries, bonuses and allowances | 12,395 | 9,857 | (12,266) | 9,986 |
| – Staff welfare fees | – | 446 | (446) | – |
| – Social insurance (a) and supplementary insurance | 160 | 479 | (478) | 161 |
| – Housing fund | 98 | 699 | (633) | 164 |
| – Labour union fee, staff and workers' education fee | 40 | 250 | (187) | 103 |
| Subtotal | 12,693 | 11,731 | (14,010) | 10,414 |
| Post-employment benefits | | | | |
| – defined contribution plans | | | | |
| – Basic pension insurance plans | 124 | 817 | (806) | 135 |
| – Unemployment insurance | 19 | 27 | (26) | 20 |
| – Annuity scheme (b) | 71 | 262 | (271) | 62 |
| Subtotal | 214 | 1,106 | (1,103) | 217 |
| Total | 12,907 | 12,837 | (15,113) | 10,631 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.30 Other liabilities (*continued*)

(1) Employee benefits payable (*continued*)

| | 1 January 2021 | Increase | Decrease | 31 December 2021 |
|--|-------------------|---------------|-----------------|---------------------|
| Short-term employee benefits | | | | |
| – Salaries, bonuses and allowances | 10,347 | 24,136 | (22,088) | 12,395 |
| – Staff welfare fees | – | 1,601 | (1,601) | – |
| – Social insurance (a) and supplementary insurance | 162 | 953 | (955) | 160 |
| – Housing fund | 127 | 1,359 | (1,388) | 98 |
| – Labour union fee, staff and workers' education fee | 34 | 563 | (557) | 40 |
| Subtotal | 10,670 | 28,612 | (26,589) | 12,693 |
| Post-employment benefits | | | | |
| – defined contribution plans | | | | |
| – Basic pension insurance plans | 136 | 1,529 | (1,541) | 124 |
| – Unemployment insurance | 21 | 55 | (57) | 19 |
| – Annuity scheme (b) | 50 | 819 | (798) | 71 |
| Subtotal | 207 | 2,403 | (2,396) | 214 |
| Total | 10,877 | 31,015 | (28,985) | 12,907 |

(a) Social insurance includes medical insurance, maternity insurance and employment injury insurance.

(b) For the six months ended 30 June 2022, the contributions to the annuity schemes of the Bank and those subsidiaries were calculated at rates 3% of the employees' total annual salary (2021: 4%).

The Group has set up a defined contribution plan for its Hong Kong employees in accordance with the contribution rates prescribed by local regulations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.30 Other liabilities (*continued*)

(2) Other tax payable

| | 30 June 2022 | 31 December 2021 |
|-----------------|-------------------------|---------------------|
| Value added tax | 3,034 | 3,439 |
| Others | 832 | 1,235 |
| Total | 3,866 | 4,674 |

4.31 Share capital and capital reserve

| | 30 June 2022 | 31 December 2021 |
|---|-------------------------|---------------------|
| Ordinary shares listed in China mainland (A shares) | 35,462 | 35,462 |
| Ordinary shares listed in Hong Kong (H shares) | 8,320 | 8,320 |
| Total shares | 43,782 | 43,782 |

All A shares and H shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

The Group's capital reserve of RMB58,149 million as at 30 June 2022 (31 December 2021: RMB58,149 million), mainly represents capital premium.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.32 Preference Shares

(1) Outstanding Preference Shares at 30 June 2022

| Financial Instrument outstanding | Issue date | Accounting classification | Dividend rate | Issue price | Amount (million shares) | In original currency | In RMB | Maturity | Conversion condition | Conversion |
|----------------------------------|------------|---------------------------|---------------|------------------|-------------------------|----------------------|--------|----------|----------------------|------------|
| Domestic Preference Shares | 15/10/2019 | Equity | 4.38% | RMB100/ Share | 200 | 20,000 | 20,000 | None | Mandatory | None |
| Total | | | | | | | 20,000 | | | |
| Less: Issue fees | | | | | | | (25) | | | |
| Book value | | | | | | | 19,975 | | | |

(2) Domestic Preference Shares Main Clauses

(a) Dividend

The non-public offering of domestic preference shares (the “Domestic Preference Shares”) adopts the dividend rate that can be adjusted in stages, with 5 years as a dividend rate adjustment period, and within a dividend rate adjustment period, dividends are paid at the same dividend rate as agreed. The dividend rate for the first dividend rate adjustment period will be determined by enquiry. The dividend rate of the Domestic Preference Shares issued this time shall not be higher than the annual weighted average return on net assets of the Bank in the last two fiscal years. The nominal dividend rate includes two parts: the benchmark interest rate and the fixed premium. The fixed premium is the dividend rate determined at the time of issuance minus the benchmark interest rate at the time of issuance. Dividends are paid annually.

(b) 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. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder’s resolution to be passed and investors shall be informed in time.

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For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.32 Preference Shares (*continued*)

(2) Domestic Preference Shares Main Clauses (*continued*)

(c) Dividend stopper

The Bank will not pay dividends to the common shareholders unless the Bank resolves to pay a full dividend on the current preference shares.

(d) Order of distribution and liquidation method

The Domestic Preference Shareholders have priority over the ordinary shareholders in the distribution of the Bank's remaining property, but the order of repayment is ranked after the depositors, general creditors and subordinated debts (including but not limited to subordinated debts, mixed capital bonds and secondary capital instruments).

(e) Mandatory conversion trigger events

If the core tier one capital adequacy ratio of the Bank falls to 5.125% (or below), the Domestic Preference Shares issued this time will be converted into A-share common shares in full or in part, so as to restore the core tier one capital adequacy ratio to more than 5.125%. In the case of partial conversion, all the Domestic Preference Shares issued this time shall be converted to shares on the same conditions in proportion.

When the earlier of the following two situations occurs, the Domestic Preference Shares issued this time will be converted into A-share common shares in full: (1) CBIRC determines that the Bank will not survive without the conversion; (2) the relevant departments determine that the Bank will not survive without the public sector's capital injection or the support of the same effect.

(f) Redemption

With the prior approval of CBIRC, the Bank may exercise the right of redemption under the following circumstances: (1) use the same or higher quality capital instruments to replace the redeemed Domestic Preference Shares, and the Bank's income ability is sustainable; (2) or the capital level after the exercise of the right of redemption is still significantly higher than the regulatory capital requirements specified by the banking regulatory authority under the State Council. The redemption price is the sum of the nominal amount and the dividend that has been resolved to be paid but has not been paid in the current period.

The Bank has the right to redeem all or part of the Domestic Preference Shares issued this time from the later 5 years of the Issuance Date (i.e. 15 October 2019) to the date of full conversion or full redemption.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
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4 Notes to the condensed consolidated financial statements (*continued*)

4.32 Preference Shares (*continued*)

(2) Domestic Preference Shares Main Clauses (*continued*)

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over common shareholders.

The dividend of the Domestic Preference Shares issued this time shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(3) Changes in preference shares outstanding

| | 1 January 2022 | | Movements | | 30 June 2022 | |
|----------------------------|-------------------------------|---------------|-------------------------------|---------------|-------------------------------|---------------|
| | Amount (million shares) | Book value | Amount (million shares) | Book value | Amount (million shares) | Book value |
| Domestic Preference Shares | 200 | 19,975 | – | – | 200 | 19,975 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.33 Perpetual Bonds

(1) Outstanding Perpetual Bonds at 30 June 2022

| Financial Instrument outstanding | Issue date | Accounting classification | Dividend rate | Issue price | Amount (million pieces) | In original currency | In RMB | Maturity | Conversion condition | Conversion |
|---|------------|---------------------------|---------------|--------------|-------------------------|----------------------|--------|----------|----------------------|------------|
| 2019 Undated Tier 1 Capital Bonds | 30/05/2019 | Equity | 4.85% | 100 RMB/Note | 400 | 40,000 | 40,000 | None | None | None |
| Total | | | | | | | 40,000 | | | |
| Less: Issue fees | | | | | | | (7) | | | |
| Book value | | | | | | | 39,993 | | | |
| 2021 Undated Tier 1 Capital Bonds – First Tranche | 19/04/2021 | Equity | 4.30% | 100 RMB/Note | 300 | 30,000 | 30,000 | None | None | None |
| Total | | | | | | | 30,000 | | | |
| Less: Issue fees | | | | | | | (4) | | | |
| Book value | | | | | | | 29,996 | | | |
| 2022 Undated Tier 1 Capital Bonds – First Tranche | 14/06/2022 | Equity | 4.20% | 100 RMB/Note | 50 | 5,000 | 5,000 | None | None | None |
| Total | | | | | | | 5,000 | | | |
| Less: Issue fees | | | | | | | (2) | | | |
| Book value | | | | | | | 4,998 | | | |
| Total | | | | | | | 74,987 | | | |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.33 Perpetual Bonds (*continued*)

(2) Main Clauses

(a) Principal Amount

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds – First Tranche RMB30 billion.

2022 Undated Tier 1 Capital Bonds – First Tranche RMB5 billion.

(b) Maturity Date

The Notes will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Notes will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Notes will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on www.ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Note Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the Issuance of the Notes, the Issuer may redeem the Notes in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Notes no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some part of the Notes.

(e) Subordination

The claims in respect of the Notes, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Notes; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Issuer that rank pari passu with the Notes. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements *(continued)*

4.33 Perpetual Bonds *(continued)*

(2) Main Clauses *(continued)*

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Notes and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Noteholders. The Issuer 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 Notes, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Notes do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option is not applicable.

4.34 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the CBIRC, the preferred shares and perpetual bonds issued by the Bank has met the criteria for qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

| | 30 June 2022 | 31 December 2021 |
|---|-------------------------|---------------------|
| Total equity attributable to equity holders of the Bank | 590,160 | 574,280 |
| Equity attributable to ordinary equity holders of the Bank | 495,198 | 484,316 |
| Equity attributable to other equity holders of the Bank | 94,962 | 89,964 |
| Total equity attributable to non-controlling interests | 12,551 | 12,259 |
| Equity attributable to non-controlling interests of ordinary shares | 12,551 | 12,259 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.35 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, until the statutory surplus reserve reaches 50% of its registered capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group has not appropriated statutory surplus reserve for the six months ended 30 June 2022 (for the year ended 31 December 2021: RMB3,364 million).

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB44 million of profits to the general reserve for the six months ended 30 June 2022 (for the year ended 31 December 2021: RMB414 million).

(3) Retained earnings

As at 30 June 2022, the retained earnings included the statutory surplus reserve of RMB733 million contributed by the subsidiaries and attributable to the Bank (31 December 2021: RMB728 million). The surplus reserve of the subsidiaries attributable to the Bank included in the retained earnings cannot be distributed.

4.36 Non-controlling interests

As at 30 June 2022, the non-controlling interests in the subsidiaries were RMB12,551 million (31 December 2021: RMB12,259 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.37 Dividends/Interests

(1) Dividends for Ordinary Shares

The shareholders approved the cash dividends distribution plan for 2021 at the Annual General Meeting on 10 June 2022. The cash dividends declared was RMB2.13 (tax inclusive) for every 10 shares. A total dividend of RMB9,326 million was based on total number of shares of 43,782 million as at 31 December 2021.

The shareholders approved the cash dividends distribution plan for 2020 at the Annual General Meeting on 11 June 2021. The cash dividends declared was RMB2.13 (tax inclusive) for every 10 shares. A total dividend of RMB9,326 million was based on total number of shares of 43,782 million as at 31 December 2020.

(2) Dividends for Preference Shares

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 27 August 2021, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax). The dividend payment date was 18 October 2021.

According to the resolution on the distribution of dividends for offshore preference shares passed at the Board of Directors' meeting held on 4 August 2021, dividend approved was amounted to RMB512 million (including tax), calculated at the initial annual dividend rate of 4.95% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 14 December 2021.

(3) Interests for Perpetual Bonds

On 23 May 2022, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved amounted to RMB1,940 million (tax inclusive), calculated at the initial annual pay-out ratio of 4.85% (tax inclusive) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 11 April 2022, the Bank declared interest for 2021 undated tier 1 capital bonds. Interest approved amounted to RMB1,290 million (tax inclusive), calculated at the initial annual pay-out ratio of 4.30% (tax inclusive) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 2 June 2021, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved amounted to RMB1,940 million (tax inclusive), calculated at the initial annual pay-out ratio of 4.85% (tax inclusive) before the first reset date pursuant to the terms and conditions of perpetual bonds.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.38 Investment revaluation reserve and cash flow hedging reserve

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

| | Investment revaluation reserve | Cash flow hedging reserve | Total |
|--------------------------------------|--------------------------------------|---------------------------------|---------|
| As at 1 January 2022 | 573 | (7) | 566 |
| Net changes in amount for the period | (1,437) | 20 | (1,417) |
| As at 30 June 2022 | (864) | 13 | (851) |

| | Investment revaluation reserve | Cash flow hedging reserve | Total |
|------------------------------------|--------------------------------------|---------------------------------|---------|
| As at 1 January 2021 | (1,740) | (24) | (1,764) |
| Net changes in amount for the year | 2,313 | 17 | 2,330 |
| As at 31 December 2021 | 573 | (7) | 566 |

4.39 Notes to the consolidated cash flow statement

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

| | 30 June 2022 | 31 December 2021 |
|--|-----------------|---------------------|
| Cash (Note 4.10) | 5,356 | 5,292 |
| Surplus deposit reserves with central bank(Note 4.10) | 43,507 | 41,093 |
| Original maturity within 3 months: | | |
| – Balances with banks and other financial institutions | 101,723 | 88,609 |
| – Placements with banks and other financial institutions | 12,131 | 28,424 |
| Total | 162,717 | 163,418 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)

4.40 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

(1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the six months ended 30 June 2022, securitisation transactions of RMB5,407 million were transferred by the Group (2021: RMB7,484 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing financial assets

For the six months ended 30 June 2022, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB16,514 million (2021: RMB32,963 million). The Group transferred substantially all the risks and rewards of these non-performing financial assets and therefore has derecognized them.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2022, the carrying amount of debt securities lent to counterparties was RMB2.46 billion (31 December 2021: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

5.1 Business segments

- | | | |
|-----|-------------------|--|
| (a) | Corporate banking | Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business. |
| (b) | Retail banking | Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses. |
| (c) | Others | Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries. |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (continued)

5.1 Business segments (continued)

| | Six months ended 30 June 2022 | | | |
|--|-------------------------------|----------------|-----------|-------------|
| | Corporate banking | Retail banking | Others | Total |
| Operating income | 37,341 | 33,449 | 1,946 | 72,736 |
| Net interest income | 28,715 | 26,554 | (446) | 54,823 |
| Include: inter-segment net interest income/(expense) | 13,851 | (10,227) | (3,624) | – |
| Net fee and commission income | 3,045 | 6,768 | 52 | 9,865 |
| Net other income | 5,581 | 127 | 2,340 | 8,048 |
| Operating expenses | (6,913) | (9,808) | (5,226) | (21,947) |
| Credit impairment losses | (12,423) | (9,882) | (1,655) | (23,960) |
| Other impairment losses | (276) | – | (34) | (310) |
| Profit before income tax | 17,729 | 13,759 | (4,969) | 26,519 |
| Depreciation and amortisation | 1,897 | 1,698 | 171 | 3,766 |
| Capital expenditure | 1,068 | 956 | 6,632 | 8,656 |
| | | | | |
| | As at 30 June 2022 | | | |
| | Corporate banking | Retail banking | Others | Total |
| Segment assets | 4,453,021 | 1,785,876 | 1,028,245 | 7,267,142 |
| Include: Investments in associates | | | | 2 |
| Deferred income tax assets | | | | 53,438 |
| Total assets | | | | 7,320,580 |
| Segment liabilities | (4,876,596) | (1,058,048) | (783,059) | (6,717,703) |
| Deferred income tax liabilities | | | | (166) |
| Total liabilities | | | | (6,717,869) |
| Credit commitments | 679,810 | 532,100 | – | 1,211,910 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (continued)**5.1 Business segments (continued)**

| | Six months ended 30 June 2021 | | | |
|--|-------------------------------|----------------|-----------|-------------|
| | Corporate banking | Retail banking | Others | Total |
| Operating income | 44,036 | 34,611 | 7,703 | 86,350 |
| Net interest income | 35,908 | 26,954 | 2,891 | 65,753 |
| Include: inter-segment net interest income/(expense) | 8,912 | (11,049) | 2,137 | – |
| Net fee and commission income | 4,771 | 7,659 | 254 | 12,684 |
| Net other income | 3,357 | (2) | 4,558 | 7,913 |
| Operating expenses | (6,821) | (9,085) | (4,460) | (20,366) |
| Credit impairment losses | (26,355) | (10,709) | 521 | (36,543) |
| Other impairment losses | (501) | – | – | (501) |
| Profit before income tax | 10,359 | 14,817 | 3,764 | 28,940 |
| Depreciation and amortisation | 1,812 | 1,419 | 366 | 3,597 |
| Capital expenditure | 1,119 | 876 | 6,669 | 8,664 |
| | | | | |
| | As at 31 December 2021 | | | |
| | Corporate banking | Retail banking | Others | Total |
| Segment assets | 4,475,982 | 1,765,982 | 658,918 | 6,900,882 |
| Include: Investments in associates | | | | 2 |
| Deferred income tax assets | | | | 51,904 |
| Total assets | | | | 6,952,786 |
| Segment liabilities | (4,640,062) | (945,879) | (780,059) | (6,366,000) |
| Deferred income tax liabilities | | | | (247) |
| Total liabilities | | | | (6,366,247) |
| Credit commitments | 554,808 | 525,796 | – | 1,080,604 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
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5 Segment information (*continued*)

5.2 Geographical segments

The Group mainly operates in China mainland, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also has a number of subsidiaries in China mainland and has one branch and subsidiaries in Hong Kong.

| | |
|---------------------------|---|
| Head Office | Including head office, credit card centre and institutions directly under the head office |
| Yangtze River Delta | Including branches in Shanghai, Zhejiang Province and Jiangsu Province |
| Pearl River Delta | Including branches in Guangdong Province and Fujian Province |
| Bohai Rim | Including branches in Beijing, Tianjin, Shandong Province and Hebei Province |
| Northeastern Region | Including branches in Liaoning Province, Jilin Province and Heilongjiang Province |
| Central Region | Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province |
| Western Region | Including branches in Chongqing, Sichuan Province, Yunnan Province, Shaanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region |
| Overseas and Subsidiaries | Including Hong Kong Branch and subsidiaries |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information *(continued)*5.2 Geographical segments *(continued)*

| | Six months ended 30 June 2022 | | As at 30 June 2022 |
|---------------------------|----------------------------------|-----------------------------|-----------------------|
| | Operating income | Profit before income tax | Segment assets (1) |
| Head Office | 21,477 | 4,721 | 3,254,650 |
| Yangtze River Delta | 12,980 | 6,083 | 1,294,933 |
| Pearl River Delta | 8,231 | 2,419 | 685,102 |
| Bohai Rim | 10,368 | 5,516 | 1,340,535 |
| Northeastern Region | 990 | 101 | 188,051 |
| Central Region | 6,151 | 2,527 | 554,621 |
| Western Region | 8,366 | 4,108 | 643,828 |
| Overseas and subsidiaries | 4,173 | 1,044 | 359,686 |
| Inter-segment elimination | – | – | (1,054,264) |
| Total | 72,736 | 26,519 | 7,267,142 |

| | Six months ended 30 June 2021 | | As at 31 December 2021 |
|---------------------------|----------------------------------|-----------------------------|------------------------------|
| | Operating income | Profit before income tax | Segment assets (1) |
| Head Office | 28,405 | 5,046 | 3,060,640 |
| Yangtze River Delta | 14,145 | 9,590 | 1,236,380 |
| Pearl River Delta | 9,099 | 4,787 | 625,416 |
| Bohai Rim | 10,692 | 2,753 | 1,207,506 |
| Northeastern Region | 1,576 | 165 | 154,200 |
| Central Region | 7,955 | 1,582 | 502,893 |
| Western Region | 9,128 | 3,338 | 616,835 |
| Overseas and subsidiaries | 5,350 | 1,679 | 365,510 |
| Inter-segment elimination | – | – | (868,498) |
| Total | 86,350 | 28,940 | 6,900,882 |

(1) Segment assets do not include deferred tax assets.

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6 Contingent liabilities and commitments

6.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances when necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Bank acceptances | 472,770 | 340,726 |
| Guarantees | 136,707 | 146,076 |
| Letters of credit | 67,893 | 77,382 |
| Unused credit card commitments | 496,532 | 491,370 |
| Irrevocable credit commitments | | |
| – original maturity date within 1 year | 29,876 | 17,680 |
| – original maturity date over 1 year (inclusive) | 8,132 | 7,370 |
| Total | 1,211,910 | 1,080,604 |

Details of credit loss of off-balance-sheet credit commitments (Note 4.28).

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Credit risk weighted amounts of credit commitments | 366,103 | 297,342 |

6.2 Capital commitments

| | 30 June 2022 | 31 December 2021 |
|-----------------------------|-------------------------|---------------------|
| Contracted but not paid for | 23,372 | 22,134 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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6 Contingent liabilities and commitments (*continued*)

6.3 Collateral

(1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Balances with banks and other financial institutions | 7,540 | 4,201 |
| Loans and advances to customers | 134,321 | 100,340 |
| Discounted bills | 42,869 | 23,739 |
| Financial investments | 192,310 | 248,307 |
| Long-term receivables | 18,883 | 14,203 |
| Property and equipment | 7,854 | 8,405 |
| Others | 67 | 32 |
| Total | 403,844 | 399,227 |

(2) Collateral accepted

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 30 June 2022, the Group had no collateral that was sold or lent to counterparties, but obligated to return (31 December 2021: RMB632 million).

6.4 Underwriting of securities

As at 30 June 2022, there was no unexpired underwriting commitment for the Group (31 December 2021: Nil).

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 30 June 2022 was RMB1,739 million (31 December 2021: RMB1,888 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 30 June 2022. With consideration of the professional advice, the Group's management believes that litigation matters will not have any material adverse effect on the Group financial position or operating results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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7 Interests in structured entities

7.1 Consolidated structured entities

As at 30 June 2022 and 31 December 2021, the Group has no significant consolidated structured entities.

7.2 Unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an interest

Unconsolidated structured entities sponsored by third party institutions include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

| | 30 June 2022 | | | Total |
|----------------------------------|--|---|---|----------------|
| | Financial assets at fair value through profit and loss | Financial assets measured at amortised cost | Financial assets at fair value through other comprehensive income | |
| Asset-backed securities | 1,403 | 207,632 | 29,429 | 238,464 |
| Funds | 268,654 | – | – | 268,654 |
| Trust and asset management plans | 13,724 | 60,658 | – | 74,382 |
| Others | 1,379 | – | – | 1,379 |
| Total | 285,160 | 268,290 | 29,429 | 582,879 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
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7 Interests in structured entities (*continued*)

7.2 Unconsolidated structured entities (*continued*)

(1) Structured entities sponsored by third party institutions in which the Group holds an interest (*continued*)

| | 31 December 2021 | | | Total |
|----------------------------------|--|---|---|----------------|
| | Financial assets at fair value through profit and loss | Financial assets measured at amortised cost | Financial assets at fair value through other comprehensive income | |
| Asset-backed securities | 1,347 | 220,181 | 43,503 | 265,031 |
| Funds | 191,011 | – | – | 191,011 |
| Trust and asset management plans | 12,860 | 76,724 | – | 89,584 |
| Others | 1,091 | – | – | 1,091 |
| Total | 206,309 | 296,905 | 43,503 | 546,717 |

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

(2) Interests held in structured entities sponsored and managed but not consolidated by the Group

Structured entities sponsored and managed but not consolidated by the Group primarily include non-principal-guaranteed wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

In July 2020, the regulators announced the extension to the end of 2021 of the transition period set out in the *Guiding Opinions on Improving the Compliance of the Asset Management Operations of Financial Institutions*, encouraging financial institutions to adopt a combination of methods to dispose their existing portfolio, including assumption in the new products, market-oriented transfer, and/or recognition in the balance sheet. The Bank moved steadily ahead with the relevant work to ensure the smooth transition and robust development of the asset and wealth management business. In 2020 and 2021, the Group undertook part of the wealth management investment assets from non-principal-guaranteed wealth management products issued in the Group's financial investments.

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7 Interests in structured entities *(continued)*

7.2 Unconsolidated structured entities *(continued)*

(2) Interests held in structured entities sponsored and managed but not consolidated by the Group *(continued)*

As at 30 June 2022, the balance of non-principal guaranteed wealth management products sponsored and managed but not consolidated by the Group is RMB961,404 million (31 December 2021: RMB1,012,833 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB184,381 million (31 December 2021: RMB195,548 million).

For the six months ended 30 June 2022, the amount of fee and commission income received from the above mentioned structured entities by the Group is RMB2,071 million (for the six months ended 30 June 2021: RMB2,530 million). As at 30 June 2022 and 31 December 2021, the carrying amounts of commission receivable being recognised are not material in the statement of financial positions.

8 Entrusted lending business

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

| | 30 June 2022 | 31 December 2021 |
|-----------------|-------------------------|---------------------|
| Entrusted loans | 268,255 | 243,371 |
| Entrusted funds | 268,255 | 243,371 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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9 Related parties

9.1 Related parties

- (1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be individuals or enterprises.

The related parties of the group mainly include legal persons or unincorporated organizations and their controlling shareholders, actual controllers, persons acting in concert, ultimate beneficiaries and legal persons or unincorporated organizations controlled by the legal persons or unincorporated organizations holding or controlling more than 5% of the equity of the bank, and those holding less than 5% of the equity but having a significant impact on the bank, as well as directors, supervisors, senior executives of the head office and important branches of the bank. The personnel who have the right to approve or make decisions on core business such as asset transfer and their close family members and the legal person or non legal person organizations controlled by them, the legal person or non legal person organizations holding or controlling more than 5% of the bank's equity, and the legal person or non legal person organizations holding less than 5% of the bank's equity but having a significant impact on the bank, and their controlling shareholders, actual controllers, persons acting in concert, and directors, supervisors, and senior management of the ultimate beneficiaries, The legal person or unincorporated organization that the bank controls or exerts significant influence, and other natural persons, legal persons or other organizations that have significant influence on the bank.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders

| Company name | Registered location | 30 June 2022 | Proportion of shares of the Bank held by the Company (%) | 31 December 2021 | Proportion of shares of the Bank held by the Company (%) | Business | Legal form | Legal representative |
|--|------------------------|--|--|--|--|--|-----------------------------|----------------------|
| | | No. of Shares of the Bank held by the Company (share) | | No. of Shares of the Bank held by the Company (share) | | | | |
| Dajia Life Insurance Inc. | Beijing | 7,810,214,889 | 17.84 | 7,810,214,889 | 17.84 | Insurance business | Joint stock limited company | He Xiaofeng |
| China Oceanwide Holdings Group Co., Ltd. | Beijing | 1,803,182,618 | 4.12 | 1,803,182,618 | 4.12 | Commercial service | Limited company | Lu Zhiqiang |
| Oceanwide International Equity Investment Limited | British Virgin Islands | 604,300,950 | 1.38 | 604,300,950 | 1.38 | Investment holding | Limited company | (b) |
| Long Prosper Capital Company Limited | British Virgin Islands | 138,442,500 | 0.32 | 138,442,500 | 0.32 | Investment holding | Limited company | (b) |
| China Oceanwide International Investment Company Limited | Hong Kong | 8,237,520 | 0.02 | 8,237,520 | 0.02 | Investment holding | Limited company | (b) |
| Shanghai Giant Lifetech Co., Ltd. | Shanghai | 1,379,679,587 | 3.15 | 1,379,679,587 | 3.15 | Retailing | Limited company | Wei Wei |
| Alpha Frontier Limited | Cayman Islands | 713,501,653 | 1.63 | 713,501,653 | 1.63 | Investment holding | Limited company | Zhang lv |
| Liberal Rise Limited | British Virgin Islands | 84,522,480 | 0.19 | 84,522,480 | 0.19 | Investment holding | Limited company | Shi Yuzhu |
| New Hope Liuhe Investment Co., Ltd. | Tibet | 1,828,327,362 | 4.18 | 1,828,327,362 | 4.18 | Commercial service | Limited company | Wang Pusong |
| South Hope Industrial Co., Ltd. | Tibet | 343,177,327 | 0.78 | 343,177,327 | 0.78 | Retailing | Limited company | Li Jianxiong |
| Tongfang Guoxin Investment Co., Ltd. | Chongqing | 1,888,530,701 | 4.31 | 1,888,530,701 | 4.31 | Commercial service | Limited company | Liu Qinjin |
| Chongqing International Trust Co., Ltd. | Chongqing | 103,658,821 | 0.24 | 103,658,821 | 0.24 | Other financial industry | Joint stock limited company | Weng Zhenjie |
| China Shipowners Mutual Assurance Association | Shanghai | 1,324,284,453 | 3.02 | 1,324,284,453 | 3.02 | Insurance business | National social group | Song Chunfeng |
| Orient Group Incorporation | Heilongjiang | 1,280,117,123 | 2.92 | 1,280,117,123 | 2.92 | Agricultural and sideline food processing industry | Joint stock limited company | Sun Mingtao |
| Oriental Group Co., Ltd. | Beijing | 35,000,000 | 0.08 | 35,000,000 | 0.08 | Commercial service | Limited company | Zhang Xianfeng |
| Good First Group Co., Ltd. | Shanghai | 268,340,026 | 0.61 | 249,340,026 | 0.57 | Wholesaling | Limited company | Wu Di |
| Tibet Fu Ju Investment Co., Ltd. | Tibet | 264,502,400 | 0.60 | 297,922,400 | 0.68 | Commercial service | Limited company | Wu Di |
| Tibet Rong Jie Corporate Management Co., Ltd. | Tibet | 145,849,600 | 0.33 | 145,849,600 | 0.33 | Commercial service | Limited company | Chen Zhenling |
| Tibet Heng Xun Corporate Management Co., Ltd. | Tibet | 105,844,780 | 0.24 | 105,844,780 | 0.24 | Commercial service | Limited company | Hong Zhihua |

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For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (*continued*)

9.1 Related parties (*continued*)

(2) The Bank's major shareholders (*continued*)

(a) Particulars of principal operations:

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

China Oceanwide Holdings Group Co., Ltd.: finance; real estate and investment management, etc.

Oceanwide International Equity Investment Limited: investment holdings, etc.

Long Prosper Capital Company Limited: investment holdings, etc.

China Oceanwide International Investment Co, Ltd.: investment holdings, etc.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale of pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

Alpha Frontier Limited : investment holdings.

Liberal Rise Limited : investment holdings.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, by products and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

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For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (*continued*)

9.1 Related parties (*continued*)

(2) The Bank's major shareholders (*continued*)

(a) Particulars of principal operations: (*continued*)

Tongfang Guoxin Investment Co., Ltd.: transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management; proprietary investments (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; corporate restructuring and M&A planning and advisory services (in addition to the projects that must be approved according to law, the company shall independently carry out business activities according to law with the business license).

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Orient Group Incorporation: food production (branch operation); Bean products manufacturing (branch operation); Crop seed management (branch operation); Job intermediary activities. General items: grain purchase; Import and export of goods; Technology import and export; Foreign contracted projects; estate management; Sales of light building materials; Sales of building materials; Sales of construction machinery; Furniture sales; Wholesale of hardware products; Sanitary ware sales; Sales of metal materials; Research and development of new material technology; Grain sales; Grain planting (branch operation); Enterprise headquarters management; Primary processing of edible agricultural products (branch operation).

Oriental Group Co., Ltd.: project investment; investment management; real estate development; import and export agency; goods import and export; and economic and trade consulting, etc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations: (continued)

Good First Group Co., Ltd.: high-tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Fu Ju Investment Co., Ltd.: investments in commercial, agricultural, medical, entertainment and education industries (forbidden operations include: trust, financial asset management, and securities asset management business; also excluded: securities, insurance, funds, financial business and their restricted activities) (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Rong Jie Corporate Management Co., Ltd.: business management services (excluding investment management and investment consulting); corporate image, promotion and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building and auxiliary materials and metal materials; sales of feed, fertilizer, rubber products, and raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs); investments in the medical industry (forbidden operations include: equity investments; fundraising through public offerings, absorption of public deposits, loans; public trading of securities investment products or financial derivative products; financial products, wealth management products and related derivative businesses). (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

(b) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are entities incorporated overseas, and are ultimately controlled by Mr. Lu Zhiqiang.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (*continued*)

9.1 Related parties (*continued*)

(2) The Bank's major shareholders (*continued*)

The information of registered capital of the related parties as at the end of the reporting period is as below:

| Company name | 30 June 2022 | 31 December 2021 |
|--|--------------------------|-------------------|
| Dajia Life Insurance Inc. | RMB30,790 million | RMB30,790 million |
| China Oceanwide Holdings Group Co., Ltd. | RMB20,000 million | RMB20,000 million |
| Oceanwide International Equity Investment Limited | USD0.05 million | USD0.05 million |
| Long Prosper Capital Company Limited | USD0.05 million | USD0.05 million |
| China Oceanwide International Investment Co., Ltd. | HKD1,548 million | HKD1,548 million |
| Shanghai Giant Lifetech Co., Ltd. | RMB245 million | RMB245 million |
| Alpha Frontier Limited | USD0.05 million | USD0.05 million |
| Liberal Rise Limited | USD0.05 million | USD0.05 million |
| New Hope Liuhe Investment Co., Ltd. | RMB577 million | RMB577 million |
| South Hope Industrial Co., Ltd. | RMB1,034 million | RMB1,034 million |
| Tongfang Guoxin Investment Co., Ltd. | RMB2,574 million | RMB2,574 million |
| Chongqing International Trust Co., Ltd. | RMB15,000 million | RMB15,000 million |
| China Shipowners Mutual Assurance Association | RMB0.10 million | RMB0.10 million |
| Orient Group Incorporation | RMB3,659 million | RMB3,715 million |
| Oriental Group Co., Ltd. | RMB1,000 million | RMB1,000 million |
| Good First Group Co., Ltd. | RMB133 million | RMB133 million |
| Tibet Fu Ju Investment Co., Ltd. | RMB300 million | RMB300 million |
| Tibet Rong Jie Corporate Management Co., Ltd. | RMB10 million | RMB10 million |
| Tibet Heng Xun Corporate Management Co., Ltd. | RMB10 million | RMB10 million |

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.21.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (continued)

9.1 Related parties (continued)

(4) Relationship with related parties

| Company name | Relationship with the Bank |
|---|--|
| UNITED ENERGY GROUP (HONG KONG) LIMITED | Related party of Orient Group Incorporation |
| CHINA TONGHAI DCM LIMITED | Related party of China Oceanwide Holdings Group Co., Ltd. |
| Oceanwide Holding Co., Ltd. | Related party of China Oceanwide Holdings Group Co., Ltd. |
| Shanghai Cibi Business Information Consulting Co., Ltd. (a) | Related party of Shanghai Giant Lifetech Co., Ltd. |
| Shanghai Zhunji Business Consulting Partnership (LP) | Related party of Shanghai Giant Lifetech Co., Ltd. |
| Wuhan Centre Building Development Investment Co., Ltd. | Related party of China Oceanwide Holdings Group Co., Ltd. |
| Wuhan CBD Co., Ltd. | Related party of China Oceanwide Holdings Group Co., Ltd. |
| Orient Group Co., Ltd. | Related party of Orient Group Incorporation |
| Tianjin Haihui Real Estate Development Co., Ltd. | Related party of Good First Group Co., Ltd. |
| Wenzhou Xinjintian Real Estate Co., Ltd. | Related party of New Hope Liuhe Investment Co., Ltd. |
| Shanghai Yuye Industrial Development Co., Ltd. | Related party of Tongfang Guoxin Investment Co., Ltd. |
| Xiamen Jingding Sports Culture Development Co., Ltd. | Related party of Good First Group Co., Ltd. |
| Beijing Changrong Heyin Investment Management Co., Ltd. | Related party of Minsheng Real Estate Co., Ltd. |
| Xiamen Rongyin Co., Ltd. | Related party of Good First Group Co., Ltd. |
| Sichuan Hope Education Industry Group Co., Ltd. | Related party of New Hope Liuhe Investment Co., Ltd. |
| Xiamen Hongfu Co., Ltd. | Related party of Good First Group Co., Ltd. |
| Wuhan Guanggu Transportation Construction Co., Ltd. | Related party of the Bank's insiders |
| Grass Green Group Co., Ltd. | Related party of New Hope Liuhe Investment Co., Ltd. |
| Shanghai Gold Partner Biotechnology Co., Ltd. | Related party of Shanghai Giant Lifetech Co., Ltd. |
| Sichuan Special Drive Education Management Co., Ltd. | Related party of New Hope Liuhe Investment Co., Ltd. |
| Grass Green Joint Venture Capital (Beijing) Co., Ltd. | Related party of New Hope Liuhe Investment Co., Ltd. |
| Shanghai Jianjiu Biotechnology Co., Ltd. | Related party of Shanghai Giant Lifetech Co., Ltd. |
| Chongqing Yujinyue Real Estate Development Co., Ltd. | Related party of New Hope Liuhe Investment Co., Ltd. |
| New Hope Dairy Co., Ltd. | Related party of New Hope Liuhe Investment Co., Ltd. |
| Qingdao Wallen Blueberry Fruits Co., Ltd. | Related party of the Bank's insiders |
| Zhangzhou Tangcheng Real Estate Co., Ltd. | Related party of Good First Group Co., Ltd. |
| Shandong Continental Enterprise Group Co., Ltd.(b) | Related party of the Bank's insiders |
| Minsheng Real Estate Co., Ltd. | Companies funded by the Labour Union Committee of the Bank |
| Neural Management of Comprehensive Channels Co., Ltd. | Related party of Minsheng Real Estate Co., Ltd. |
| Minsheng Pension Co., Ltd. | Companies funded by the Labour Union Committee of the Bank and other companies |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (*continued*)

9.1 Related parties (*continued*)

(4) Relationship with related parties (*continued*)

| Company name | Relationship with the Bank |
|--|--|
| Minsheng Fintech Co., Ltd. | Related party of Minsheng Real Estate Co., Ltd. |
| Beijing Changrong Heyin Investment Management Co., Ltd. | Related party of Minsheng Real Estate Co., Ltd. |
| Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. | Companies funded by major shareholders and subsidiaries of the Bank |
| Hongtai Keystone Asset Management Co., Ltd. | Companies funded by Labour Union Committee of credit card centre and related parties of the Bank |
| Minsheng Yingcai (Beijing) Management Consulting Co., Ltd. | Companies funded by the Labour Union Committee of Beijing branch of the Bank |

(a) As at 8 July 2022, Chongqing Cibi Business Information Consulting Co., Ltd. was renamed as Shanghai Cibi Business Information Consulting Co., Ltd.

(b) As at 30 June 2022, this entity was no longer a related party of the Group.

(5) Related natural persons

The related natural persons of the group include the directors, supervisors, senior management of the head office and important branches of the Bank, personnel with the approval or decision-making power of core businesses such as large-scale credit extension and asset transfer, as well as their close family members, those who hold or control more than 5% of the Bank's equity, and those who hold less than 5% of the Bank's equity but have a significant impact on the Bank's controlling shareholders, actual controllers, persons acting in concert Directors, supervisors and senior management of the ultimate beneficiary. As at 30 June 2022, the Bank had a total of 33,301 related natural persons, including members of the Board of Directors and their close family members, totalling 196; supervisors and their close family members, totalling 141; senior Head Office executives and their close family members, totalling 151; and senior branch executives, those with decision-making authority or involved in the Bank's credit line determination and asset transfers and their close family members, totalling 32,271; totalling 673 directors, supervisors and senior managers of legal persons or unincorporated organizations holding or controlling more than 5% of the Bank's equity and holding less than 5% but having a significant impact on the Bank, as well as their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and other natural persons with significant influence on the Bank and their close family members, totalling 130.

Note: The Bank's directors and their close family members included 35 persons who were also senior executives at the Head Office or their close family members, and 62 persons who were also the controlling natural person shareholders, directors, key management personnel of the Bank's related legal entities or other organizations or their close family members; and the Bank's supervisors and their close family members included 36 persons who were also senior executives at the Head Office or their close family members.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (*continued*)

9.2 Related party transactions

(1) Material related party transactions

Material related party transactions refer to transactions with a related party where the amount of a single transaction with this related party exceeds 1% of the Bank's net capital, or the combined balance of transactions with this related party exceeds 5% of the Bank's net capital. During the six months ended 30 June 2022, The Group has no major related party transactions. In 2021, the Bank granted a single credit of RMB15.7 billion to Dajia Life Insurance Co., Ltd. in accordance with general commercial terms, and the loan balance at the end of 2021 was RMB11.5 billion.

(2) Pricing policy

Transactions between the Group and related parties are mainly conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

| | Types of collateral | 30 June 2022 | 31 December 2021 |
|---|---|--------------|------------------|
| Dajia Life Insurance Inc. | Pledged/ Guaranteed | 15,700 | 11,500 |
| Oceanwide Holding Co., Ltd. | Pledged/ Collateralised/ Guaranteed | 9,200 | 9,200 |
| Shanghai Cibi Business Information Consulting Co., Ltd. (a) | Pledged/ Guaranteed | 6,614 | 6,615 |
| China Oceanwide Holdings Group Co., Ltd. | Pledged/ Guaranteed | 4,666 | 4,666 |
| Shanghai Zhunji Business Consulting Partnership (LP) | Pledged/ Guaranteed | 4,382 | 4,383 |
| Wuhan Centre Building Development Investment Co., Ltd. | Pledged/ Collateralised/ Guaranteed | 3,972 | 3,972 |
| Orient Group Incorporation | Pledged/ Collateralised/ Guaranteed | 3,079 | 3,086 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(3) Loans to related parties (*continued*)

| | Types of collateral | 30 June 2022 | 31 December 2021 |
|---|---|--------------|------------------|
| Wuhan CBD Co., Ltd. | Collateralised/ Guaranteed | 3,046 | 3,046 |
| UNITED ENERGY GROUP (HONG KONG) LIMITED | Guaranteed | 2,693 | 3,099 |
| Oriental Group Co., Ltd. | Pledged/ Guaranteed | 2,279 | 2,336 |
| Tongfang Guoxin Investment Co., Ltd. | Pledged/ Collateralised/ Guaranteed | 1,450 | 1,443 |
| Tianjin Haihui Real Estate Development Co., Ltd. | Pledged/ Collateralised/ Guaranteed | 1,070 | 900 |
| Wenzhou Xinjintian Real Estate Co., Ltd. | Pledged/ Collateralised/ Guaranteed | 1,000 | 1,290 |
| Shanghai Yuye Industrial Development Co., Ltd. | Pledged/ Guaranteed | 975 | 1,000 |
| Xiamen Jingding Sports Culture Development Co., Ltd. | Pledged/ Collateralised/ Guaranteed | 776 | 795 |
| Beijing Changrong Heyin Investment Management Co., Ltd. | Pledged | 600 | 600 |
| Xiamen Rongyin Co., Ltd. | Pledged/ Collateralised/ Guaranteed | 450 | 450 |
| CHINA TONGHAI DCM LIMITED | Pledged/ Guaranteed | 316 | 335 |
| Sichuan Hope Education Industry Group Co., Ltd. | Pledged | 250 | 250 |
| Xiamen Hongfu Co., Ltd. | Guaranteed | 199 | 299 |
| Wuhan Guanggu Transportation Construction Co., Ltd. | Pledged/ Collateralised/ Guaranteed | 195 | 195 |
| Grass Green Group Co., Ltd. | Pledged/ Guaranteed | 174 | 179 |
| Shanghai Gold Partner Biotechnology Co., Ltd. | Guaranteed | 150 | 150 |
| Sichuan Special Drive Education Management Co., Ltd. | Collateralised | 150 | 150 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

| | Types of collateral | 30 June 2022 | 31 December 2021 |
|---|---|--------------------|------------------|
| Grass Green Joint Venture Capital (Beijing) Co., Ltd. | Pledged/ Guaranteed | 148 | 148 |
| Shanghai Jianjiu Biotechnology Co., Ltd. | Guaranteed | 130 | 150 |
| Chongqing Yujinyue Real Estate Development Co., Ltd. | Pledged/ Collateralised/ Guaranteed | 71 | 230 |
| New Hope Dairy Co., Ltd. | Pledged | 69 | 115 |
| Qingdao Wallen Blueberry Fruits Co., Ltd. (b) | Collateralised | 10 | N/A |
| Nanjing Ruichi Trade Co., Ltd. | Collateralised | 8 | 8 |
| Jiangsu Wanshun Tongbao Culture Co., Ltd. | Collateralised | 7 | 6 |
| Shandong Yihe Yimei Home Technology Co., Ltd. | Guaranteed | 2 | 2 |
| Sichuan Dingen International Trade Co., Ltd. | Collateralised | 1 | 2 |
| Quanzhou Haoyang Trade Co., Ltd. | Collateralised | 1 | 1 |
| Zhangzhou Tangcheng Real Estate Co., Ltd. | Pledged/ Collateralised/ Guaranteed | – | 116 |
| Shandong Continental Enterprise Group Co., Ltd. (c) | Pledged/ Collateralised/ Guaranteed | N/A | 175 |
| Individuals | Collateralised/ Guaranteed | 2,733 | 2,822 |
| Total | | 66,566 | 63,714 |
| Ratio to similar transactions (%) | | 1.61 | 1.61 |
| Interest rate ranges | | 3.75%-8.95% | 3.16%-8.95% |

(a) As at 8 July 2022, Chongqing Cibi Business Information Consulting Co., Ltd. was renamed as Shanghai Cibi Business Information Consulting Co., Ltd.

(b) As at 31 December 2021, the entities did not constitute a related party of the Group.

(c) As at 30 June 2022, the entity was no longer a related party of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(3) Loans to related parties (*continued*)

Amount of transactions:

| | Six months ended 30 June | |
|-----------------------------------|--------------------------|-------|
| | 2022 | 2021 |
| Interest income from loans | 1,585 | 2,011 |
| Ratio to similar transactions (%) | 1.69 | 2.01 |

As at 30 June 2022 and 31 December 2021, none of the above loans is impaired.

(4) Other transactions with related parties

Balances as at the end of the reporting period:

| | 30 June 2022 | | 31 December 2021 | |
|---|---------------|-----------------------------------|------------------|-----------------------------------|
| | Balance | Ratio to similar transactions (%) | Balance | Ratio to similar transactions (%) |
| Financial investments | | | | |
| – Financial assets measured at amortised cost (a) | 6,569 | 0.49 | 7,609 | 0.59 |
| – Financial assets at fair value through other comprehensive income | 688 | 0.15 | 706 | 0.16 |
| Long-term receivables | 393 | 0.35 | 401 | 0.33 |
| Deposits and placements from banks and other financial institutions | 8,304 | 0.65 | 12,975 | 1.00 |
| Deposits from customers | 42,092 | 1.01 | 32,357 | 0.85 |

- (a) As at 30 June 2022 and 31 December 2021, the related party transaction of a financial asset measured at amortized cost between the Group and Minsheng Pension Co., Ltd. had an overdue amount of RMB600 million. The Group had made an impairment allowance of RMB111 million for these financial assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

Amount of transactions:

| | Six months ended 30 June | | | |
|-------------------------------|--------------------------|-----------------------------------|---------|-----------------------------------|
| | 2022 | | 2021 | |
| | Balance | Ratio to similar transactions (%) | Balance | Ratio to similar transactions (%) |
| Interest income | 144 | 0.11 | 82 | 0.06 |
| Interest expense | 761 | 0.99 | 594 | 0.79 |
| Fee and commission income (a) | 145 | 1.18 | 115 | 0.75 |
| Operating expenses (b) | 1,394 | 6.62 | 995 | 4.89 |

(a) It mainly represents the Group's income from agency sales of insurance products entered into between the Group and Dajia Life Insurance Inc. and Huaxia Life Insurance Co., Ltd.

(b) Operating expenses of the Group were mainly for financial business outsourcing service and procurement service provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service provided by Minsheng Real Estate Co., Ltd. and its related parties, technology development service provided by Minsheng Fintech Co., Ltd., assets recovery service provided by Hongtai Keystone Asset Management Co., Ltd., business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd., and maintenance service of self-service cashier equipment provided by Neural Management of Comprehensive Channels Co., Ltd.

| | 30 June 2022 | 31 December 2021 |
|---|--------------|------------------|
| Financial investments | | |
| – Financial assets measured at amortised cost | 2.80%-5.40% | 2.80%-6.74% |
| – Financial assets at fair value through other comprehensive income | 5.25%-5.30% | 5.25%-5.30% |
| Long-term receivables | 4.42%-6.89% | 3.62%-6.89% |
| Deposits and placements from banks and other financial institutions | 0.00%-2.92% | 0.00%-3.28% |
| Deposits from customers | 0.00%-5.35% | 0.00%-5.35% |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(4) Other transactions with related parties (*continued*)

Balance of off-balance sheet items:

| | 30 June 2022 | | 31 December 2021 | |
|--------------------------------|--------------|-----------------------------------|------------------|-----------------------------------|
| | Balance | Ratio to similar transactions (%) | Balance | Ratio to similar transactions (%) |
| Bank acceptances | 2,150 | 0.45 | 2,252 | 0.66 |
| Guarantees | 2,219 | 1.62 | 2,289 | 1.57 |
| Letters of credit | 300 | 0.44 | 350 | 0.45 |
| Unused credit card commitments | 1,111 | 0.22 | 1,150 | 0.23 |

Balances of loans guaranteed by related parties:

| | 30 June 2022 | 31 December 2021 |
|-------------------------------------|--------------|------------------|
| Loans guaranteed by related parties | 25,717 | 30,663 |
| Ratio to similar transactions (%) | 0.61 | 0.77 |

For the six months ended 30 June 2022, the original value of loans transferred between Beijing Changrong Heyin Investment Management Co., Ltd. and the Bank was none (for the six months ended 30 June 2021: RMB347 million, with the consideration of RMB344 million agreed upon by both parties. The risks and rewards of these loans have been fully transferred).

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the six months ended 30 June 2022 and for the six months ended 30 June 2021.

(6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(6) Transactions with key management personnel (*continued*)

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB2.54 million as at 30 June 2022 (31 December 2021: RMB2.71 million), which have been included in the above loans granted to related parties.

For the six months ended 30 June 2022, the pre-tax compensation (including wages and short-term benefits) of key management personnel totalled RMB32 million (for the six months ended 30 June 2021: RMB34 million).

(7) Transactions between the Bank and its subsidiaries

Balances as at the end of the reporting period:

| | 30 June 2022 | 31 December 2021 |
|---|-------------------------|---------------------|
| Placements with banks and other financial institutions | 27,310 | 32,340 |
| Loans and advances to customers | 2,196 | 1,637 |
| Right-of-use assets | 26 | 37 |
| Other assets | 665 | 455 |
| Deposits and placements from banks and other financial institutions | 7,226 | 7,652 |
| Deposits from customers | 5,159 | 652 |
| Leasing liabilities | – | 37 |
| Other liabilities | 1,151 | 1,985 |

Amount of transactions for the reporting period:

| | Six months ended 30 June 2022 | 2021 |
|---------------------------|--|------|
| Interest income | 518 | 436 |
| Interest expense | 65 | 56 |
| Fee and commission income | 51 | 125 |
| Operating expenses | – | 32 |
| Other operating income | 3 | 2 |

For the six months ended 30 June 2022, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 30 June 2022, the balance of the above transactions was RMB145 million (31 December 2021: RMB251 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
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10 Financial risk management

10.1 Financial risk management overview

In accordance with the Comprehensive Risk Management Framework of COSO and with the Comprehensive Risk Management Guidelines of CBIRC, risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

The Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing, Minsheng Royal Fund, CMBC International, CMBC Wealth Management and 29 Rural banks. These subsidiaries are responsible for financial risk management in their respective businesses as separate entities. The financial risk arising from commercial banking is the most significant risk for the Group's operations. The Group formulated the "Administrative Measures of Subsidiaries of China Minsheng Banking Corporation Limited on Comprehensive Risk Management" to further enhance the risk management of these subsidiaries.

In response to new regulatory requirements and market changes as well as in light of the actual needs and current position, the Group sets its risk preferences, risk management strategies and risk policies, and takes a host of measures to ensure the risk preferences and policies are concretely implemented and complied with and strengthen the role of risk management in support of strategic decision-making, including improving its risk quantification tools and information systems, adopting and continuously improving its end-to-end risk control mechanisms and based on oversight and reviews of actual implementations, re-examining and optimising the risk preference funneling mechanisms, credit policies, limit management, and relevant systems and tools.

The Bank's Risk Management Committee, which operates under the Board of Directors, assists the Board in setting the Bank's risk preferences and risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing their effectiveness. In accordance with the risk preferences and management strategies, the Bank's senior management develops corresponding risk management policies and procedures and drives their implementation.

10.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, end-to-end quality monitoring, problem asset professional management and collecting and other major methods for credit risk management.

After exhausting all necessary measures and implementing necessary procedures, the Group writes off the bad debts as determined in accordance with the criteria set out in the Group's write-off policy. For bad debts that have been written off, the Bank continues to make its best effort to recover them.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(1) Credit risk measurement

(a) Loans and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the CBIRC Guidelines for Risk Classification of Loans (the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

The core definitions of credit asset classifications in the Guidelines are as follows:

| | |
|------------------|---|
| Pass: | The borrower can fulfil contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time. |
| Special-mention: | The borrower can make current payments, but there may be some potential issues that could adversely impact future payments. |
| Sub-standard: | The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss. |
| Doubtful: | The borrower cannot repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss. |
| Loss: | After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered. |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(1) Credit risk measurement (*continued*)

(b) Debt securities and other bills

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimise its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control personnel regularly analyse and continuously monitor the credit positions of issuers of debt securities still held by the Bank, and the operational staff will continue to optimise and adjust the investment portfolio based on the risk-mitigation recommendations.

(2) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on- and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and prevent and control customer concentration risks.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(2) Risk limit control and mitigation policies (*continued*)

(a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Financial instruments such as time deposits, debt securities and equities.
- Right to receive payments and accounts receivable
- Machinery and equipment

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collateral from counterparties/require additional guarantors or squeeze the credit line.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivative instruments

The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The Bank's exposure to credit risk of derivative instruments is limited to derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

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For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(2) Risk limit control and mitigation policies (*continued*)

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(3) Expected Credit Loss ("ECL") measurement

According to the requirements of IFRS 9, the Group divided the financial instruments that require ECL provision recognition into three stages and applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortised cost or at fair value through other comprehensive income, as well as its loan commitments and financial guarantee contracts.

The Group adopts the parameter-based approach and the discounted cash flow ("DCF") method to assess the expected credit losses of its financial assets. A parameter-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group continuously monitors and optimizes the expected credit loss model, and regularly updates forward-looking information and relevant parameters in accordance with the requirements of *Implementation Rules on Expected Credit Loss Approach of Commercial Banks* (CBIRC [2022] No.10) Issued by CBIRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss (“ECL”) measurement (*continued*)

(a) Financial instrument risk stages

The Group applies a ‘three-stage model’ for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

- | | |
|----------|---|
| Stage 1: | Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months. |
| Stage 2: | For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment. |
| Stage 3: | For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime. |

(b) Criteria for significant increases in credit risk (“SICR”)

Criteria for SICR include but are not limited to:

- The principal or interest is overdue for more than 30 days;
- Significant change in Probability of Default (PD);
- An actual or expected significant adverse change in the borrower’s operating results or financial position that is expected to lead to a significant change in the borrower’s ability to meet its debt repayment obligations;
- Changes or events with a significant negative impact on the solvency of the debtor;
- Other objective evidence of a significant increase in credit risk of financial asset.

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For the six months ended 30 June 2022
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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss ("ECL") measurement (*continued*)

(c) Definition of credit-impaired financial asset

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

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

For measurement of ECL, segmentation of portfolio is based on similar credit risk characteristics. Corporate financial assets of the Group are mainly grouped according to types of borrower and industry, while retail assets are mainly grouped based on product types.

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For the six months ended 30 June 2022
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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss (“ECL”) measurement (*continued*)

(e) Parameters for ECL measurement

Except for credit-impaired financial assets, according to whether there is a significant increase in credit risk and whether there is an impairment of financial assets, the Group recognised 12-month or lifetime ECL allowance by stage of financial instrument. Expected credit losses are the weighted average of the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower’s point-in-time probability of default under the current macroeconomic environment;
- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;
- EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet risk conversion factor etc., and may vary by product types.

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the quarterly year-on-year growth rates of Gross Domestic Product (GDP) and Broad Money Supply (M2), and quarterly cumulative year-on-year growth rates of Consumer Price Index (CPI). The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indicators for ECL calculation.

The Group determines the relationship between these economic variables and PD and LGD by building econometric model, so as to ascertain the impacts of historical changes in these variables on PD and LGD.

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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss ("ECL") measurement (*continued*)

(f) Forward-looking information incorporated in the ECL (*continued*)

In the first half of 2022, the Group has considered different macroeconomic scenarios, and the main economic indicators with predicted ranges in estimating ECL are set out as below:

| Variables | Range |
|---|------------|
| Quarterly Y/Y growth rate of GDP | 4.9%~5.7% |
| Quarterly Y/Y growth rate of M2 | 8.9%~10.1% |
| Quarterly cumulative Y/Y growth rate of CPI | 1.4%~2.7% |

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

The Group combines macroeconomic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. As at 30 June 2022 and 31 December 2021, the positive, neutral and negative scenarios had similar weightings.

(g) Cash flow forecasts for Stage 3 corporate financial assets

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets. The DCF method calculates the impairment allowances based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(4) Maximum credit risk exposure

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

| | 30 June 2022 | 31 December 2021 |
|---|-------------------------|---------------------|
| Balances with central bank | 360,604 | 356,010 |
| Balances with banks and other financial institutions | 104,615 | 92,546 |
| Placements with banks and other financial institutions | 175,764 | 158,768 |
| Derivative financial assets | 30,380 | 27,461 |
| Financial assets held under resale agreements | 12,544 | 1,362 |
| Loans and advances to customers | 4,131,646 | 3,967,679 |
| Financial investments | | |
| – Financial assets at fair value through profit or loss | 90,527 | 82,394 |
| – Financial assets at fair value through other comprehensive income | 449,035 | 427,204 |
| – Financial assets measured at amortised cost | 1,339,993 | 1,298,220 |
| Long-term receivables | 111,798 | 122,716 |
| Other financial assets | 46,081 | 36,209 |
| Total | 6,852,987 | 6,570,569 |
| Off-balance sheet credit commitments | 1,211,910 | 1,080,604 |
| Maximum credit risk exposure | 8,064,897 | 7,651,173 |

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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(5) Analysis on the credit quality of financial instruments

(a) As at 30 June 2022, the credit risk stages of financial instruments at fair value through other comprehensive income and financial instruments at amortised cost are as following:

| | Gross carrying amount | | | | Allowance for expected credit losses | | | |
|--|-----------------------|---------|---------|-----------|--------------------------------------|----------|----------|----------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Balances with central bank | 360,604 | - | - | 360,604 | - | - | - | - |
| Balances with banks and other financial institutions | 104,623 | - | - | 104,623 | (8) | - | - | (8) |
| Placements with banks and other financial institutions | 175,341 | - | 1,944 | 177,285 | (343) | - | (1,178) | (1,521) |
| Financial assets held under resale agreements | 12,049 | - | 516 | 12,565 | (1) | - | (20) | (21) |
| Loans and advances to customers | | | | | | | | |
| – Corporate loans and advances | 2,284,001 | 142,339 | 47,177 | 2,473,517 | (13,232) | (23,938) | (27,200) | (64,370) |
| – Personal loans and advances | 1,684,336 | 47,135 | 27,886 | 1,759,357 | (7,726) | (11,275) | (18,996) | (37,997) |
| Financial investments | 1,745,435 | 17,511 | 38,885 | 1,801,831 | (2,077) | (869) | (12,524) | (15,470) |
| Long-term receivables | 96,048 | 14,446 | 5,721 | 116,215 | (1,390) | (1,426) | (1,601) | (4,417) |
| Off-balance sheet credit commitments | 1,208,819 | 2,778 | 313 | 1,211,910 | (1,367) | (274) | (82) | (1,723) |

(b) As at 31 December 2021, the credit risk stages of financial instruments at fair value through other comprehensive income and financial instruments at amortised cost are as following:

| | Gross carrying amount | | | | Allowance for expected credit losses | | | |
|--|-----------------------|---------|---------|-----------|--------------------------------------|----------|----------|----------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Balances with central bank | 356,010 | - | - | 356,010 | - | - | - | - |
| Balances with banks and other financial institutions | 92,554 | - | - | 92,554 | (8) | - | - | (8) |
| Placements with banks and other financial institutions | 158,413 | - | 1,944 | 160,357 | (411) | - | (1,178) | (1,589) |
| Financial assets held under resale agreements | 841 | - | 541 | 1,382 | - | - | (20) | (20) |
| Loans and advances to customers | | | | | | | | |
| – Corporate loans and advances | 2,134,955 | 138,247 | 51,658 | 2,324,860 | (12,945) | (25,072) | (28,004) | (66,021) |
| – Personal loans and advances | 1,669,322 | 48,632 | 28,671 | 1,746,625 | (7,538) | (12,108) | (19,441) | (39,087) |
| Financial investments | 1,682,275 | 13,717 | 44,058 | 1,740,050 | (2,465) | (580) | (14,154) | (17,199) |
| Long-term receivables | 107,739 | 13,152 | 5,988 | 126,879 | (1,503) | (1,250) | (1,410) | (4,163) |
| Off-balance sheet credit commitments | 1,076,774 | 3,571 | 259 | 1,080,604 | (1,227) | (524) | (83) | (1,834) |

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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(6) Loans and advances to customers

(a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

| | 30 June 2022 | 31 December 2021 |
|--|-------------------------|---------------------|
| Stage 1 | | |
| Unsecured loans | 1,090,744 | 965,895 |
| Guaranteed loans | 624,640 | 607,704 |
| Loans secured by | | |
| – Tangible assets other than monetary assets | 1,642,619 | 1,616,454 |
| – Monetary assets | 582,996 | 588,431 |
| Subtotal | 3,940,999 | 3,778,484 |
| Stage 2 | | |
| Unsecured loans | 24,615 | 26,574 |
| Guaranteed loans | 39,662 | 43,259 |
| Loans secured by | | |
| – Tangible assets other than monetary assets | 86,919 | 86,316 |
| – Monetary assets | 38,278 | 30,730 |
| Subtotal | 189,474 | 186,879 |
| Stage 3 | | |
| Unsecured loans | 17,567 | 17,840 |
| Guaranteed loans | 16,796 | 19,784 |
| Loans secured by | | |
| – Tangible assets other than monetary assets | 35,294 | 36,587 |
| – Monetary assets | 5,406 | 6,118 |
| Subtotal | 75,063 | 80,329 |
| Total | 4,205,536 | 4,045,692 |
| Credit-impaired loans secured by collateral | 16,670 | 19,203 |

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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(6) Loans and advances to customers (*continued*)

(b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

| | 30 June 2022 | | 31 December 2021 | |
|--|------------------|---------------|------------------|--------|
| | Amount | (%) | Amount | (%) |
| Corporate loans and advances | | | | |
| Leasing and commercial services | 537,887 | 12.79 | 514,854 | 12.73 |
| Manufacturing | 422,320 | 10.04 | 348,542 | 8.62 |
| Real estate | 359,259 | 8.54 | 360,302 | 8.91 |
| Wholesale and retail | 275,300 | 6.55 | 259,230 | 6.41 |
| Water, environment and public utilities management | 172,763 | 4.11 | 160,746 | 3.97 |
| Transportation, storage and postal service | 149,470 | 3.55 | 127,181 | 3.14 |
| Construction | 123,100 | 2.93 | 112,875 | 2.79 |
| Production and supply of electric power, heat, gas and water | 101,952 | 2.42 | 86,436 | 2.14 |
| Financial services | 93,005 | 2.21 | 117,470 | 2.90 |
| Mining | 79,817 | 1.90 | 88,396 | 2.18 |
| Information transmission, software and IT services | 48,702 | 1.16 | 44,566 | 1.10 |
| Agriculture, forestry, animal husbandry and fishery | 21,534 | 0.51 | 20,221 | 0.50 |
| Accommodation and catering | 14,095 | 0.34 | 13,891 | 0.34 |
| Others | 51,777 | 1.23 | 49,651 | 1.23 |
| Subtotal | 2,450,981 | 58.28 | 2,304,361 | 56.96 |
| Personal loans and advances | 1,754,555 | 41.72 | 1,741,331 | 43.04 |
| Total | 4,205,536 | 100.00 | 4,045,692 | 100.00 |

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For the six months ended 30 June 2022
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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(6) Loans and advances to customers (*continued*)

(c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

| | 30 June 2022 | | 31 December 2021 | |
|---------------------------|------------------|---------------|------------------|---------------|
| | Amount | (%) | Amount | (%) |
| Head Office | 478,134 | 11.37 | 506,340 | 12.52 |
| Yangtze River Delta | 1,068,354 | 25.40 | 1,004,449 | 24.83 |
| Bohai Rim | 657,928 | 15.64 | 630,297 | 15.58 |
| Western Region | 642,074 | 15.27 | 616,229 | 15.23 |
| Pearl River Delta | 632,739 | 15.05 | 586,214 | 14.49 |
| Central Region | 520,693 | 12.38 | 508,645 | 12.57 |
| Northeastern Region | 98,885 | 2.35 | 97,272 | 2.40 |
| Overseas and subsidiaries | 106,729 | 2.54 | 96,246 | 2.38 |
| Total | 4,205,536 | 100.00 | 4,045,692 | 100.00 |

(7) Loans and advances restructured

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. As at 30 June 2022, the amount of the Group's impaired restructured loans and advances to customers with modified contract terms, is RMB16,321 million (31 December 2021: RMB17,743 million).

Impaired restructured loans and advances which were not past due or past due for no more than 90 days are as follows:

| | 30 June 2022 | 31 December 2021 |
|---|-----------------|---------------------|
| Impaired restructured loans and advances to customers | 4,186 | 5,753 |
| % of total loans and advances to customers | 0.10 | 0.14 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(8) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

| | 30 June 2022 | | | | | |
|--|--------------|---------|--------|--------|--------------|-----------|
| | Unrated(a) | AAA | AA | A | Lower than A | Total |
| Credit impaired | | | | | | |
| – Banks and non-bank financial institutions(b) | 35,104 | – | – | – | – | 35,104 |
| – Corporates | 1,510 | – | 15 | – | 628 | 2,153 |
| Gross balance | 36,614 | – | 15 | – | 628 | 37,257 |
| Interest accrued | | | | | | 1,628 |
| Less: Allowance for impairment losses of financial assets measured at amortised cost | | | | | | (10,623) |
| Subtotal | | | | | | 28,262 |
| Not impaired | | | | | | |
| – Government | 738,771 | 319,490 | – | 293 | – | 1,058,554 |
| – Policy banks | 114,477 | – | – | 904 | – | 115,381 |
| – Banks and non-bank financial institutions | 78,158 | 150,771 | 3,755 | 22,429 | 18,025 | 273,138 |
| – Corporates | 109,140 | 219,223 | 30,090 | 9,352 | 17,649 | 385,454 |
| Gross balance | 1,040,546 | 689,484 | 33,845 | 32,978 | 35,674 | 1,832,527 |
| Interest accrued | | | | | | 20,946 |
| Less: Allowance for impairment losses of financial assets measured at amortised cost | | | | | | (2,180) |
| Subtotal | | | | | | 1,851,293 |
| Total | | | | | | 1,879,555 |

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For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (continued)**10.2 Credit risk (continued)****(8) Distribution of debt instruments analysed by issuers and rating (continued)**

| | 31 December 2021 | | | | | Total |
|--|------------------|---------|--------|--------|--------------|-----------|
| | Unrated(a) | AAA | AA | A | Lower than A | |
| Credit impaired | | | | | | |
| – Banks and non-bank financial institutions(b) | 41,162 | – | – | – | – | 41,162 |
| – Corporates | 1,117 | – | – | – | 190 | 1,307 |
| Gross balance | 42,279 | – | – | – | 190 | 42,469 |
| Interest accrued | | | | | | 1,589 |
| Less: Allowance for impairment losses of financial assets measured at amortised cost | | | | | | (12,321) |
| Subtotal | | | | | | 31,737 |
| Not impaired | | | | | | |
| – Government | 700,313 | 303,090 | – | – | – | 1,003,403 |
| – Policy banks | 112,058 | – | – | 1,038 | – | 113,096 |
| – Banks and non-bank financial institutions | 85,489 | 118,466 | 2,842 | 20,662 | 16,957 | 244,416 |
| – Corporates | 108,922 | 221,828 | 40,158 | 6,714 | 19,867 | 397,489 |
| Gross balance | 1,006,782 | 643,384 | 43,000 | 28,414 | 36,824 | 1,758,404 |
| Interest accrued | | | | | | 19,982 |
| Less: Allowance for impairment losses of financial assets measured at amortised cost | | | | | | (2,305) |
| Subtotal | | | | | | 1,776,081 |
| Total | | | | | | 1,807,818 |

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates, bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

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For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(9) Investments classified as trust and asset management plans analysed by type of underlying assets

| | 30 June 2022 | 31 December 2021 |
|----------------------------------|-------------------------|---------------------|
| Trust and asset management plans | | |
| Credit assets | 60,658 | 76,724 |
| Bonds and others | 13,724 | 12,860 |
| Total | 74,382 | 89,584 |

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank has established a market risk management system at the group level and at the business entity level. The Bank and its subsidiaries independently manage various market risks and maintain coordination in terms of market risk management policies, procedures and preference limits.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
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10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The primary techniques applied by the Group in analysing currency risk are mainly foreign exchange exposure analyses, scenario analyses, stress testing and value at risk (VaR) method. The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

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For the six months ended 30 June 2022
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10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(2) Currency risk (*continued*)

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

| | 30 June 2022 | | | | |
|---|------------------|----------------|---------------|---------------|------------------|
| | RMB | USD | HKD | Others | Total |
| Assets: | | | | | |
| Cash and balances with central bank | 319,684 | 45,271 | 859 | 146 | 365,960 |
| Balances with banks and other financial institutions | 75,889 | 24,797 | 1,214 | 2,715 | 104,615 |
| Placements with banks and other financial institutions | 160,248 | 14,972 | 544 | – | 175,764 |
| Financial assets held under resale agreements | 12,544 | – | – | – | 12,544 |
| Loans and advances to customers | 3,917,113 | 154,958 | 32,624 | 26,951 | 4,131,646 |
| Financial investments | 2,047,413 | 121,115 | 4,325 | 11,741 | 2,184,594 |
| Long-term receivables | 91,713 | 20,085 | – | – | 111,798 |
| Other assets | 171,202 | 40,780 | 1,851 | 19,826 | 233,659 |
| Total assets | 6,795,806 | 421,978 | 41,417 | 61,379 | 7,320,580 |
| Liabilities: | | | | | |
| Borrowings from central bank | 259,068 | – | – | – | 259,068 |
| Deposits and placements from banks and other financial institutions | 1,186,495 | 76,054 | 8,759 | 716 | 1,272,024 |
| Borrowings from banks and other financial institutions | 69,286 | 40,167 | 2,414 | – | 111,867 |
| Financial assets sold under repurchase agreements | 43,664 | 8,820 | – | – | 52,484 |
| Deposits from customers | 3,932,867 | 173,373 | 18,839 | 36,469 | 4,161,548 |
| Debt securities issued | 752,683 | 9,745 | – | – | 762,428 |
| Lease liabilities | 9,452 | – | 160 | – | 9,612 |
| Other liabilities | 74,579 | 11,814 | 2,424 | 21 | 88,838 |
| Total liabilities | 6,328,094 | 319,973 | 32,596 | 37,206 | 6,717,869 |
| Net position | 467,712 | 102,005 | 8,821 | 24,173 | 602,711 |
| Foreign currency derivatives | 115,247 | (100,358) | (10,401) | (1,235) | 3,253 |
| Off-balance sheet credit commitments | 1,174,093 | 29,946 | 4,386 | 3,485 | 1,211,910 |

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(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)10.3 Market risk (*continued*)(2) Currency risk (*continued*)

| | 31 December 2021 | | | | |
|---|------------------|----------------|---------------|---------------|------------------|
| | RMB | USD | HKD | Others | Total |
| Assets: | | | | | |
| Cash and balances with central bank | 310,899 | 48,904 | 1,324 | 175 | 361,302 |
| Balances with banks and other financial institutions | 26,089 | 56,177 | 7,813 | 2,467 | 92,546 |
| Placements with banks and other financial institutions | 142,786 | 12,271 | 3,711 | – | 158,768 |
| Financial assets held under resale agreements | 733 | 629 | – | – | 1,362 |
| Loans and advances to customers | 3,788,631 | 121,968 | 28,415 | 28,665 | 3,967,679 |
| Financial investments | 1,912,327 | 104,533 | 5,049 | 12,524 | 2,034,433 |
| Long-term receivables | 101,567 | 21,149 | – | – | 122,716 |
| Other assets | 161,552 | 35,333 | 3,877 | 13,218 | 213,980 |
| Total assets | 6,444,584 | 400,964 | 50,189 | 57,049 | 6,952,786 |
| Liabilities: | | | | | |
| Borrowings from central bank | 279,787 | – | – | – | 279,787 |
| Deposits and placements from banks and other financial institutions | 1,222,667 | 57,097 | 12,135 | 2,459 | 1,294,358 |
| Borrowings from banks and other financial institutions | 71,742 | 40,614 | 2,105 | – | 114,461 |
| Financial assets sold under repurchase agreements | 27,662 | 8,823 | – | – | 36,485 |
| Deposits from customers | 3,556,164 | 231,863 | 27,243 | 10,423 | 3,825,693 |
| Debt securities issued | 701,140 | 9,884 | – | – | 711,024 |
| Lease liabilities | 9,992 | – | 233 | – | 10,225 |
| Other liabilities | 84,866 | 8,798 | 371 | 179 | 94,214 |
| Total liabilities | 5,954,020 | 357,079 | 42,087 | 13,061 | 6,366,247 |
| Net position | 490,564 | 43,885 | 8,102 | 43,988 | 586,539 |
| Foreign currency derivatives | 47,132 | (14,563) | (3,560) | (27,754) | 1,255 |
| Off-balance sheet credit commitments | 1,041,786 | 29,352 | 4,319 | 5,147 | 1,080,604 |

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For the six months ended 30 June 2022
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10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(2) Currency risk (*continued*)

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 30 June 2022 assuming other variables remain unchanged, an appreciation of one hundred basis points of the US dollar against the RMB would increase both the Group's net profit and equity by RMB1,012 million (31 December 2021: increase by RMB720 million); a depreciation of one hundred basis points of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB1,012 million (31 December 2021: decrease by RMB720 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

- a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by one hundred basis points against the RMB's average rate on the reporting date;
- b. The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;
- c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;
- d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;
- e. Other variables (including interest rates) remained unchanged; and
- f. The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

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10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

The Group's is affected by the interest rate benchmark reform mainly in business activities, including loans and advances to customers, deposits from customers, debt investments and derivatives etc., that are linked to the London Interbank Offered Rates (LIBOR). The Group pays high attention to the LIBOR reform, and moving forward with updating the product contract wording, system building and customer communication in a well-planned and disciplined manner. Based on its assessment, the Group believes that the LIBOR reform has no significant impact on the Group's financial position and operating results.

(a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs proper scenario analyses, and adjusts interest rates of deposits and loans in both RMB and foreign currencies to manage interest rate risk.

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10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(3) Interest rate risk (*continued*)

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

| | 30 June 2022 | | | | | Total |
|---|--------------------|--------------------|------------------|-------------------|----------------------|------------------|
| | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Non-interest bearing | |
| Assets: | | | | | | |
| Cash and balances with central bank | 360,481 | - | - | - | 5,479 | 365,960 |
| Balances with banks and other financial institutions | 101,719 | 2,844 | - | - | 52 | 104,615 |
| Placements with banks and other financial institutions | 65,018 | 104,606 | 5,930 | - | 210 | 175,764 |
| Financial assets held under resale agreements | 12,520 | - | - | - | 24 | 12,544 |
| Loans and advances to customers | 1,421,636 | 1,931,666 | 514,899 | 236,107 | 27,338 | 4,131,646 |
| Financial investment | 135,490 | 390,714 | 977,471 | 348,281 | 332,638 | 2,184,594 |
| Long-term receivables | 51,141 | 25,132 | 28,893 | 6,632 | - | 111,798 |
| Other assets | 2,593 | 46 | 862 | - | 230,158 | 233,659 |
| Total assets | 2,150,598 | 2,455,008 | 1,528,055 | 591,020 | 595,899 | 7,320,580 |
| Liabilities: | | | | | | |
| Borrowings from central bank | 96,531 | 157,878 | - | - | 4,659 | 259,068 |
| Deposits and placements from banks and other financial institutions | 831,062 | 432,086 | - | - | 8,876 | 1,272,024 |
| Borrowings from banks and other financial institutions | 61,511 | 36,164 | 12,599 | 903 | 690 | 111,867 |
| Financial assets sold under repurchase agreements | 29,823 | 22,496 | - | - | 165 | 52,484 |
| Deposits from customers | 2,429,510 | 971,507 | 712,613 | - | 47,918 | 4,161,548 |
| Debt securities issued | 149,517 | 406,589 | 83,340 | 119,969 | 3,013 | 762,428 |
| Lease liabilities | 743 | 2,161 | 5,564 | 1,144 | - | 9,612 |
| Other liabilities | 30 | 6,190 | - | - | 82,618 | 88,838 |
| Total liabilities | 3,598,727 | 2,035,071 | 814,116 | 122,016 | 147,939 | 6,717,869 |
| Interest rate gap | (1,448,129) | 419,937 | 713,939 | 469,004 | 447,960 | 602,711 |

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10 Financial risk management (*continued*)10.3 Market risk (*continued*)(3) Interest rate risk (*continued*)

| | 31 December 2021 | | | | | Total |
|---|-----------------------|-----------------------|------------------|----------------------|-----------------------------|------------------|
| | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Non- interest bearing | |
| Assets: | | | | | | |
| Cash and balances with central bank | 355,877 | - | - | - | 5,425 | 361,302 |
| Balances with banks and other financial institutions | 90,066 | 2,417 | - | - | 63 | 92,546 |
| Placements with banks and other financial institutions | 58,681 | 93,899 | 5,948 | - | 240 | 158,768 |
| Financial assets held under resale agreements | 1,344 | - | - | - | 18 | 1,362 |
| Loans and advances to customers | 1,548,288 | 1,568,245 | 578,391 | 246,962 | 25,793 | 3,967,679 |
| Financial investment | 118,750 | 237,628 | 1,078,166 | 345,170 | 254,719 | 2,034,433 |
| Long-term receivables | 41,894 | 52,229 | 23,170 | 5,423 | - | 122,716 |
| Other assets | - | 1,025 | 59 | 1,128 | 211,768 | 213,980 |
| Total assets | 2,214,900 | 1,955,443 | 1,685,734 | 598,683 | 498,026 | 6,952,786 |
| Liabilities: | | | | | | |
| Borrowings from central bank | 53,149 | 223,266 | - | - | 3,372 | 279,787 |
| Deposits and placements from banks and other financial institutions | 770,316 | 516,765 | - | - | 7,277 | 1,294,358 |
| Borrowings from banks and other financial institutions | 53,719 | 51,883 | 7,235 | 875 | 749 | 114,461 |
| Financial assets sold under repurchase agreements | 17,976 | 18,134 | 255 | - | 120 | 36,485 |
| Deposits from customers | 2,271,004 | 845,051 | 659,706 | - | 49,932 | 3,825,693 |
| Debt securities issued | 194,356 | 313,363 | 79,998 | 119,967 | 3,340 | 711,024 |
| Lease liabilities | 813 | 2,180 | 5,905 | 1,327 | - | 10,225 |
| Other liabilities | 632 | 6,410 | - | - | 87,172 | 94,214 |
| Total liabilities | 3,361,965 | 1,977,052 | 753,099 | 122,169 | 151,962 | 6,366,247 |
| Interest rate gap | (1,147,065) | (21,609) | 932,635 | 476,514 | 346,064 | 586,539 |

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10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(3) Interest rate risk (*continued*)

If yield curves for respective currencies move in parallel for 100 basis points on 1 January, their potential impact on the Group's net interest income and shareholders' equity for the following year is as follows:

| | 30 June 2022 | 31 December 2021 |
|---|-------------------------|---------------------|
| | (Loss)/Gain | (Loss)/Gain |
| Up 100 bps parallel shift in yield curves | (8,332) | (7,589) |
| Down 100 bps parallel shift in yield curves | 8,332 | 7,589 |

In performing the interest rate sensitivity analysis, the Group and the Bank have made general assumptions in defining business terms and financial parameters, but have not considered the following:

- a. business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;
- b. the impact of interest rate fluctuations on customers' behaviour;
- c. the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- d. the impact of interest rate fluctuations on market prices;
- e. the impact of interest rate fluctuations on off-balance sheet products;
- f. the impact of interest rate fluctuations on fair value of financial instruments;
- g. other variables (including foreign exchange rate); and
- h. other risk management measures in the Group.

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10 Financial risk management (*continued*)

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

During the reporting period, the Bank was required to maintain 7.75% of the total RMB denominated deposits and 8% of the total foreign currency denominated balances as statutory reserves with the PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

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10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(1) Liquidity risk management policy (*continued*)

- To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied.
- To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios, net stable funding ratios and liquidity matching rate.
- To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information.

To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

(2) Maturity analysis

The following tables present the maturity analysis of assets and liabilities of the Group as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables and placements with banks and other financial institutions refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

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(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(2) Maturity analysis (*continued*)

| | 30 June 2022 | | | | | | | Total |
|---|----------------|---------------------|-------------------|------------------|--------------------|------------------|-------------------|------------------|
| | Indefinite | Repayable on demand | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | |
| Assets: | | | | | | | | |
| Cash and balances with central bank | 317,097 | 48,863 | - | - | - | - | - | 365,960 |
| Balances with banks and other financial institutions | - | 98,099 | 2,332 | 1,319 | 2,865 | - | - | 104,615 |
| Placements with banks and other financial institutions | 766 | - | 19,153 | 45,186 | 104,724 | 5,935 | - | 175,764 |
| Financial assets held under resale agreements | 496 | - | 12,048 | - | - | - | - | 12,544 |
| Loans and advances to customers | 40,694 | 8,910 | 355,782 | 299,761 | 1,328,628 | 1,033,421 | 1,064,450 | 4,131,646 |
| Financial investments | 334,221 | - | 39,703 | 48,666 | 400,530 | 1,003,209 | 358,265 | 2,184,594 |
| Long-term receivables | 7,386 | 3,429 | 5,430 | 7,345 | 28,326 | 52,304 | 7,578 | 111,798 |
| Other assets | 165,737 | 17,561 | 9,809 | 9,459 | 21,307 | 9,486 | 300 | 233,659 |
| Total assets | 866,397 | 176,862 | 444,257 | 411,736 | 1,886,380 | 2,104,355 | 1,430,593 | 7,320,580 |
| Liabilities: | | | | | | | | |
| Borrowings from central bank | - | - | 8,772 | 90,225 | 160,071 | - | - | 259,068 |
| Deposits and placements from banks and other financial institutions | - | 445,060 | 162,054 | 229,382 | 435,528 | - | - | 1,272,024 |
| Borrowings from banks and other financial institutions | - | - | 22,147 | 28,454 | 39,434 | 18,609 | 3,223 | 111,867 |
| Financial assets sold under repurchase agreements | - | - | 13,649 | 16,293 | 22,542 | - | - | 52,484 |
| Deposits from customers | - | 1,533,200 | 640,237 | 286,195 | 981,413 | 720,503 | - | 4,161,548 |
| Debt securities issued | - | - | 97,951 | 51,366 | 409,802 | 83,340 | 119,969 | 762,428 |
| Lease liabilities | - | - | 274 | 469 | 2,161 | 5,564 | 1,144 | 9,612 |
| Other liabilities | 2,636 | 780 | 22,077 | 17,483 | 32,764 | 12,464 | 634 | 88,838 |
| Total liabilities | 2,636 | 1,979,040 | 967,161 | 719,867 | 2,083,715 | 840,480 | 124,970 | 6,717,869 |
| Net position | 863,761 | (1,802,178) | (522,904) | (308,131) | (197,335) | 1,263,875 | 1,305,623 | 602,711 |
| Notional amount of derivatives | - | - | 658,314 | 764,538 | 1,652,463 | 877,365 | 4,979 | 3,957,659 |

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For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(2) Maturity analysis (*continued*)

| | 31 December 2021 | | | | | | | Total |
|---|------------------|---------------------|-------------------|------------------|--------------------|------------------|-------------------|------------------|
| | Indefinite | Repayable on demand | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | |
| Assets: | | | | | | | | |
| Cash and balances with central bank | 314,917 | 46,385 | - | - | - | - | - | 361,302 |
| Balances with banks and other financial institutions | - | 87,246 | 1,399 | 1,462 | 2,439 | - | - | 92,546 |
| Placements with banks and other financial institutions | 770 | - | 21,416 | 36,343 | 94,286 | 5,953 | - | 158,768 |
| Financial assets held under resale agreements | 521 | - | 329 | 512 | - | - | - | 1,362 |
| Loans and advances to customers | 42,852 | 7,802 | 362,467 | 240,933 | 1,238,033 | 1,055,910 | 1,019,682 | 3,967,679 |
| Financial investments | 260,491 | 277 | 28,616 | 34,230 | 248,031 | 1,105,872 | 356,916 | 2,034,433 |
| Long-term receivables | 6,086 | 2,421 | 6,239 | 9,560 | 40,954 | 51,518 | 5,938 | 122,716 |
| Other assets | 154,744 | 10,476 | 10,986 | 9,529 | 19,852 | 7,747 | 646 | 213,980 |
| Total assets | 780,381 | 154,607 | 431,452 | 332,569 | 1,643,595 | 2,227,000 | 1,383,182 | 6,952,786 |
| Liabilities: | | | | | | | | |
| Borrowings from central bank | - | - | 19,362 | 34,468 | 225,957 | - | - | 279,787 |
| Deposits and placements from banks and other financial institutions | - | 347,893 | 170,785 | 242,081 | 533,599 | - | - | 1,294,358 |
| Borrowings from banks and other financial institutions | - | - | 19,488 | 23,298 | 54,132 | 14,198 | 3,345 | 114,461 |
| Financial assets sold under repurchase agreements | - | - | 10,449 | 7,608 | 18,172 | 256 | - | 36,485 |
| Deposits from customers | - | 1,529,820 | 544,182 | 227,920 | 855,868 | 667,903 | - | 3,825,693 |
| Debt securities issued | - | - | 46,672 | 140,401 | 316,980 | 87,004 | 119,967 | 711,024 |
| Lease liabilities | - | - | 316 | 497 | 2,180 | 5,905 | 1,327 | 10,225 |
| Other liabilities | 5,619 | 7,347 | 13,740 | 20,294 | 32,812 | 13,701 | 701 | 94,214 |
| Total liabilities | 5,619 | 1,885,060 | 824,994 | 696,567 | 2,039,700 | 788,967 | 125,340 | 6,366,247 |
| Net position | 774,762 | (1,730,453) | (393,542) | (363,998) | (396,105) | 1,438,033 | 1,257,842 | 586,539 |
| Notional amount of derivatives | - | - | 661,623 | 788,825 | 1,803,522 | 834,787 | 11,239 | 4,099,996 |

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For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables and placements with banks and other financial institutions refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (*continued*)

| | 30 June 2022 | | | | | | | Total |
|---|----------------|---------------------|-------------------|----------------|--------------------|------------------|-------------------|------------------|
| | Indefinite | Repayable on demand | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | |
| Assets: | | | | | | | | |
| Cash and balances with central bank | 317,097 | 48,863 | - | - | - | - | - | 365,960 |
| Balances with banks and other financial institutions | - | 98,100 | 2,332 | 1,323 | 2,907 | - | - | 104,662 |
| Placements with banks and other financial institutions | 1,944 | - | 19,298 | 46,061 | 109,228 | 5,957 | - | 182,488 |
| Financial assets held under resale agreements | 516 | - | 12,054 | - | - | - | - | 12,570 |
| Loans and advances to customers | 88,029 | 11,115 | 370,127 | 328,721 | 1,439,178 | 1,280,394 | 1,478,212 | 4,995,776 |
| Financial investments | 340,793 | - | 44,987 | 55,812 | 441,308 | 1,157,431 | 428,371 | 2,468,702 |
| Long-term receivables | 8,701 | 3,871 | 6,405 | 8,650 | 33,393 | 61,537 | 8,803 | 131,360 |
| Other assets | 167,464 | 17,561 | 4,089 | 2,442 | 6,472 | 6,875 | 3,538 | 208,441 |
| Total assets (expected maturity date) | 924,544 | 179,510 | 459,292 | 443,009 | 2,032,486 | 2,512,194 | 1,918,924 | 8,469,959 |
| Liabilities: | | | | | | | | |
| Borrowings from central bank | - | - | 8,778 | 90,587 | 162,432 | - | - | 261,797 |
| Deposits and placements from banks and other financial institutions | - | 445,065 | 162,873 | 231,302 | 440,845 | - | - | 1,280,085 |
| Borrowings from banks and other financial institutions | - | - | 22,152 | 28,566 | 40,183 | 19,417 | 3,374 | 113,692 |
| Financial assets sold under repurchase agreements | - | - | 13,708 | 16,349 | 22,716 | - | - | 52,773 |
| Deposits from customers | - | 1,533,202 | 645,094 | 296,436 | 1,024,013 | 800,931 | - | 4,299,676 |
| Debt securities issued | - | - | 98,060 | 51,568 | 411,886 | 83,384 | 120,005 | 764,903 |
| Lease liabilities | - | - | 300 | 515 | 2,368 | 6,099 | 1,254 | 10,536 |
| Other liabilities | 2,636 | 780 | 16,233 | 13,517 | 17,595 | 10,904 | 614 | 62,279 |
| Total liabilities (contractual maturity date) | 2,636 | 1,979,047 | 967,198 | 728,840 | 2,122,038 | 920,735 | 125,247 | 6,845,741 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (*continued*)

| | 31 December 2021 | | | | | | | Total |
|---|------------------|---------------------|-------------------|----------------|--------------------|------------------|-------------------|------------------|
| | Indefinite | Repayable on demand | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | |
| Assets: | | | | | | | | |
| Cash and balances with central bank | 314,917 | 46,385 | - | - | - | - | - | 361,302 |
| Balances with banks and other financial institutions | - | 87,246 | 1,399 | 1,467 | 2,474 | - | - | 92,586 |
| Placements with banks and other financial institutions | 1,947 | - | 21,848 | 36,943 | 94,462 | 5,958 | - | 161,158 |
| Financial assets held under resale agreements | 541 | - | 329 | 512 | - | - | - | 1,382 |
| Loans and advances to customers | 91,557 | 9,799 | 376,681 | 267,625 | 1,341,872 | 1,302,898 | 1,412,295 | 4,802,727 |
| Financial investments | 269,160 | 300 | 32,520 | 37,375 | 279,061 | 1,267,864 | 412,128 | 2,298,408 |
| Long-term receivables | 8,297 | 2,669 | 6,724 | 10,404 | 44,998 | 61,009 | 8,282 | 142,383 |
| Other assets | 156,370 | 10,503 | 6,030 | 2,410 | 6,628 | 6,034 | 3,116 | 191,091 |
| Total assets (expected maturity date) | 842,789 | 156,902 | 445,531 | 356,736 | 1,769,495 | 2,643,763 | 1,835,821 | 8,051,037 |
| Liabilities: | | | | | | | | |
| Borrowings from central bank | - | - | 19,374 | 34,625 | 230,521 | - | - | 284,520 |
| Deposits and placements from banks and other financial institutions | - | 347,893 | 170,840 | 242,514 | 540,827 | - | - | 1,302,074 |
| Borrowings from banks and other financial institutions | - | - | 19,505 | 23,697 | 55,132 | 15,232 | 3,506 | 117,072 |
| Financial assets sold under repurchase agreements | - | - | 10,456 | 7,634 | 18,273 | 261 | - | 36,624 |
| Deposits from customers | - | 1,529,820 | 546,357 | 233,339 | 892,455 | 752,833 | - | 3,954,804 |
| Debt securities issued | - | - | 46,740 | 141,429 | 326,797 | 111,532 | 134,286 | 760,784 |
| Lease liabilities | - | - | 347 | 547 | 2,397 | 6,494 | 1,459 | 11,244 |
| Other liabilities | 5,619 | 7,347 | 7,618 | 13,344 | 21,148 | 12,602 | 422 | 68,100 |
| Total liabilities (contractual maturity date) | 5,619 | 1,885,060 | 821,237 | 697,129 | 2,087,550 | 898,954 | 139,673 | 6,535,222 |

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For the six months ended 30 June 2022
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10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(4) Analysis on contractual undiscounted cash flows of derivatives

(a) Derivatives settled on a net basis

The Group's derivatives that will be settled on a net basis include:

| | |
|---------------------------|----------------------|
| Interest rate derivatives | Interest rate swaps |
| Credit derivatives | Credit default swaps |

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a net basis as at the end of the reporting period.

| | 30 June 2022 | | | | | Total |
|---------------------------|----------------------|------------------|-----------------------|-----------------|----------------------|--------------|
| | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | |
| Interest rate derivatives | (37) | (90) | (316) | (374) | 18 | (799) |
| Credit derivatives | – | – | (4) | (13) | – | (17) |
| Total | (37) | (90) | (320) | (387) | 18 | (816) |

| | 31 December 2021 | | | | | Total |
|---------------------------|----------------------|------------------|-----------------------|-----------------|----------------------|--------------|
| | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | |
| Interest rate derivatives | (26) | (17) | (241) | (376) | (6) | (666) |
| Credit derivatives | – | – | (2) | (17) | – | (19) |
| Total | (26) | (17) | (243) | (393) | (6) | (685) |

(b) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

| | |
|------------------------------|--|
| Foreign exchange derivatives | Foreign exchange forwards, swaps and options |
| Precious metal derivatives | Precious metal forwards, swaps |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(4) Analysis on contractual undiscounted cash flows of derivatives (*continued*)

(b) Derivatives settled on a gross basis (*continued*)

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a gross basis as at the end of the reporting period.

| | 30 June 2022 | | | | | Total |
|------------------------------|----------------------|------------------|-----------------------|------------------|----------------------|--------------------|
| | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | |
| Foreign exchange derivatives | | | | | | |
| – Cash outflow | (506,249) | (533,784) | (1,169,607) | (105,195) | – | (2,314,835) |
| – Cash inflow | 506,584 | 536,664 | 1,170,184 | 104,656 | – | 2,318,088 |
| Precious metal derivatives | | | | | | |
| – Cash outflow | (28,192) | (16,644) | (32,322) | – | – | (77,158) |
| – Cash inflow | 27,567 | 16,660 | 30,864 | – | – | 75,091 |
| Total cash outflow | (534,441) | (550,428) | (1,201,929) | (105,195) | – | (2,391,993) |
| Total cash inflow | 534,151 | 553,324 | 1,201,048 | 104,656 | – | 2,393,179 |
| | | | | | | |
| | 31 December 2021 | | | | | Total |
| | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | |
| Foreign exchange derivatives | | | | | | |
| – Cash outflow | (590,359) | (663,552) | (1,328,892) | (65,808) | – | (2,648,611) |
| – Cash inflow | 590,397 | 660,015 | 1,333,168 | 66,286 | – | 2,649,866 |
| Precious metal derivatives | | | | | | |
| – Cash outflow | (16,543) | (12,513) | (31,593) | – | – | (60,649) |
| – Cash inflow | 16,801 | 12,566 | 30,914 | – | – | 60,281 |
| Total cash outflow | (606,902) | (676,065) | (1,360,485) | (65,808) | – | (2,709,260) |
| Total cash inflow | 607,198 | 672,581 | 1,364,082 | 66,286 | – | 2,710,147 |

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10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

| | 30 June 2022 | | | Total |
|--------------------------------|---------------------|-----------------|----------------------|------------------|
| | Less than 1 year | 1 to 5 years | More than 5 years | |
| Bank acceptances | 472,770 | – | – | 472,770 |
| Letters of credit | 67,770 | 123 | – | 67,893 |
| Guarantees | 95,669 | 39,179 | 1,859 | 136,707 |
| Unused credit card commitments | 496,532 | – | – | 496,532 |
| Irrevocable credit commitments | 30,431 | 6,652 | 925 | 38,008 |
| Total | 1,163,172 | 45,954 | 2,784 | 1,211,910 |

| | 31 December 2021 | | | Total |
|--------------------------------|---------------------|-----------------|----------------------|------------------|
| | Less than 1 year | 1 to 5 years | More than 5 years | |
| Bank acceptances | 340,726 | – | – | 340,726 |
| Letters of credit | 77,103 | 279 | – | 77,382 |
| Guarantees | 92,490 | 51,526 | 2,060 | 146,076 |
| Unused credit card commitments | 491,370 | – | – | 491,370 |
| Irrevocable credit commitments | 18,428 | 6,351 | 271 | 25,050 |
| Total | 1,020,117 | 58,156 | 2,331 | 1,080,604 |

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10 Financial risk management (*continued*)

10.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

The Bank continues to strengthen its operational risk management, including enhancing the risk identification matrices and evaluation models, deepening information sharing and data-driven practices, and expanding its efforts to effectively cover all important business lines and management activities. As part of its efforts to improve its business continuity planning, response and recovery capabilities, the Bank conducts comprehensive business impact analyses and updates its emergency response plans regularly to step up emergency early warning, response, resolution and evaluation. In line with compliance requirements as well as cost-effective and prudential principles, the Bank also takes actions to improve the discipline and compliance in its outsourcing activities and service provider management, including regular in-process inspections and assessments of outsourcing activities, as well as selected on-site inspections of key institutions.

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of policies to accrue country risk reserve.

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10 Financial risk management (*continued*)

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2013, the Group computes the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations issued by the CBIRC. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 of *The Capital Rules for Commercial Banks (Provisional)*, and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)*. For the Group, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with *The Capital Rules for Commercial Banks (Provisional)* and relevant requirements promulgated by the CBIRC as below:

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10 Financial risk management (*continued*)

10.7 Capital management (*continued*)

| | 30 June 2022 | 31 December 2021 |
|--|------------------|---------------------|
| Core tier-one capital adequacy ratio | 8.80% | 9.04% |
| Tier-one capital adequacy ratio | 10.49% | 10.73% |
| Capital adequacy ratio | 13.21% | 13.64% |
| Components of capital base | | |
| Core tier-one capital: | | |
| Share capital | 43,782 | 43,782 |
| Valid portion of capital reserve | 58,149 | 58,149 |
| Surplus reserve | 51,843 | 51,843 |
| General reserve | 87,057 | 87,013 |
| Retained earnings | 255,060 | 243,144 |
| Valid portion of non-controlling interests | 7,957 | 7,070 |
| Others | (693) | 385 |
| Core tier-one capital | 503,155 | 491,386 |
| Core tier-one capital deductions | (5,313) | (4,834) |
| Net core tier-one capital | 497,842 | 486,552 |
| Net other tier-one capital | 96,023 | 90,527 |
| Net tier-one capital | 593,865 | 577,079 |
| Tier-two capital: | | |
| Valid portion of tier-two capital instruments issued and share premium | 119,969 | 119,967 |
| Surplus provision for loan impairment | 31,886 | 34,772 |
| Valid portion of non-controlling interests | 2,122 | 1,885 |
| Net tier-two capital | 153,977 | 156,624 |
| Net capital base | 747,842 | 733,703 |
| Credit risk-weighted assets | 5,259,099 | 4,981,119 |
| Market risk-weighted assets | 74,470 | 71,775 |
| Operational risk-weighted assets | 326,564 | 326,564 |
| Total risk-weighted assets | 5,660,133 | 5,379,458 |

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11 Fair value of financial instruments

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as Level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on the valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like China Bond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Wind, Bloomberg and Reuters.

- Level 3: Parameters for valuation of assets or liabilities are based on unobservable inputs. The Level 3 financial instruments include equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs. The valuation models used include the discounted cash flow method and the market approach, etc. Unobservable inputs for valuation models include yield curve, discounts for lack of marketability (DLOM) and comparable company multiples, etc.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value

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

| | 30 June 2022 | | | Total |
|---|--------------|----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Financial assets which are measured at fair value on a recurring basis: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Debt securities | – | 72,976 | 2,448 | 75,424 |
| Equity investments | 1,374 | 2,141 | 22,757 | 26,272 |
| Investment funds | 250,398 | 16,628 | 1,628 | 268,654 |
| Trust and asset management plans | – | 9,035 | 4,689 | 13,724 |
| Others | – | – | 1,379 | 1,379 |
| Financial assets at fair value through other comprehensive income | | | | |
| Debt securities | – | 447,919 | 1,116 | 449,035 |
| Equity investments | – | 7,488 | 2,625 | 10,113 |
| Loans and advances to customers designated at fair value through other comprehensive income | | | | |
| | – | 273,073 | – | 273,073 |
| Derivative financial assets | | | | |
| Foreign exchange derivatives | – | 24,474 | – | 24,474 |
| Precious metal derivatives | – | 3,630 | – | 3,630 |
| Others | – | 2,276 | – | 2,276 |
| Total | 251,772 | 859,640 | 36,642 | 1,148,054 |
| Liabilities | | | | |
| Financial liabilities which are measured at fair value on a recurring basis: | | | | |
| Derivative financial liabilities | | | | |
| Foreign exchange derivatives | – | (19,722) | – | (19,722) |
| Precious metal derivatives | – | (5,904) | – | (5,904) |
| Others | – | (933) | – | (933) |
| Financial liabilities at fair value through profit or loss | | | | |
| | – | (2,629) | – | (2,629) |
| Total | – | (29,188) | – | (29,188) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

| | 31 December 2021 | | | Total |
|---|------------------|-----------------|---------------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Financial assets which are measured at fair value on a recurring basis: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Debt securities | – | 66,108 | 2,335 | 68,443 |
| Equity investments | 2,071 | 2,085 | 23,123 | 27,279 |
| Investment funds | 170,646 | 19,836 | 529 | 191,011 |
| Trust and asset management plans | – | 8,738 | 4,122 | 12,860 |
| Others | – | – | 1,091 | 1,091 |
| Financial assets at fair value through other comprehensive income | | | | |
| Debt securities | – | 426,582 | 622 | 427,204 |
| Equity investments | – | 5,700 | 2,625 | 8,325 |
| Loans and advances to customers designated at fair value through other comprehensive income | | | | |
| | – | 286,451 | – | 286,451 |
| Derivative financial assets | | | | |
| Foreign exchange derivatives | – | 24,790 | – | 24,790 |
| Precious metal derivatives | – | 1,521 | – | 1,521 |
| Others | – | 1,150 | – | 1,150 |
| Total | 172,717 | 842,961 | 34,447 | 1,050,125 |
| Liabilities | | | | |
| Financial liabilities which are measured at fair value on a recurring basis: | | | | |
| Derivative financial liabilities | | | | |
| Foreign exchange derivatives | – | (21,468) | – | (21,468) |
| Precious metal derivatives | – | (3,641) | – | (3,641) |
| Others | – | (1,005) | – | (1,005) |
| Financial liabilities at fair value through profit or loss | | | | |
| | – | (2,856) | – | (2,856) |
| Total | – | (28,970) | – | (28,970) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

For equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of Level 3 financial instruments during the year:

| | Financial assets at fair value through profit or loss | Six months ended 30 June 2022 | | Total |
|--|--|---|----------------------|---------|
| | | Financial assets at fair value through other comprehensive income | | |
| | | Debt securities | Equity securities | |
| As at 1 January 2022 | 31,200 | 622 | 2,625 | 34,447 |
| In loss | (1,016) | - | - | (1,016) |
| In other comprehensive income | - | 148 | - | 148 |
| Purchase/transfer in | 3,301 | 395 | - | 3,696 |
| Settlement/transfer out | (584) | (49) | - | (633) |
| As at 30 June 2022 | 32,901 | 1,116 | 2,625 | 36,642 |
| Total realised (losses)/gains included in the consolidated statement of profit or loss | - | - | - | - |
| Total unrealised gains included in the consolidated statement of loss | (1,016) | - | - | (1,016) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments (*continued*)

11.2 Movement in level 3 financial instruments measured at fair value (*continued*)

| | Financial assets at fair value through profit or loss | Year ended 31 December 2021 | | Total |
|--|--|---|----------------------|----------|
| | | Financial assets at fair value through other comprehensive income | | |
| | | Debt securities | Equity securities | |
| As at 1 January 2021 | 38,299 | 1,150 | 1,625 | 41,074 |
| Total gains/(losses) | | | | |
| In profit or loss | (2,653) | 102 | – | (2,551) |
| In other comprehensive income | – | (382) | – | (382) |
| Purchase/transfer in | 13,128 | 617 | 1,000 | 14,745 |
| Settlement/transfer out | (17,574) | (865) | – | (18,439) |
| As at 31 December 2021 | 31,200 | 622 | 2,625 | 34,447 |
| Total realised (losses)/gains included in the consolidated statement of profit or loss | (977) | 102 | – | (875) |
| Total unrealised gains included in the consolidated statement of profit or loss | (1,676) | – | – | (1,676) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments *(continued)*

11.3 Fair value of financial assets and liabilities not carried at fair value

(1) Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

(2) Financial investments measured at amortised cost

The fair value for financial assets measured at amortised cost-bonds is usually measured based on "bid" market prices or brokers'/dealers' quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, materiality and yield.

(3) Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments (*continued*)

11.3 Fair value of financial assets and liabilities not carried at fair value (*continued*)

(3) Debt securities issued (*continued*)

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised and cost debt securities issued:

| 30 June 2022 | | | | | |
|--|--------------------|------------|---------|-----------|---------|
| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | |
| Financial assets measured at amortised cost | 1,339,993 | 1,354,402 | – | 1,277,337 | 77,065 |
| Financial liabilities | | | | | |
| Debt securities issued | 762,428 | 764,772 | 9,917 | 754,855 | – |
| 31 December 2021 | | | | | |
| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | |
| Financial assets measured at amortised cost | 1,298,220 | 1,358,398 | – | 1,264,052 | 94,346 |
| Financial liabilities | | | | | |
| Debt securities issued | 711,024 | 711,896 | 9,240 | 701,732 | 924 |

12 Subsequent events

Up to the approval date of the consolidated financial statements, the Group had no material subsequent events for disclosure.

13 Comparative figures

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio

| | As at 30 June 2022 | Average for the six months ended 30 June 2022 | As at 31 December 2021 | Average for the six months ended 30 June 2021 |
|---|--------------------------|--|------------------------------|--|
| Liquidity coverage ratio (%) (RMB and foreign currency) | 133.47% | 135.95% | 133.42% | 125.05% |

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

2 Currency concentrations

| | 30 June 2022 | | | |
|-------------------------------|------------------|-----------------|-----------------|--------------------|
| | USD | HKD | Others | Total |
| Spot assets | 418,897 | 41,856 | 62,258 | 523,011 |
| Spot liabilities | (314,810) | (32,256) | (37,206) | (384,272) |
| Forward purchases | 937,532 | 13,384 | 92,935 | 1,043,851 |
| Forward sales | (916,147) | (13,444) | (93,607) | (1,023,198) |
| Net long/(short) position (1) | 125,472 | 9,540 | 24,380 | 159,392 |

| | 31 December 2021 | | | |
|-------------------------------|------------------|----------|----------|-------------|
| | USD | HKD | Others | Total |
| Spot assets | 401,367 | 51,441 | 57,980 | 510,788 |
| Spot liabilities | (359,811) | (42,255) | (13,061) | (415,127) |
| Forward purchases | 1,149,335 | 16,201 | 49,213 | 1,214,749 |
| Forward sales | (1,129,212) | (19,761) | (92,255) | (1,241,228) |
| Net long/(short) position (1) | 61,679 | 5,626 | 1,877 | 69,182 |

(1) The net option position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reported periods.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers

3.1 Impaired loans by geographical area

| | 30 June 2022 | | 31 December 2021 | |
|---------------------------|----------------|---------------------------------|------------------|---------------------------------|
| | Impaired loans | Allowance for impairment losses | Impaired loans | Allowance for impairment losses |
| Head Office | 16,362 | 14,622 | 16,793 | 14,745 |
| Western Region | 16,893 | 7,560 | 11,131 | 5,278 |
| Bohai Rim | 10,480 | 7,101 | 12,825 | 7,913 |
| Yangtze River Delta | 10,110 | 4,504 | 12,395 | 5,447 |
| Central Region | 9,939 | 6,267 | 15,144 | 8,902 |
| Pearl River Delta | 7,224 | 4,263 | 9,694 | 3,989 |
| Northeastern Region | 2,899 | 1,263 | 1,763 | 772 |
| Overseas and subsidiaries | 1,156 | 616 | 584 | 399 |
| Total | 75,063 | 46,196 | 80,329 | 47,445 |

3.2 Loans overdue for more than 3 months by geographical area

| | 30 June 2022 | | 31 December 2021 | |
|---------------------------|---------------|---------------------------------|------------------|---------------------------------|
| | Overdue loans | Allowance for impairment losses | Overdue loans | Allowance for impairment losses |
| Head Office | 15,516 | 13,821 | 15,967 | 13,983 |
| Western Region | 10,110 | 4,797 | 8,477 | 4,302 |
| Bohai Rim | 8,847 | 6,099 | 11,405 | 6,977 |
| Yangtze River Delta | 8,334 | 3,663 | 7,549 | 3,280 |
| Central Region | 6,864 | 4,316 | 5,900 | 3,565 |
| Pearl River Delta | 6,767 | 4,063 | 5,914 | 3,399 |
| Northeastern Region | 2,632 | 1,142 | 1,499 | 655 |
| Overseas and subsidiaries | 941 | 564 | 619 | 291 |
| Total | 60,011 | 38,465 | 57,330 | 36,452 |

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 International claims

| | 30 June 2022 | | | | Total |
|-------------------------|----------------|-------------------------|---------------|-----------------|----------------|
| | Asia Pacific | North and South America | Europe | Other Locations | |
| Banks | 30,741 | 36,110 | 8,835 | 3,266 | 78,952 |
| Public sector | 2,047 | 53,437 | 245 | – | 55,729 |
| Non-bank private sector | 105,496 | 156,119 | 31,200 | 22,704 | 315,519 |
| Total | 138,284 | 245,666 | 40,280 | 25,970 | 450,200 |

| | 31 December 2021 | | | | Total |
|-------------------------|------------------|-------------------------|---------------|-----------------|----------------|
| | Asia Pacific | North and South America | Europe | Other Locations | |
| Banks | 56,915 | 50,702 | 18,251 | 6,484 | 132,352 |
| Public sector | 2,575 | 49,601 | 257 | – | 52,433 |
| Non-bank private sector | 95,615 | 125,104 | 22,372 | 18,232 | 261,323 |
| Total | 155,105 | 225,407 | 40,880 | 24,716 | 446,108 |



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