招商銀行
CHINA MERCHANTS BANK

招商銀行股份有限公司

CHINA MERCHANTS BANK CO., LTD.

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

(H Share Stock Code: 03968)
(Preference Share Stock Code: 04614)

2022 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Bank Co., Ltd. (the "**Company**") hereby announces the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2022. This announcement, containing the full text of the 2022 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. Printed version of the Company's 2022 Interim Report will in due course be delivered to the H-Share Holders of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.cmbchina.com).

Publication of Results Announcement

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.cmbchina.com) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). In the event of any discrepancies in interpretations between the English version and the Chinese version, the Chinese version shall prevail.

The Company also prepared the Interim Report in Chinese in accordance with the PRC Generally Accepted Accounting Principles, which is available on the websites of the Company (www.cmbchina.com) and Shanghai Stock Exchange (www.sse.com.cn).

By Order of the Board
China Merchants Bank Co., Ltd.
Miao Jianmin
Chairman

19 August 2022

As at the date of this announcement, the executive director of the Company is Wang Liang; the non-executive directors of the Company are Miao Jianmin, Fu Gangfeng, Zhou Song, Hong Xiaoyuan, Zhang Jian and Su Min; and the independent non-executive directors of the Company are Wong See Hong, Li Menggang, Liu Qiao, Tian Hongqi, Li Chaoxian and Shi Yongdong.

2.2 Financial Ratios

(%)	January to June 2022	January to June 2021	Changes
Profitability indicators (annualised)			
Return on average assets attributable to shareholders of the Bank	1.46	1.42	Increased by 0.04 percentage point
Return on average equity attributable to ordinary shareholders of the Bank	18.07	18.06	Increased by 0.01 percentage point
Net interest spread (1)	2.33	2.41	Decreased by 0.08 percentage point
Net interest margin (2)	2.44	2.49	Decreased by 0.05 percentage point
As percentage of net operating income			
– Net interest income	60.14	58.84	Increased by 1.30 percentage points
– Net non-interest income	39.86	41.16	Decreased by 1.30 percentage points
Cost-to-income ratio (3)	27.76	27.94	Decreased by 0.18 percentage point

(%)	30 June 2022	31 December 2021	Changes over 2021 year-end
Capital adequacy indicators under the Advanced Measurement Approach (4)			
Core Tier 1 capital adequacy ratio	12.32	12.66	Decreased by 0.34 percentage point
Tier 1 capital adequacy ratio	14.46	14.94	Decreased by 0.48 percentage point
Capital adequacy ratio	16.80	17.48	Decreased by 0.68 percentage point
Equity to total assets	9.21	9.36	Decreased by 0.15 percentage point
Asset quality indicators			
Non-performing loan ratio	0.95	0.91	Increased by 0.04 percentage point
Allowance coverage ratio (5)	454.06	483.87	Decreased by 29.81 percentage points
Allowance-to-loan ratio (6)	4.32	4.42	Decreased by 0.10 percentage point

	January to June 2022	January to June 2021	Changes
Credit cost ratio (annualised) (7)	0.79	0.56	Increased by 0.23 percentage point

Notes:

(1) Net interest spread = average yield of the total interest-earning assets – average cost ratio of total interest-bearing liabilities.

(2) Net interest margin = net interest income/average balance of total interest-earning assets.

(3) Cost-to-income ratio = operating expenses/net operating income. The numerator does not include taxes and surcharges, provisions for insurance claims and the depreciation charges on fixed assets under operating lease and investment properties and others.

(4) As at the end of the reporting period, the Group's Core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio under the Weighted Approach were 10.73%, 12.60% and 14.03% respectively.

(5) Allowance coverage ratio = allowances for impairment losses/balance of non-performing loans.

(6) Allowance-to-loan ratio = allowances for impairment losses/total loans and advances to customers.

(7) Credit cost ratio = expected credit losses of loans and advances to customers/the average of total loans and advances to customers × 100%, the average of total loans and advances to customers = (total loans and advances to customers at the beginning of the period + total loans and advances to customers at the end of the period)/2.

Management Discussion and Analysis

3.1 Analysis of Overall Operation

During the reporting period, the Group adhered to the concept of dynamic and balanced development of "Quality, Efficiency and Scale", and continued to implement its strategic direction of "Light-model Bank" and the strategic positioning of "One Body with Two Wings" by carrying out various businesses in a sound manner. Both the scale of assets and liabilities and net profit grew steadily, and the overall asset quality is stable.

During the reporting period, the Group realised the net operating income of RMB179.077 billion, representing a year-on-year increase of 6.07%; realised a net profit attributable to shareholders of the Bank of RMB69.420 billion, representing a year-on-year increase of 13.52%; realised the net interest income of RMB107.692 billion, representing a year-on-year increase of 8.41%; and realised the net non-interest income of RMB71.385 billion, representing a year-on-year increase of 2.73%. The annualised return on average asset (ROAA) attributable to shareholders of the Bank and the annualised return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.46% and 18.07%, up by 0.04 percentage point and 0.01 percentage point year-on-year, respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB9,724.996 billion, representing an increase of 5.15% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB5,931.807 billion, representing an increase of 6.49% as compared with the end of the previous year. Total liabilities amounted to RMB8,829.330 billion, representing an increase of 5.32% as compared with the end of the previous year. Total deposits from customers amounted to RMB7,037.185 billion, representing an increase of 10.87% as compared with the end of the previous year.

As at the end of the reporting period, the Group had a total of non-performing loans of RMB56.386 billion, representing an increase of RMB5.524 billion as compared with the end of the previous year. The non-performing loan ratio was 0.95%, up by 0.04 percentage point as compared with the end of the previous year. The allowance coverage ratio was 454.06%, representing a decrease of 29.81 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.32%, representing a decrease of 0.10 percentage point as compared with the end of the previous year.

3.2 Analysis of Income Statement

3.2.1 Financial highlights

During the reporting period, the Group realised a profit before tax of RMB83.624 billion, representing a year-on-year increase of 9.57%. The effective income tax rate was 16.29%, representing a year-on-year decrease of 2.94 percentage points. The following table sets out the changes in major income/loss items of the Group during the reporting period.

(in millions of RMB)	**January to June 2022**	January to June 2021	Changes
Net interest income	**107,692**	99,341	8,351
Net fee and commission income	**53,405**	52,254	1,151
Other net income	**16,524**	15,050	1,474
Operating expenses	**(53,976)**	(50,612)	(3,364)
Expected credit losses	**(41,477)**	(41,895)	418
Share of profits of joint ventures and associates	**1,456**	2,185	(729)
Profit before tax	**83,624**	76,323	7,301
Income tax	**(13,622)**	(14,675)	1,053
Net profit	**70,002**	61,648	8,354
Net profit attributable to shareholders of the Bank	**69,420**	61,150	8,270

3.2.2 Net operating income

During the reporting period, the Group realised the net operating income of RMB179.077 billion, representing a year-on-year increase of 6.07%. The net interest income accounted for 60.14% of the net operating income, and the net non-interest income accounted for 39.86% of the net operating income, representing a year-on-year decrease of 1.30 percentage points.

3.2.3 Interest income

During the reporting period, the Group recorded an interest income of RMB172.861 billion, representing a year-on-year increase of 8.55%, mainly due to the increase in interest-earning assets. Interest income from loans and advances to customers continued to be the biggest component of the interest income of the Group.

Interest income from loans and advances to customers

During the reporting period, the interest income from loans and advances to customers of the Group was RMB131.204 billion, representing a year-on-year increase of 7.07%.

The following table sets forth the average balance (daily average balance, same as below), interest income and annualised average yield of each component of loans and advances to customers of the Group for the periods indicated.

(in millions of RMB, except for percentages)	January to June 2022			2021			January to June 2021		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	2,212,581	42,223	3.85	2,095,664	80,575	3.84	2,106,133	39,925	3.82
Retail loans	3,028,250	83,254	5.54	2,869,358	159,124	5.55	2,792,903	77,542	5.60
Discounted bills	491,315	5,727	2.35	399,173	10,963	2.75	352,747	5,070	2.90
Loans and advances to customers	5,732,146	131,204	4.62	5,364,195	250,662	4.67	5,251,783	122,537	4.71

During the reporting period, from the perspective of the maturity structure of loans and advances to customers of the Company, the average balance of short-term loans was RMB2,097.900 billion with the interest income amounting to RMB52.486 billion, and the average yield reached 5.05%; the average balance of medium-to-long term loans was RMB3,300.424 billion with the interest income amounting to RMB72.913 billion, and the average yield reached 4.46%. The average yield of short-term loans was higher than that of medium-to-long term loans, which was mainly attributable to the higher yield of credit card loans and micro-finance loans in short-term loans and the higher proportion of these loans.

Interest income from financial investments

During the reporting period, the interest income from financial investments of the Group was RMB31.022 billion, representing a year-on-year increase of 15.75%. The annualised average yield of financial investments was 3.26%, representing a year-on-year decrease of 11 basis points, which was mainly attributable to the impact of the falling market interest rates.

Interest income from balances and placements with banks and other financial institutions

During the reporting period, the interest income of the Group from balances and placements with banks and other financial institutions was RMB6.612 billion, representing a year-on-year increase of 9.98%, and the annualised average yield of balances and placements with banks and other financial institutions was 1.94%, representing a year-on-year increase of 11 basis points, which was primarily attributable to the higher yield of placements with banks denominated in foreign currencies resulting from the US Federal Reserve’s interest rate hike.

3.2.4 Interest expense

During the reporting period, the interest expense of the Group was RMB65.169 billion, representing a year-on-year increase of 8.79%, mainly due to the increase in the scale of the interest-bearing liabilities and the increase of the cost ratio.

Interest expense on deposits from customers

During the reporting period, the Group's interest expense on deposits from customers was RMB49.791 billion, representing a year-on-year increase of 23.30%. In addition to the increase in scale, the cost ratio of deposit increased due to intensified interbank competition and higher requirements for return on deposits from customers.

The following table sets forth the average balances, interest expenses and average cost ratios of the deposits from corporate and retail customers of the Group for the periods indicated.

	January to June 2022			2021			January to June 2021		
(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Deposits from corporate customers									
Demand	2,599,448	12,819	0.99	2,396,802	21,873	0.91	2,360,015	10,587	0.90
Time	1,704,526	22,480	2.66	1,485,640	39,854	2.68	1,448,335	18,982	2.64
Subtotal	4,303,974	35,299	1.65	3,882,442	61,727	1.59	3,808,350	29,569	1.57
Deposits from retail customers									
Demand	1,583,185	2,872	0.37	1,453,378	5,110	0.35	1,438,987	2,477	0.35
Time	833,150	11,620	2.81	637,653	17,495	2.74	620,847	8,337	2.71
Subtotal	2,416,335	14,492	1.21	2,091,031	22,605	1.08	2,059,834	10,814	1.06
Total	6,720,309	49,791	1.49	5,973,473	84,332	1.41	5,868,184	40,383	1.39

Interest expense on deposits and placements from banks and other financial institutions

During the reporting period, the interest expense on deposits and placements from banks and other financial institutions of the Group amounted to RMB7.960 billion, representing a year-on-year decrease of 11.50%, which was primarily due to the decrease in funds inflow from banks on the basis of better growth of deposits from customers, and the decrease in cost ratio.

Interest expense on debt securities issued

During the reporting period, the interest expense on debt securities issued of the Group amounted to RMB5.645 billion, representing a year-on-year decrease of 6.65%, which was mainly due to the decrease in market interest rate of negotiable interbank certificates of deposits issued.

3.2.5 Net interest income

During the reporting period, the Group's net interest income amounted to RMB107.692 billion, representing a year-on-year increase of 8.41%.

The following table sets out the average balances, interest income/interest expense and average yield/cost ratio of assets and liabilities of the Group for the periods indicated.

	January to June 2022			2021			January to June 2021		
(in millions of RMB, except for percentages)	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets									
Loans and advances to customers	5,732,146	131,204	4.62	5,364,195	250,662	4.67	5,251,783	122,537	4.71
Financial investments	1,919,105	31,022	3.26	1,672,594	56,059	3.35	1,603,733	26,800	3.37
Balances with the central banks	559,183	4,023	1.45	533,863	7,792	1.46	535,456	3,894	1.47
Balances and placements with banks and other financial institutions	687,240	6,612	1.94	649,046	12,543	1.93	663,011	6,012	1.83
Total	8,897,674	172,861	3.92	8,219,698	327,056	3.98	8,053,983	159,243	3.99

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities									
Deposits from customers	6,720,309	49,791	1.49	5,973,473	84,332	1.41	5,868,184	40,383	1.39
Deposits and placements from banks and other financial institutions	994,209	7,960	1.61	1,076,618	18,083	1.68	1,080,418	8,994	1.68
Debt securities issued	388,651	5,645	2.93	410,711	12,532	3.05	389,049	6,047	3.13
Borrowings from the central bank	128,231	1,498	2.36	276,773	7,635	2.76	304,029	4,187	2.78
Lease liabilities	13,673	275	4.06	13,977	555	3.97	14,370	291	4.08
Total	8,245,073	65,169	1.59	7,751,552	123,137	1.59	7,656,050	59,902	1.58
Net interest income	/	107,692	/	/	203,919	/	/	99,341	/
Net interest spread	/	/	2.33	/	/	2.39	/	/	2.41
Net interest margin	/	/	2.44	/	/	2.48	/	/	2.49

During the reporting period, the annualised average yield of our interest-earning assets of the Group was 3.92%, representing a year-on-year decrease of 7 basis points; the annualised average cost ratio of our interest-bearing liabilities was 1.59%, representing a year-on-year increase of 1 basis point; the net interest spread was 2.33%, representing a year-on-year decrease of 8 basis points; and the net interest margin was 2.44%, representing a year-on-year decrease of 5 basis points.

The following table sets forth the breakdown of changes in interest income and interest expenses due to changes in volumes and interest rates of the Group for the periods indicated. Changes in volume were measured by changes in average balances, while changes in interest rates were measured by changes in the average interest rates; the changes in interest income and interest expenses resulted from the combination of volumes and interest rates have been allocated to the changes in interest income and interest expenses resulted from volume.

	January to June 2022 compared to January to June 2021		
	Increase (decrease) due to		Net increase
(in millions of RMB)	Volume	Interest rate	(decrease)
Interest-earning assets			
Loans and advances to customers	11,011	(2,344)	8,667
Financial investments	5,097	(875)	4,222
Balances with the central banks	182	(53)	129
Balances and placements with banks and other financial institutions	238	362	600
Changes in interest income	**16,528**	**(2,910)**	**13,618**
Interest-bearing liabilities			
Deposits from customers	6,498	2,910	9,408
Deposits and placements from banks and other financial institutions	(659)	(375)	(1,034)
Debt securities issued	(16)	(386)	(402)
Borrowings from the central bank	(2,056)	(633)	(2,689)
Lease liabilities	(15)	(1)	(16)
Changes in interest expense	**3,752**	**1,515**	**5,267**
Changes in net interest income	**12,776**	**(4,425)**	**8,351**

The following table sets out the average balances, interest income/interest expenses and annualised average yields/cost ratios of assets and liabilities of the Group for the periods indicated.

	April to June 2022			January to March 2022		
(in millions of RMB, except for percentages)	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	5,781,135	65,604	4.55	5,682,613	65,600	4.68
Financial investments	1,965,576	15,864	3.24	1,872,118	15,158	3.28
Balances with the central banks	551,638	2,047	1.49	566,812	1,976	1.41
Balances and placements with banks and other financial institutions	691,180	3,060	1.78	683,256	3,552	2.11
Total	**8,989,529**	**86,575**	**3.86**	**8,804,799**	**86,286**	**3.97**

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	6,843,575	25,981	1.52	6,595,673	23,810	1.46
Deposits and placements from banks and other financial institutions	988,477	3,885	1.58	1,000,005	4,075	1.65
Debt securities issued	355,266	2,616	2.95	422,407	3,029	2.91
Borrowings from the central bank	124,647	730	2.35	131,855	768	2.36
Lease liabilities	13,275	135	4.08	14,075	140	4.03
Total	**8,325,240**	**33,347**	**1.61**	**8,164,015**	**31,822**	**1.58**
Net interest income	/	**53,228**	/	/	**54,464**	/
Net interest spread	/	/	**2.25**	/	/	**2.39**
Net interest margin	/	/	**2.37**	/	/	**2.51**

In the second quarter of 2022, the net interest margin and the net interest spread of the Group was 2.37% and 2.25%, respectively, both representing a quarter-to-quarter decrease of 14 basis points. For the analysis of the reasons behind the decrease in the net interest margin, please refer to 3.9 "Net interest margin" in this Chapter.

3.2.6 Net non-interest income

During the reporting period, the Group recorded a net non-interest income of RMB71.385 billion, representing a year-on-year increase of 2.73%. The components are as follows:

Net fee and commission income amounted to RMB53.405 billion, representing a year-on-year increase of 2.20%. Among the fee and commission income, fee and commission income from wealth management amounted to RMB18.873 billion, representing a year-on-year decrease of 8.13%; fee and commission income from asset management amounted to RMB6.339 billion, representing a year-on-year increase of 32.84%; income from bank card fees amounted to RMB10.706 billion, representing a year-on-year increase of 13.94%; income from settlement and clearing fees amounted to RMB7.819 billion, representing a year-on-year increase of 7.45%; commission income from credit commitment and loan business amounted to RMB3.515 billion, representing a year-on-year decrease of 8.75%; commission income from custody business amounted to RMB3.045 billion, representing a year-on-year increase of 6.58%; and income from others amounted to RMB7.317 billion, representing a year-on-year increase of 0.14%. For analysis of the reasons behind changes in fee and commission income, please refer to 3.9 "Net non-interest income" in this chapter.

Other net non-interest income amounted to RMB17.980 billion, representing a year-on-year increase of 4.32%, of which, net profit from fair value change amounted to RMB-1.558 billion, representing a year-on-year decrease of RMB2.254 billion, mainly due to the decline in the valuation of bond investment, the decrease in the net value of non-monetary fund investments, which was caused by the increase in dividends, and the decreased valuation of derivative financial instruments; net investment income amounted to RMB11.002 billion, representing a year-on-year increase of 23.31%, mainly due to the increase in dividends from non-monetary fund investment, income from bond investment and income from derivative financial instrument investment; net exchange gain amounted to RMB1.718 billion, representing a year-on-year decrease of 10.75%, mainly due to the decrease in gains from foreign currency derivatives; other income amounted to RMB5.362 billion, representing a year-on-year increase of 52.89%, mainly due to the increase in income generated from operating lease business of CMB Financial Leasing.

In terms of business segments, the net non-interest income from retail finance amounted to RMB34.061 billion, representing a year-on-year increase of 3.19% and accounting for 47.71% of the Group's net non-interest income; the net non-interest income from wholesale finance amounted to RMB30.341 billion, representing a year-on-year decrease of 0.38% and accounting for 42.50% of the Group's net non-interest income; the net non-interest income from other businesses amounted to RMB6.983 billion, representing a year-on-year increase of 15.90% and accounting for 9.79% of the Group's net non-interest income.

(in millions of RMB)	**January to June 2022**	January to June 2021	Year-on-year changes (%)
Fee and commission income (note)	**57,614**	56,005	2.87
Fees and commissions from wealth management	**18,873**	20,544	-8.13
Fees and commissions from asset management	**6,339**	4,772	32.84
Bank card fees	**10,706**	9,396	13.94
Settlement and clearing fees	**7,819**	7,277	7.45
Commissions from credit commitment and loan business	**3,515**	3,852	-8.75
Commissions from custody business	**3,045**	2,857	6.58
Others	**7,317**	7,307	0.14
Fee and commission expense	**(4,209)**	(3,751)	12.21
Net fee and commission income	**53,405**	52,254	2.20
Other net non-interest income	**17,980**	17,235	4.32
Other net income	**16,524**	15,050	9.79
Net (loss)/profit from fair value change	**(1,558)**	696	N/A
Net investment income	**11,002**	8,922	23.31
Net exchange gain	**1,718**	1,925	-10.75
Other income	**5,362**	3,507	52.89
Share of profits of joint ventures and associates	**1,456**	2,185	-33.36
Total net non-interest income	**71,385**	69,489	2.73

Note: Since the 2021 Annual Report, the Group has adjusted the breakdown of fee and commission income. In particular, fees and commissions from wealth management include income from agency distribution of funds, income from agency distribution of insurance policies, income from agency distribution of trust schemes, income from agency sales of wealth management services, income from securities brokerage and income from agency distribution of precious metals. Fees and commissions from asset management mainly include the income from the issuance and management of various asset management products such as funds, wealth management and asset management plans of China Merchants Fund, CMB International Capital, CMB Wealth Management and CIGNA & CMAM, all being our subsidiaries. Commissions from custody business include income from basic asset custody services and value-added services. Others mainly include income from underwriting of debt and equity, income from service fees from securitisation of credit assets, income from consultancy and advisory services and income from other intermediate businesses.

3.2.7 Operating expenses

During the reporting period, the Group's operating expenses amounted to RMB53.976 billion, representing a year-on-year increase of 6.65%, among which staff costs amounted to RMB34.257 billion, representing an increase of 9.35% and other operating expenses amounted to RMB19.719 billion[1], representing an increase of 2.25% as compared with the corresponding period of the previous year. The Group adhered to technology-enabled strategy, maintaining its investment in Fintech, continued to consolidate its infrastructure, and further fostered the development of its digital operation model and capabilities. At the same time, the Group bolstered the refined cost management. On one hand, the Group continued to promote technology innovation to save traditional costs while strengthening the monitoring for input and output; on the other hand, the Group took the initiative to optimise costs and expenses to reduce traditional fixed expenses including office leasing and operating expenses to continuously improve its resources efficiency. During the reporting period, the Group's cost-to-income ratio was 27.76%, representing a decrease of 0.18 percentage point as compared with the corresponding period of the previous year.

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

(in millions of RMB)	January to June 2022	January to June 2021
Staff costs	34,257	31,327
Depreciation, amortisation and rental expenses	7,694	7,151
Other general and administrative expenses	10,282	10,554
Allowances for insurance claims	174	154
Taxes and surcharges	1,569	1,426
Total operating expenses	53,976	50,612

3.2.8 Expected credit losses

During the reporting period, the expected credit losses of the Group were RMB41.477 billion, representing a year-on-year decrease of 1.00%.

The following table sets forth, for the periods indicated, the principal components of expected credit losses of the Group.

(in millions of RMB)	January to June 2022	January to June 2021
Loans and advances to customers	22,795	14,457
Financial investments	9,704	9,092
Amounts due from banks and other financial institutions	(2,594)	4,419
Expected credit losses relating to financial guarantees and loan commitments	8,250	13,662
Others	3,322	265
Total expected credit losses	41,477	41,895

The Group adopted the Financial Instruments Standards to make adequate allowances for credit losses by using the expected credit loss model and the risk quantification parameters such as the probability of customer defaults and the loss given defaults, after taking into consideration the adjustments in macro perceptiveness. During the reporting period, credit losses of loans and advances to customers of the Group were RMB22.795 billion, representing a year-on-year increase of RMB8.338 billion, which was mainly because the Group increased the allowances for credit losses for certain real estate customers during the reporting period; credit losses relating to amounts due from banks and other financial institutions amounted to RMB-2.594 billion, representing a year-on-year decrease of RMB7.013 billion, which was mainly due to the reversal of allowances for credit losses as a result of a significant decrease in amounts purchased under resale agreements as compared with the end of the previous year; expected credit losses relating to financial guarantees and loan commitments amounted to RMB8.250 billion, representing a year-on-year decrease of RMB5.412 billion, which was mainly due to the decrease of the allowances recognised in the reporting period as compared with the corresponding period of the previous year in line with the current risk situation and based on the previous allowance basis of such business; other credit losses amounted to RMB3.322 billion, representing a year-on-year increase of RMB3.057 billion, mainly due to the prudent allowances for credit losses of other receivables during the reporting period.

1 Other operating expenses include depreciation, amortisation, leases, taxes and surcharges, allowances for insurance claims and various other administrative expenses.

3.3 Analysis of Balance Sheet

3.3.1 Assets

As at the end of the reporting period, the total assets of the Group amounted to RMB9,724.996 billion, representing an increase of 5.15% as compared to the end of the previous year, which was mainly attributable to the increase in loans and advances to customers of the Group.

The following table sets forth, as at the dates indicated, the components of the total assets of the Group. To maintain the figures comparable, the financial instruments in section "3.3.1 Assets" were still analysed on the statistical calibre excluding interest receivable, except for the following table, in which interest receivable calculated using the effective interest method was included.

	30 June 2022		31 December 2021	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Total loans and advances to customers	5,942,941	61.11	5,580,885	60.34
Allowances for impairment losses on loans (1)	(255,265)	(2.62)	(245,494)	(2.65)
Net loans and advances to customers	5,687,676	58.49	5,335,391	57.69
Investment securities and other financial assets	2,554,914	26.27	2,224,041	24.05
Cash, precious metals and balances with the central banks	587,779	6.04	571,847	6.18
Inter-bank transactions (2)	588,358	6.05	799,372	8.64
Goodwill	9,954	0.10	9,954	0.11
Other assets (3)	296,315	3.05	308,416	3.33
Total assets	9,724,996	100.00	9,249,021	100.00

Notes:

(1) The "allowances for impairment losses on loans" as at the end of the reporting period include the allowances for impairment losses of the principal and interest of the loans and advances to customers measured at amortised cost. The allowances for impairment losses of RMB1.497 billion were not deducted from the carrying values of the loans and advances to customers measured at fair value through other comprehensive income. For details, please refer to Note 16(a) to the financial statements.

(2) Including deposits and placements with banks and other financial institutions and amounts purchased under resale agreements.

(3) Including fixed assets, right-of-use assets, intangible assets, investment properties, deferred tax assets and other assets.

3.3.1.1 Loans and advances to customers

As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB5,931.807 billion, representing an increase of 6.49% as compared with the end of the previous year; total loans and advances to customers accounted for 61.00% of the total assets, representing an increase of 0.78 percentage point as compared with the end of the previous year. For details of the loans and advances to customers of the Group, please refer to the section headed "Analysis of Loan Quality" in this chapter.

3.3.1.2 Investment securities and other financial assets

The Group's investment securities and other financial assets consist of listed and unlisted financial instruments denominated in RMB and foreign currencies.

The following table sets forth, as at the dates indicated, the components of investment securities and other financial assets of the Group by line items.

	30 June 2022		31 December 2021	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Derivative financial assets	20,252	0.80	23,390	1.06
Financial investments at fair value through profit or loss	423,669	16.74	348,123	15.82
– Bond investments	238,258	9.41	176,764	8.03
– Others(note)	185,411	7.33	171,359	7.79
Debt investments at amortised cost	1,330,259	52.57	1,169,652	53.16
– Bond investments	1,243,022	49.12	1,078,888	49.03
– Non-standardised credit asset investments	130,767	5.17	129,851	5.90
– Others	636	0.03	620	0.03
– Less: allowances for impairment losses	(44,166)	(1.75)	(39,707)	(1.80)
Debt investments at fair value through other comprehensive income	720,851	28.49	628,355	28.56
Equity investments designated at fair value through other comprehensive income	11,395	0.45	6,995	0.32
Investments in joint ventures and associates	24,203	0.95	23,654	1.08
Total investment securities and other financial assets	2,530,629	100.00	2,200,169	100.00

Note: Including equity investments, investments in funds, wealth management products, long position in precious metal contracts and others.

Derivative financial instruments

As at the end of the reporting period, the major categories and amount of derivative financial instruments held by the Group are indicated in the following table. For details, please refer to Note 41(f) to the financial statements.

	30 June 2022			31 December 2021		
		Fair value			Fair value	
(in millions of RMB)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	1,700,461	9,576	(9,400)	2,641,846	11,877	(11,991)
Currency derivatives	1,170,220	8,787	(11,939)	1,186,030	10,041	(14,054)
Other derivatives	144,049	1,889	(1,906)	139,931	1,472	(1,237)
Total	3,014,730	20,252	(23,245)	3,967,807	23,390	(27,282)

The above table shows the notional value and fair value of the Group's derivatives by their remaining maturity on each balance sheet date. The notional value refers only to the transaction volumes that have not yet been due or completed on the balance sheet date, and does not represent the value at risk.

During the reporting period, the exchange rate of US Dollar against RMB and the interest-rate derivatives market generally showed a range-bound feature. As an integrated market maker in the interbank RMB and foreign exchange market and a quote provider for derivatives in the local currency market, the Group was committed to improving the effectiveness of pricing for foreign exchange derivatives and providing full yield curve two-way quotes for interest rate derivatives, proactively providing relevant liquidity to the market. Meanwhile, by continuously leveraging its professional advantages in financial market derivative transactions, the Group kept up its effort in publicising the exchange rate risk-neutral management concept, helping customers carry out hedging transactions, and managing various market risks, as a result of which the number of customers served and transaction volumes continued to grow.

Financial investments at fair value through profit or loss

As at the end of the reporting period, the balance of the financial investments at fair value through profit or loss amounted to RMB423.669 billion, with bond and fund investments etc. being the major categories. The investments were made by the Group based on assessments of, among other factors, macroeconomic, monetary and fiscal policies, industrial policies and market supply and demand, so as to obtain investment income by capturing trading opportunities in the market. During the reporting period, funding was stable in general and treasury yields fell. The Group aggressively increased its positions in high-coupon short– and medium-term Chinese government bonds, achieving substantial returns. For details, please refer to Note 17(a) to the financial statements.

Debt investments at amortised cost

As at the end of the reporting period, the balance of the Group's debt investments measured at amortised cost amounted to RMB1,330.259 billion. Among them, the bond investments mainly involved bonds issued by the PRC government and policy banks. This type of investment was held on a long-term basis for the strategic allocation of assets and liabilities of the Group, based on the requirements of interest rate risk management of bank accounts and liquidity management, while taking into account returns and risks. For details, please refer to Note 17(b) to the financial statements.

Debt investments at fair value through other comprehensive income

As at the end of the reporting period, the balance of debt investments at fair value through other comprehensive income amounted to RMB720.851 billion, with interest rate bonds such as government bonds and policy bank bonds and medium-to-high rating quality debenture bonds being the major categories. This type of investment was based on research and analysis on the bond market, with the purpose of obtaining investment return by capturing investment and allocation opportunities in the market and constantly optimising asset allocation structure. For details, please refer to Note 17(c) to the financial statements.

Equity investments designated at fair value through other comprehensive income

As at the end of the reporting period, the balance of equity investments designated at fair value through other comprehensive income of the Group amounted to RMB11.395 billion. Such investments were mainly non-trading equity investments held by the Group in the investees over whom the Group had no control, joint control or significant influence. For details, please refer to Note 17(d) to the financial statements.

The composition of the Group's total bond investments classified by the issuing entities

(in millions of RMB)	30 June 2022	31 December 2021
Official authorities	1,447,302	1,205,718
Policy banks	413,780	390,387
Commercial banks and other financial institutions	215,703	168,483
Others	125,346	119,419
Total bond investments	2,202,131	1,884,007

Note: "Official authorities" include the Ministry of Finance of the PRC, local governments and the Central Bank, etc.; "Others" mainly refer to enterprises.

Investments in joint ventures and associates

As at the end of the reporting period, the Group's net investments in joint ventures and associates amounted to RMB24.203 billion, up by 2.32% from the end of the previous year. For details, please refer to Notes 18 and 19 to the financial statements.

3.3.1.3 Goodwill

As at the end of the reporting period, the Group had a balance of allowances for impairment losses on goodwill of RMB579 million and the carrying value of goodwill was RMB9.954 billion.

3.3.2 Liabilities

As at the end of the reporting period, the total liabilities of the Group amounted to RMB8,829.330 billion, representing an increase of 5.32% as compared with the end of the previous year, which was primarily attributable to the steady growth of customer deposits as compared to the end of the previous year.

The following table sets forth, as at the dates indicated, the components of the total liabilities of the Group. To maintain the figures comparable, the financial instruments in section "3.3.2 Liabilities" were still analysed on the statistical calibre excluding interest payable, except for the following table, in which interest payable calculated using the effective interest method was included.

	30 June 2022		31 December 2021	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Deposits from customers	7,084,597	80.24	6,385,154	76.16
Inter-bank transactions (1)	941,917	10.67	1,081,328	12.90
Borrowings from the central bank	142,751	1.62	159,987	1.91
Financial liabilities at fair value through profit or loss and derivative financial liabilities	91,314	1.03	91,043	1.09
Debt securities issued	338,152	3.83	446,645	5.33
Others (2)	230,599	2.61	219,183	2.61
Total liabilities	8,829,330	100.00	8,383,340	100.00

Notes:

(1) Including deposits and placements from banks and other financial institutions and amounts sold under repurchase agreements.

(2) Including salaries and welfare payable, taxes payable, contract liabilities, lease liabilities, expected liabilities, deferred income tax liabilities and other liabilities.

Deposits from customers

As at the end of the reporting period, total deposits from customers of the Group amounted to RMB7,037.185 billion, representing an increase of 10.87% as compared with the end of the previous year. Deposits from customers, accounting for 79.70% of the total liabilities of the Group, were the major funding source of the Group.

The following table sets forth, as at the dates indicated, the deposits from customers of the Group by product type and customer type.

(in millions of RMB, except for percentages)	30 June 2022		31 December 2021	
	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Corporate customer deposits				
Demand	2,804,113	39.85	2,652,817	41.80
Time	1,644,872	23.37	1,406,107	22.15
Subtotal	4,448,985	63.22	4,058,924	63.95
Deposits from retail customers				
Demand	1,670,011	23.73	1,557,861	24.54
Time	918,189	13.05	730,293	11.51
Subtotal	2,588,200	36.78	2,288,154	36.05
Total deposits from customers	7,037,185	100.00	6,347,078	100.00

During the reporting period, the percentage of daily average balance of the demand deposits to that of the total deposits from customers of the Group was 62.24%, representing a decrease of 2.21 percentage points as compared with the previous year. Of these, the daily average balance of corporate demand deposits accounted for 60.40% of that of the corporate deposits, representing a decrease of 1.33 percentage points as compared with the previous year; the daily average balance of retail demand deposits accounted for 65.52% of that of the retail deposits, representing a decrease of 3.99 percentage points as compared with the previous year. The decrease in the proportion of demand deposits is mainly due to the fact that the macro economy was confronted by many difficulties during the reporting period, coupled with the sporadic outbreak of the pandemic in some regions, growing downward pressure on the economy and the insufficient liquidity activities of enterprises as well as the shifting of residents' investment preference towards time deposits as a result of high volatility of the capital market.

3.3.3 Shareholders' equity

As at the end of the reporting period, the Group's equity attributable to shareholders of the Bank was RMB888.032 billion, representing an increase of 3.41% as compared with the end of the previous year, among which retained profits amounted to RMB456.657 billion, representing an increase of 6.55% as compared with the end of the previous year; investment revaluation reserve amounted to RMB14.514 billion, representing a decrease of 3.54% as compared with the end of the previous year, mainly due to the decrease in the valuation of financial assets measured at fair value through other comprehensive income as compared to the end of the previous year; foreign currency translation differences amounted to RMB-24 million, representing an increase of RMB2.120 billion as compared with the end of the previous year, mainly due to the fluctuations in RMB exchange rate.

3.4 Analysis of Loan Quality

3.4.1 Distribution of loans by 5-tier loan classification

The following table sets forth the 5-tier loan classification of the Group as at the dates indicated.

(in millions of RMB, except for percentages)	30 June 2022		31 December 2021	
	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
Normal	5,815,637	98.04	5,472,563	98.25
Special mention	59,784	1.01	46,609	0.84
Substandard	22,143	0.37	17,490	0.31
Doubtful	23,465	0.40	20,755	0.37
Loss	10,778	0.18	12,617	0.23
Total loans and advances to customers	5,931,807	100.00	5,570,034	100.00
Non-performing loans	56,386	0.95	50,862	0.91

Note: Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans.

During the reporting period, the Group further heightened the asset classification to fully expose risks. Affected by the rising risks of real estate customers and the impact of the pandemic in some regions on the retail loan business, the Group's balance and percentage of non-performing loans and special-mentioned loans increased as compared with the end of the previous year. As at the end of the reporting period, the balance of our non-performing loans amounted to RMB56.386 billion, representing an increase of RMB5.524 billion as compared with the end of the previous year, with a non-performing loan ratio of 0.95%, representing an increase of 0.04 percentage point as compared with the end of the previous year. The balance of special-mentioned loans amounted to RMB59.784 billion, representing an increase of RMB13.175 billion as compared with the end of the previous year; the special-mentioned loan ratio was 1.01%, representing an increase of 0.17 percentage point as compared with the end of the previous year.

3.4.2 Distribution of loans and non-performing loans by product type

(in millions of RMB, except for percentages)	30 June 2022				31 December 2021			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]
Corporate loans	2,301,082	38.79	31,175	1.35	2,150,938	38.62	26,732	1.24
Working capital loans	796,501	13.43	14,141	1.78	729,999	13.11	16,755	2.30
Fixed asset loans	852,754	14.38	11,015	1.29	821,259	14.74	7,267	0.88
Trade finance	261,950	4.41	498	0.19	257,428	4.63	397	0.15
Others[2]	389,877	6.57	5,521	1.42	342,252	6.14	2,313	0.68
Discounted bills[3]	540,351	9.11	–	–	431,305	7.74	–	–
Retail loans	3,090,374	52.10	25,211	0.82	2,987,791	53.64	24,130	0.81
Micro-finance loans	609,812	10.28	3,868	0.63	561,871	10.09	3,500	0.62
Residential mortgage loans	1,387,977	23.40	3,786	0.27	1,374,406	24.68	3,821	0.28
Credit card loans	854,562	14.41	14,295	1.67	840,371	15.09	13,846	1.65
Others[4]	238,023	4.01	3,262	1.37	211,143	3.78	2,963	1.40
Total loans and advances to customers	5,931,807	100.00	56,386	0.95	5,570,034	100.00	50,862	0.91

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of other corporate loans such as financial leasing, M&A loans and corporate mortgage loans.

(3) The Company will transfer discounted bills to corporate loans for accounting purposes once overdue.

(4) Consists primarily of general consumer loans, commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

With regard to corporate loans, the Group steadily promoted adjustment to the structure of customers, strengthened the organisation and investment of high-quality assets, actively supported the capital needs of enterprises affected by the pandemic, and guided corporate credit resources to help bail out enterprises. As at the end of the reporting period, the balance of our corporate loans amounted to RMB2,301.082 billion, representing an increase of 6.98% as compared to the end of the previous year, with a corporate loan ratio of 38.79%, an increase of 0.17 percentage point as compared with the end of the previous year. As affected by the risk exposure of real estate customers, some fixed asset loans such as real estate projects formed non-performing loans. The balance of non-performing corporate loans amounted to RMB31.175 billion, an increase of RMB4.443 billion as compared with the end of the previous year; and the non-performing loan ratio of corporate loans was 1.35%, up by 0.11 percentage point as compared with the end of the previous year.

With regard to retail loans, the Group has always adhered to the coordinated development of scale and quality of retail loans, strengthening and deepening the financial services for small- and micro-sized enterprises to support the recovery and quality development of small- and micro-sized customers. We are committed to compliant operations. While focusing on supporting the reasonable demand of first-time home buyers and buyers for improved housing, the Group also steadily promotes the development of credit card business and highlights value-based customer operations. As at the end of the reporting period, the balance of our retail loans amounted to RMB3,090.374 billion, representing an increase of 3.43% as compared to the end of the previous year, with a retail loan ratio of 52.10%, representing a decrease of 1.54 percentage points as compared to the end of the previous year. Of which, micro-finance loans amounted to RMB609.812 billion, representing an increase of 8.53% as compared with the end of the previous year. During the reporting period, the asset quality of various types of retail loans maintained relatively stable. As at the end of the reporting period, the balance of non-performing retail loans amounted to RMB25.211 billion, an increase of RMB1.081 billion as compared with the end of the previous year, with a non-performing loan ratio of 0.82%, up by 0.01 percentage point as compared with the end of the previous year. Of which, the balance of non-performing credit card loans amounted to RMB14.295 billion, an increase of RMB449 million as compared with the end of the previous year; and the non-performing loan ratio of credit card loans was 1.67%, up by 0.02 percentage point as compared with the end of the previous year.

3.4.3 Distribution of loans and non-performing loans by industry

(in millions of RMB, except for percentages)	30 June 2022				31 December 2021			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(1)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(1)
Corporate loans	2,301,082	38.79	31,175	1.35	2,150,938	38.62	26,732	1.24
Transportation, storage and postal services	472,757	7.97	1,547	0.33	445,603	8.00	2,945	0.66
Property development	397,243	6.70	11,208	2.82	401,704	7.21	5,655	1.41
Manufacturing	382,483	6.45	6,179	1.62	333,398	5.99	6,871	2.06
Production and supply of electric power, heat, gas and water	196,019	3.30	561	0.29	194,688	3.50	658	0.34
Leasing and commercial services	181,185	3.05	3,951	2.18	174,758	3.14	4,054	2.32
Wholesale and retail	167,048	2.82	2,948	1.76	147,272	2.64	3,726	2.53
Finance	106,824	1.80	440	0.41	95,333	1.71	90	0.09
Construction	126,512	2.13	759	0.60	120,934	2.17	569	0.47
Information transmission, software and IT service	89,402	1.51	235	0.26	65,994	1.18	235	0.36
Water conservancy, environment and public utilities	65,035	1.10	156	0.24	65,248	1.17	175	0.27
Mining	35,984	0.61	713	1.98	34,505	0.62	786	2.28
Others (2)	80,590	1.35	2,478	3.07	71,501	1.29	968	1.35
Discounted bills	540,351	9.11	–	–	431,305	7.74	–	–
Retail loans	3,090,374	52.10	25,211	0.82	2,987,791	53.64	24,130	0.81
Total loans and advances to customers	5,931,807	100.00	56,386	0.95	5,570,034	100.00	50,862	0.91

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

The Group continued to improve the quality and efficiency of our financial services for the real economy, so as to help stabilise the macro economy, and further increase loans to industries such as new growth engines, green economy, high-quality manufacturing industries, regional advantageous and characteristic industries, as well as self-controllable industries to solidly promote the adjustment of the structure of customers and industries. As at the end of the reporting period, the balance of our manufacturing loans amounted to RMB382.483 billion, representing an increase of 14.72% as compared with the end of the previous year, accounting for 6.45% of the total loans and advances to customers, up by 0.46 percentage point as compared with the end of the previous year. At the same time, the Group closely tracked changes in internal and external situations, and enhanced risk prevention and control in key areas such as real estate, local government financing platforms and management industries[2]. During the reporting period, the non-performing loan ratio of the Group in terms of the real estate industry, health and social work and other industries increased due to the risk exposure of high-debt real estate enterprises and individual corporate customers with poor management.

[2] Management industries is a term coined by the Company and refer to 12 industries, including glass manufacturing, textile and chemical fibre, steel trade, steel and iron, synthetic material manufacturing, chemical fertilizer, basic chemical, metal ore mining, coal chemical, coal trade, coal, nonferrous metal smelting and calendering (excluding electrolytic aluminium).

3.4.4 Distribution of loans and non-performing loans by region

(in millions of RMB, except for percentages)	30 June 2022				31 December 2021			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]
Head Office[2]	914,290	15.40	16,963	1.86	910,281	16.35	17,862	1.96
Yangtze River Delta	1,301,454	21.94	10,844	0.83	1,200,571	21.55	7,436	0.62
Bohai Rim	783,371	13.21	4,498	0.57	719,187	12.91	4,479	0.62
Pearl River Delta and West Side of Taiwan Strait	1,092,485	18.42	6,283	0.58	1,007,513	18.09	6,358	0.63
North-eastern China	175,544	2.96	1,878	1.07	168,974	3.03	2,354	1.39
Central China	615,696	10.38	6,466	1.05	569,787	10.23	5,766	1.01
Western China	622,184	10.49	5,052	0.81	581,820	10.45	4,275	0.73
Overseas	85,247	1.44	537	0.63	94,153	1.69	218	0.23
Subsidiaries	341,536	5.76	3,865	1.13	317,748	5.70	2,114	0.67
Total loans and advances to customers	5,931,807	100.00	56,386	0.95	5,570,034	100.00	50,862	0.91

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) The Head Office includes Credit Card Centre.

The Group centred around the national strategy of the coordinated development of regional economy and deepened its research on regional advantageous industries and sectors to enhance credit policy support and resource allocation for key construction projects in the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and Central and Western China. Meanwhile, the Group promoted the regional development research of "one bank, one policy", consolidated and improved differentiated management and control among branches, and closely prevented regional systematic risks. As at the end of the reporting period, the percentage of the balance of the Group's loans extended to regions such as the Yangtze River Delta, the Bohai Rim, the Pearl River Delta and the West Side of Taiwan Strait and Central and Western China increased as compared with the end of the previous year. Impacted by the formation of non-performing loans of real estate customers, the non-performing loan ratio of the Yangtze River Delta, Central and Western China, overseas and subsidiaries increased as compared to the end of the previous year.

3.4.5 Distribution of loans and non-performing loans by type of guarantees

(in millions of RMB, except for percentages)	30 June 2022				31 December 2021			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%) (Note)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%) (Note)
Credit loans	2,119,534	35.73	21,553	1.02	1,977,014	35.51	19,861	1.00
Guaranteed loans	795,452	13.41	14,565	1.83	752,744	13.51	13,272	1.76
Collateralised loans	2,119,427	35.73	12,916	0.61	2,075,639	37.26	12,684	0.61
Pledged loans	357,043	6.02	7,352	2.06	333,332	5.98	5,045	1.51
Discounted bills	540,351	9.11	–	–	431,305	7.74	–	–
Total loans and advances to customers	5,931,807	100.00	56,386	0.95	5,570,034	100.00	50,862	0.91

Note: Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

As at the end of the reporting period, the Group's credit loans increased by 7.21% as compared with the end of the previous year; guaranteed loans increased by 5.67% as compared with the end of the previous year, and collateralised and pledged loans increased by 2.80% as compared with the end of the previous year. The non-performing credit, guaranteed and pledged loan ratio increased as compared with the end of the previous year due to the formation of non-performing loans in credit card loans and certain large-sized corporate customers.

3.4.6 Loans to the top ten single borrowers

(in millions of RMB, except for percentages)

Top ten borrowers	Industry	Loan and advance balance as at 30 June 2022	Percentage of net capital (under the Advanced Measurement Approach) (%)	Percentage of total loans and advances (%)
A	Transportation, storage and postal services	19,778	1.99	0.33
B	Finance	19,276	1.93	0.32
C	Transportation, storage and postal services	15,435	1.55	0.26
D	Property development	12,605	1.27	0.21
E	Transportation, storage and postal services	12,315	1.24	0.21
F	Transportation, storage and postal services	11,980	1.20	0.20
G	Property development	11,644	1.17	0.20
H	Transportation, storage and postal services	10,979	1.10	0.19
I	Water, environment and public utilities management	9,442	0.95	0.16
J	Property development	8,260	0.83	0.14
Total		131,714	13.23	2.22

As at the end of the reporting period, the loan balance of the Group's largest single borrower amounted to RMB19.778 billion, representing 1.99% of the Group's net capital under the Advanced Measurement Approach. As at the end of the reporting period, the loan balance of the Group's top ten single borrowers totalled RMB131.714 billion, representing 13.23% of the Group's net capital under the Advanced Measurement Approach, 13.79% of the Group's net capital under the Weighted Approach, and 2.22% of the Group's total loans and advances, respectively.

3.4.7 Distribution of loans by overdue term

(in millions of RMB, except for percentages)	30 June 2022		31 December 2021	
	Loan and advance balance	Percentage of total loans (%)	Loan and advance balance	Percentage of total loans (%)
Overdue within 3 months	31,934	0.54	22,327	0.40
Overdue from 3 months up to 1 year	18,849	0.32	16,339	0.29
Overdue from 1 year up to 3 years	10,063	0.17	10,849	0.19
Overdue more than 3 years	7,965	0.13	7,911	0.14
Total overdue loans	68,811	1.16	57,426	1.02
Total loans and advances to customers	5,931,807	100.00	5,570,034	100.00

As at the end of the reporting period, overdue loans of the Group amounted to RMB68.811 billion, up by RMB11.385 billion from the end of the previous year and accounting for 1.16% of its total loans, representing an increase of 0.14 percentage point as compared with the end of the previous year. Of which, the balance of loans overdue within 3 months increased by RMB9.607 billion as compared with the end of the previous year, and its percentage of total loans increased by 0.14 percentage point as compared with the end of the previous year. Of the overdue loans, collateralised and pledged loans accounted for 32.95%; guaranteed loans accounted for 16.44%; credit loans accounted for 50.61% (the majority of which were overdue loans of credit cards). The Group adopted prudent classification criteria for overdue loans, and as at the end of the reporting period, the Group's ratio of non-performing loans to the loans overdue for more than 90 days was 1.53, and the Company's ratio of non-performing loans to the loans overdue for more than 60 days was 1.27.

3.4.8 Restructured loans

(in millions of RMB, except for percentages)	30 June 2022		31 December 2021	
	Loan balance	Percentage of total loans and advances (%)	Loan balance	Percentage of total loans and advances (%)
Restructured loans (note)	15,428	0.26	16,517	0.30
Of which: restructured loans overdue more than 90 days	8,716	0.15	10,406	0.19

Note: Represents the restructured non-performing loans.

The Group imposed strict and prudent control over loan restructuring. As at the end of the reporting period, the percentage of the Group's restructured loans to total loans was 0.26%, down by 0.04 percentage point as compared with the end of the previous year.

3.4.9 Repossessed assets and impairment allowances

As at the end of the reporting period, the balance of repossessed assets (other than financial instruments) of the Group amounted to RMB629 million. After deducting the impairment allowances of RMB126 million, the net carrying value amounted to RMB503 million. The balance of repossessed financial instruments amounted to RMB2.465 billion. After deducting the impairment allowances of RMB313 million, the net carrying value amounted to RMB2.152 billion.

3.4.10 Changes in the allowances for impairment losses on loans

The following table sets forth the changes in the allowances for impairment losses on loans of the Group.

(in millions of RMB)	January to June 2022	2021
Balance as at the end of the previous year	**246,104**	234,664
Charge/release for the period	**22,795**	37,020
Unwinding of discount on impaired loans and advances (note)	**(120)**	(247)
Recovery of loans previously written off	**5,153**	9,893
Write-offs/disposal for the period	**(18,448)**	(35,105)
Foreign exchange rate movements	**543**	(121)
Balance as at the end of the period	**256,027**	246,104

Note: Represents the amortised cost on impaired loans as a result of an increase in their present value due to the passage of time.

The Group continued to adopt a stable and prudent policy in respect of making allowances. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Group amounted to RMB256.027 billion, representing an increase of RMB9.923 billion as compared with the end of the previous year. The allowance coverage ratio was 454.06%, representing a decrease of 29.81 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.32%, representing a decrease of 0.10 percentage point as compared with the end of the previous year.

3.5 Analysis of Capital Adequacy

3.5.1 Capital regulatory requirements

The Group continued to optimise its business structure and enhance capital management. During the reporting period, the Group satisfied various capital requirements of the CBIRC. During the reporting period, the capital requirement imposed by the CBIRC on the Group and the Company was that: the minimum requirement for each of the capital adequacy ratio, the Tier 1 capital adequacy ratio and the core Tier 1 capital adequacy ratio was 8%, 6% and 5% respectively. The Group further made 2.5% provision for the reserve capital based on the above-mentioned minimum capital requirements, which represented that the capital adequacy ratio, the Tier 1 capital adequacy ratio and the core Tier 1 capital adequacy ratio of the Group and the Company during the reporting period should not be lower than 10.5%, 8.5% and 7.5% respectively.

3.5.2 Scope for calculating capital adequacy ratio

The scope for calculating the Group's capital adequacy ratio includes China Merchants Bank and the financial institutions in which the Company has direct or indirect investments in compliance with the requirements of the "Capital Rules for Commercial Banks (Provisional)". The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and overseas branches and sub-branches of China Merchants Bank. As at the end of the reporting period, the Group's subsidiaries that were within the scope of consolidated statements in respect of the capital adequacy ratio included: CMB Wing Lung Bank, CMB International Capital, CMB Financial Leasing, CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and CMB Europe S. A..

According to the regulatory requirements, the Group includes neither the industrial and commercial enterprises, nor the companies of the insurance type to the consolidated calculation scope of the capital adequacy ratios. Different types of investees are given different treatments while calculating the consolidated capital adequacy ratio.

No.	Type of investee	Treatment
1	Financial institutions with majority voting rights or controlling interests (excluding insurance companies)	Included in the calculation of consolidated capital adequacy ratio.
2	Insurance companies with majority voting rights or controlling interests	Excluded from the calculation of consolidated capital adequacy ratio, deducted corresponding capital investment from capital at all tiers; deducted the corresponding capital shortfall, if any.
3	Significant minority investments in capital instruments issued by financial institutions	Excluded from the calculation of consolidated capital adequacy ratio, deducted the part of core Tier 1 capital investments exceeding 10% of the Company's net core Tier 1 capital and deducted all of additional Tier 1 and Tier 2 capital investments from corresponding tiers of capital. The part failing to reach the deduction threshold shall be calculated as risk-weighted assets.
4	Non-significant minority investments in capital instruments issued by financial institutions	Excluded from the calculation of consolidated capital adequacy ratio and correspondingly deducted the part of total investments exceeding 10% of the Company's net core Tier 1 capital from regulatory capital at all tiers. The part failing to reach the deduction threshold shall be calculated as risk-weighted assets.
5	Investments in the equity of industrial and commercial enterprises	Excluded from the calculation of consolidated capital adequacy ratio and calculated as risk-weighted assets.

As at the end of the reporting period, there was no regulatory capital deficiency in the financial institutions in which the majority or controlling interests are held by the Company as measured in accordance with local regulatory requirements. During the reporting period, there was no material restriction on capital transfer within the Group.

3.5.3 Information on capital adequacy ratio

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach was 12.32%, 14.46% and 16.80% respectively, representing a decrease of 0.34, 0.48 and 0.68 percentage point respectively, as compared with the end of the previous year. For details, please refer to 3.9 "Capital management" in this chapter.

The Group

(in millions of RMB, except for percentages)	30 June 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach [(1)]			
Net core Tier 1 capital	**730,081**	704,337	3.66
Net Tier 1 capital	**857,124**	831,380	3.10
Net capital	**995,735**	972,606	2.38
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**5,466,269**	5,037,500	8.51
Of which: Credit risk weighted assets	**4,835,815**	4,441,186	8.89
Market risk weighted assets	**94,436**	60,296	56.62
Operational risk weighted assets	**536,018**	536,018	–
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**5,926,077**	5,563,724	6.51
Core Tier 1 capital adequacy ratio	**12.32%**	12.66%	Decreased by 0.34 percentage point
Tier 1 capital adequacy ratio	**14.46%**	14.94%	Decreased by 0.48 percentage point
Capital adequacy ratio	**16.80%**	17.48%	Decreased by 0.68 percentage point
Information on leverage ratio [(2)]			
Balance of adjusted on- and off-balance sheet assets	**11,213,363**	10,394,899	7.87
Leverage ratio	**7.64%**	8.00%	Decreased by 0.36 percentage point

Notes:

(1) The "Advanced Measurement Approach" refers to the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012 (same as below). During the parallel run period when the Advanced Measurement Approach for capital measurement is implemented, a commercial bank shall use the capital floor adjustment coefficients to adjust the amount of its risk-weighted assets multiplying the sum of its minimum capital required and reserve capital required, the total amount of capital deductions and the allowances for excessive loan loss which can be included into capital. The capital floor adjustment coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third (i.e. 2017) and subsequent years during the parallel run period.

(2) The leverage ratio shall be calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated by the former CBRC on 12 February 2015. The leverage ratio of the Group was 8.07%, 8.00% and 7.42% respectively as at the end of the first quarter of 2022, the end of 2021 and the end of the third quarter of 2021.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Advanced Measurement Approach was 11.78%, 14.05% and 16.47% respectively, representing a decrease of 0.37, 0.54 and 0.76 percentage point respectively, as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	30 June 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	**637,891**	617,403	3.32
Net Tier 1 capital	**760,842**	741,627	2.59
Net capital	**892,039**	875,859	1.85
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**4,931,388**	4,530,952	8.84
Of which: Credit risk weighted assets	**4,368,723**	4,002,933	9.14
Market risk weighted assets	**73,695**	39,049	88.72
Operational risk weighted assets	**488,970**	488,970	–
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**5,417,061**	5,082,896	6.57
Core Tier 1 capital adequacy ratio	**11.78%**	12.15%	Decreased by 0.37 percentage point
Tier 1 capital adequacy ratio	**14.05%**	14.59%	Decreased by 0.54 percentage point
Capital adequacy ratio	**16.47%**	17.23%	Decreased by 0.76 percentage point

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Weighted Approach was 10.73%, 12.60% and 14.03% respectively, representing a decrease of 0.44, 0.59 and 0.68 percentage point respectively as compared with the end of the previous year.

The Group

(in millions of RMB, except for percentages)	30 June 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach (note)			
Net core Tier 1 capital	**730,081**	704,337	3.66
Net Tier 1 capital	**857,124**	831,380	3.10
Net capital	**954,937**	927,277	2.98
Risk-weighted assets	**6,804,202**	6,303,544	7.94
Core Tier 1 capital adequacy ratio	**10.73%**	11.17%	Decreased by 0.44 percentage point
Tier 1 capital adequacy ratio	**12.60%**	13.19%	Decreased by 0.59 percentage point
Capital adequacy ratio	**14.03%**	14.71%	Decreased by 0.68 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012. Same as below.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Weighted Approach was 10.14%, 12.09% and 13.53% respectively, representing a decrease of 0.46, 0.64 and 0.73 percentage point respectively as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	30 June 2022	31 December 2021	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach			
Net core Tier 1 capital	**637,891**	617,403	3.32
Net Tier 1 capital	**760,842**	741,627	2.59
Net capital	**851,242**	830,529	2.49
Risk-weighted assets	**6,293,578**	5,824,290	8.06
Core Tier 1 capital adequacy ratio	**10.14%**	10.60%	Decreased by 0.46 percentage point
Tier 1 capital adequacy ratio	**12.09%**	12.73%	Decreased by 0.64 percentage point
Capital adequacy ratio	**13.53%**	14.26%	Decreased by 0.73 percentage point

3.5.4 Measurement of credit risk capital

Balance of credit risk exposures

During the reporting period, the credit risk of the Company under the internal ratings-based approach (IRB approach) was classified into six types of risk exposures: sovereign, financial institution, corporate, retail, shareholding and others. As at the end of the reporting period, the balances of various risk exposures were as follows.

		30 June 2022	
(in millions of RMB)	Type of risk exposure	Legal person	Group
Portion covered by the IRB approach	Financial institution	1,224,979	1,224,979
	Corporate	2,421,276	2,421,276
	Retail	3,536,927	3,536,927
	Of which: Residential mortgage	1,381,875	1,381,875
	Qualified revolving retail	1,560,390	1,560,390
	Other retail	594,662	594,662
Portion not covered by the IRB approach	On-balance sheet	3,818,986	4,292,084
	Off-balance sheet	199,428	210,314
	Counterparty	17,466	18,424

Balance of asset securitisation risk exposures

The Group uses the Standardised Measurement Approach to calculate its capital requirements of asset securitisation risk exposures. Risk weight is determined according to the credit ratings of eligible external rating institutions and the type of asset securitisation. As at the end of the reporting period, the capital requirement of asset securitisation risk exposure of the Group was RMB2.456 billion and the risk-weighted assets were RMB30.699 billion. As at the end of the reporting period, the balance of the asset securitisation risk exposures of the Group was as follows.

Item	30 June 2022	
(in millions of RMB)	Traditional	Synthetic
Balance of on-balance sheet asset securitisation risk exposures	**19,283**	–
Balance of off-balance sheet asset securitisation risk exposures	**247**	–

Information on credit risk mitigation

The Group generally transfers or lowers credit risk through collaterals and guarantees. As at the end of the reporting period, the risk exposures covered by eligible risk mitigation instruments were as follows.

Type of risk exposure	30 June 2022			
(in millions of RMB)	Eligible financial collaterals	Other eligible collaterals	Eligible guarantees and credit derivative instruments	Others
On-balance sheet credit risk	120,552	2,249,977	623,978	–
Off-balance sheet credit risk	321,705	8,174	102,084	–
Counterparty credit risk	13,990	–	–	–

3.5.5 Measurement of market risk capital

The Group uses mixed approaches to calculate its market risk capital requirement. Specifically, it uses the Internal Model-based Approach to calculate the general market risk capital requirement of the Company (excluding overseas branches), and uses the Standardised Measurement Approach to calculate the general market risk capital requirement of overseas branches and subsidiaries of the Company as well as the specific market risk capital requirement of the Company and its subsidiaries. As at the end of the reporting period, the market risk-weighted assets of the Group were RMB94.436 billion, and the market risk capital requirement was RMB7.555 billion, of which the general market risk capital requirement calculated under the Internal Model-based Approach was RMB5.155 billion, and the market risk capital requirement calculated under the Standardised Measurement Approach was RMB2.400 billion.

The Group's market risk capital requirement under the Internal Model-based Approach was calculated using the market risk value based on 250 days of historical market data, a confidence coefficient of 99% and a holding period of 10 days. The following table sets forth the market risk value indicators of the Group as at the end of the reporting period.

		30 June 2022	
No. (in millions of RMB)	Item	Distressed market risk value during the reporting period	General market risk value during the reporting period
1	Average value	681	529
2	Maximum value	885	727
3	Minimum value	440	182
4	Value at the end of the period	871	609

3.5.6 Measurement of operational risk capital

The Group uses the Standardised Measurement Approach to calculate its operational risk capital requirements. By implementing the Standardised Measurement Approach, the Group preliminarily established a complete operational risk management framework, which enabled us to identify, evaluate, monitor, measure, control and mitigate all kinds of operational risks in a regular and systematic manner, and helped the Group to dynamically control the overall circumstance and the development of operational risks of the Group. Furthermore, the Group enhanced its risk resisting capabilities through adopting control measures and making provision for economic capital. As at the end of the reporting period, the operational risk capital requirement of the Group was RMB42.881 billion and the operational risk weighted assets were RMB536.018 billion.

3.6 Results of Operating Segments

The principal business segments of the Group include retail finance and wholesale finance. The following table summarises the operating results of each business segment of the Group for the periods indicated.

Items	January to June 2022		January to June 2021	
(in millions of RMB)	Profit before tax by business segments	Net operating income	Profit before tax by business segments	Net operating income
Retail finance	46,403	97,574	40,580	90,215
Wholesale finance	33,485	74,282	34,762	74,610
Other businesses	3,736	7,221	981	4,005
Total	83,624	179,077	76,323	168,830

Note: Since the middle of 2022 , the Group has adjusted CMB Financial Leasing to the wholesale finance business segment from other business segments, resulting in the adjustment to the figure of the corresponding period of the previous year.

During the reporting period, profit before tax of retail finance business of the Group amounted to RMB46.403 billion, up by 14.35% year-on-year, accounting for 55.49% of the profit before tax of the Group; net operating income amounted to RMB97.574 billion, up by 8.16% year-on-year, accounting for 54.49% of the net operating income of the Group. At the same time, during the reporting period, the cost-to-income ratio of retail finance business of the Group was 28.02%, representing a year-on-year decrease of 0.75 percentage point.

For the detailed figures of the Group's business and geographical segments, please refer to Note 38 to the financial statements.

3.7 Other Financial Disclosures under the Regulatory Requirements

3.7.1 Balance of off-balance sheet items that may have a material effect on the financial position and operating results and the related information

The Group's off-balance sheet items include derivative financial instruments, commitments and contingent liabilities. Commitments and contingent liabilities include credit commitments, operating leasing commitments, capital expenditure commitments, securities underwriting commitments, bonds redemption commitments, pending litigations and disputes and other contingent liabilities. Among which, the credit commitments are the primary component. As at the end of the reporting period, the balance of credit commitments of the Group was RMB2,525.313 billion. For details of the contingent liabilities and commitments, please refer to Note 39 to the financial statements.

3.7.2 Outstanding overdue debts

As at the end of the reporting period, the Group did not have any outstanding overdue debts.

3.8 Implementation of Business Development Strategies

During the reporting period, the Company followed the established strategic direction and goals to accelerate the creation of the 3.0 model, striving to enhance the three major capabilities of wealth management, risk management and Fintech, integrate the professional advantages of investment banking, commercial banking, private banking, technology and research, and form the unique integrated service characteristics of ICPTR.

1. Prominent advantages of the business model of extensive wealth management

Firstly, the Company expanded the "vast clientele". The Company focused on high-quality customer acquisition channels and continued to optimise its customer acquisition and operation models. The **retail finance segment** shifted from the perspective of a bank to the perspective of serving customers, integrated and applied the Bank's multi-dimensional services, deepened customer segmentation and classification, strengthened the acquisition and operation of high-quality customers, and continuously improved customer service experience. As at the end of the reporting period, the Company had 178 million retail customers (including debit and credit card customers), among which, the number of customers holding wealth products was 40,748,600[3], representing an increase of 7.84% as compared with the end of the previous year, and the number of Sunflower-level and above customers was 4,023,600, representing an increase of 9.58% as compared with the end of the previous year. As at the end of the reporting period, the aggregate number of CMB APP users was 178 million, and the aggregate number of CMB Life APP users was 132 million. The **wholesale finance segment** continued to iterate and optimise the segmentation and classification service system, focusing on building ecological customer acquisition and operation capabilities around customers from the inner ring, the middle ring and the outer ring of core enterprises and their industrial chains and investment chains, with the aim to accelerate the adjustment of the customer structure. As at the end of the reporting period, the total number of corporate customers of the Company reached 2,410,100. Among them, the number of corporate customers with a daily average deposit of more than RMB500,000 reached 242,800, representing an increase of 5.66% over the end of the previous year.

Secondly, the Company built the "comprehensive platform". The **retail finance segment** built an open product platform and operation platform. The "TREE Asset Allocation System of CMB" was upgraded, providing retail customers with a professional allocation solution that includes four types of wealth management products: active money management, security management, prudent investment and aggressive investment. As at the end of the reporting period, the number of customers[4] who carry out asset allocation under this system reached 7,968,000. The asset scale of family offices and family trusts under management both exceeded RMB100 billion, with the increase of the management scale of family trusts in the first half of the year exceeding that of the previous year. We introduced the wealth management products of peer banks into the retail product system and built a "one-stop" agency sales platform of wealth management products. As at the end of the reporting period, CMB Wealth Management and a total of 9 peer bank wealth management subsidiaries were introduced. The Bank introduced asset management institutions to settle on the "Zhao Cai Hao (招財號)" open platform through market-oriented screening, continuously enriching content ecology and customer companionship, so as to improve the investment experience of their customers. As at the end of the reporting period, a total of 126 asset management institutions were introduced, representing an increase of 39 as compared with the end of the previous year, providing wealth information services to customers for more than 221 million times during the reporting period. The **wholesale finance segment** continued to promote platform-based operations for financial institution customers, playing a prominent role in high-quality payroll, IPO escrow collection marketing and quality asset introduction. As at the end of the reporting period, the "Zhao Ying Tong (招贏通)" platform had connected asset management institutions including funds, securities companies and insurance companies, and provided customers with a total of 6,658 third-party asset management products from 87 asset management institutions. During the reporting period, the trading value of the Company's third-party asset management products of our financial institution customers on the "Zhao Ying Tong" platform reached RMB395.123 billion, representing a year-on-year increase of 32.86%.

3 Refers to customers holding wealth products (including wealth management, mutual funds, private equity funds, insurance policies, precious metals, large-denomination certificates of deposit and other products) at the end of the reporting period.

4 Refers to Golden Card Holder customers and Sunflower customers who allocate their assets to two or more types of products among four wealth management products.

Thirdly, the Company built the "diverse ecology". Through business integration, the Company realised the "flywheel effect" of mutual promotion across business lines and business units to create rich ecological scenarios for customers. **In terms of retail "One Body" flywheel,** the Company thoroughly promoted the integration of debit card and credit card in respect of customer acquisition and operation. Among the credit card customers, "dual-card" customers who also held debit cards of the Company accounted for 63.25%, representing an increase of 0.64 percentage point as compared with the end of the previous year. **In terms of "One Body with Two Wings" flywheel**, the Company thoroughly promoted the new model of private banking services integrating corporate and private banking and fully combined the Company's ICPTR service resources to provide private banking customers and the enterprises behind them with "individual + enterprise" integrated services. New progress has been made in collaborative services for key customer groups in corporate finance and private banking. As at the end of the reporting period, the coverage rate of private banking services for key enterprises[5] reached 30.57%. By fully leveraging retail advantages to continuously expand the scale of custody business, the Company's custody scale exceeded RMB20 trillion as at the end of the reporting period, reaching RMB20.58 trillion, representing an increase of 5.76% from the end of the previous year. **In terms of the Group's flywheel,** during the reporting period, the Company recommended bond assets of RMB63.8 billion for CMB Wealth Management. As at the end of the reporting period, the underlying products offered to "Zhao Zhao Bao" are all products of CMB Wealth Management and the number of customers subscribing "Zhao Zhao Bao" reached 20,082,000, an increase of 30.38% as compared with the end of the previous year, with a position amount of RMB186.266 billion at the end of the period, representing an increase of 37.52% as compared with the end of the previous year. As at the end of the reporting period, subsidiaries totally contributed RMB2.61 trillion in AUM (total assets under management from retail customers) balance and RMB745.652 billion in FPA (aggregate financing products to corporate customers) balance to the Company. As at the end of the reporting period, the scale of China Merchants Fund's non-monetary mutual funds ranked among the top five in the industry for the first time.

2. Increasingly improving digital operation model

In terms of digital services for retail finance, the Company continued to improve the "talent + digitalisation" capability, and upgraded the operation model from mainly focusing on account management by account managers to the dual model of "account management + traffic". In the first half of the year, the intelligent wealth assistant "AI Xiao Zhao" served 4.87 million customers. During the reporting period, the number of monthly active users (MAU) of CMB APP and CMB Life APP reached 107 million, and the number of scenarios whose MAU exceeded ten million reached 19. The Company promoted the organic integration of monthly active users (MAU) and total assets under management (AUM) to enable more customers to enjoy wealth management services on the Bank's platforms. As at the end of the reporting period, 98% of the non-cash business of retail customers could be handled through CMB APP. At the same time, the API (application programming interface) empowered merchant partners to better manage their customers and provided more diversified services to retail customers, thereby enhancing customer experience. As at the end of the reporting period, the Company opened 211 API interfaces, launched a total of 2,701 mini programs and introduced 724 merchant partners on CMB APP.

In terms of wholesale financial digital services, the Company accelerated the online and automated transformation of its business. As at the end of the reporting period, 96% of the basic services of corporate customers were available online. The percentage of online financing business reached 78.39% and the percentage of online foreign exchange business reached 58.82%, up by 11.13 percentage points and 25.82 percentage points as compared with the end of the previous year in terms of the number of transactions of each business, respectively. Empowering corporate customers through API, as at the end of the reporting period, the Company opened 2,078 API interfaces to corporate customers, representing an increase of 63% as compared with the end of the previous year, and served 12,001 corporate customers in total, representing an increase of 395% as compared with the end of the previous year. Non-financial digital products, such as Invoice Cloud (發票雲), Sales Cloud (銷售雲), Xin Fu Tong (薪福通), and Equity Incentive System, were used for customers' sales, procurement, treasury management, employee management and other business management scenarios. As at the end of the reporting period, Xin Fu Tong (薪福通) 3.0 had 129,000 new registered certified enterprises in the year; Invoice Cloud (發票雲) had signed up a total of 162,900 users. The Company accelerated the innovation of digital financing products for financial scenarios and launched seven "Instant" series products, which significantly improved customer service efficiency.

5 Including strategic customers at Head Office and branches, listed company clients, and corporate customers such as new growth engines, green economy, high-quality track manufacturing industries, regional advantageous and characteristic industries, as well as self-controllable industries.

In terms of risk management, the Company continued to push forward the application of Fintech in the risk field of "all aspects", and kept strengthening internal and external data access and application to improve the intelligent risk control model system. The Company continued to strengthen the construction of the "online risk control platform" to enhance our intelligent risk control capabilities and facilitate the approval and granting of corporate loan business. The platform effectively improved the efficiency of the Company's loan business by combining digital risk control with manual judgement, saving more than 50% of the time spent on review and approval as compared with the traditional model. During the reporting period, the amount of new corporate loans granted through the "online risk control platform" reached RMB74.1 billion. The intelligent risk control platform named "Libra" enhanced transaction risk management and control capabilities. During the reporting period, the percentage of fraud and account takeover amounts by non-cardholders was lowered to 0.4 in ten millionths, down by 54.50% as compared with the previous year.

In terms of cost reduction and efficiency enhancement, during the reporting period, remarkable results were achieved for AI in simulating, assisting and substituting human, and smart AI customer service, voice quality inspection, intelligent reviewing and recording, the Conch RPA (robotic process automation) and other services achieved the replacement of a total of more than 10,000 staff. The Company systematically promoted the efficiency improvement of the scientific and technological team, which led to an increase in the scale of R&D output by more than 25% year-on-year. Capitalising on the data assets, the Company improved decision-making efficiency and constantly enhanced financial services. As at the end of the reporting period, the Bank has accessed to an aggregate of 300 external data sources which have been widely used in retail, wholesale, risk-related and other business sectors. Benefiting from this, the number of retail loan (excluding credit card) customers increased by 11.15% as compared with the end of the previous year.

In terms of underlying technology capabilities, the Company continued to promote the migration of hosts and applications to cloud, laying a solid foundation for agile business development. As at the end of the reporting period, the overall cloud migration rate exceeded 90%, the overall development in respect of the migration of hosts to cloud was largely completed, and retail business completed "experience intact" migration to cloud, thus fully entering the era of cloud services. During the reporting period, there were 3,818 shared components in the Company's technology middle-office, which further empowered the digital transformation of the business.

3. Continuous evolution of the open and integrated organisational model

The Company continued to explore more open, integrated and flexible organisational models to promote continuous organisational evolution. The Company has deepened the construction of integrated task teams and flexibly formed teams across business lines, departments and subsidiaries, with a total of over 600 integrated task teams formed across the Bank, a year-on-year increase of over 60% in the number of teams formed. Focusing on serving customers, the Company provided 73 provident fund centers across the nation with convenient services, AI intelligent customer service, intelligent review and approval platform, provident fund contribution of employees of flexible employment, business fund management and other technological services, facilitating the digital transformation of the provident fund industry through the integration of technology and business.

Adhering to the core values of "being customer-centric and creating values for customers", the Company issued the "CMB Customer Service Value Proposition" in the first half of the year to sort out the main manifestations of our core values and play a positive role in guiding them. The Company has also formulated a "negative list of core values" to serve as a mirror of staff behaviour and carried out special remedial actions on the negative list, thereby enhancing the consensus, ability and effectiveness of the whole Bank in practising values from both positive and negative aspects, and integrating values into all aspects of key business deployment, cadre selection, staff empowerment, performance assessment and customer experience.

3.9 Key Business Concerns in Operation

1. Net interest margin

During the reporting period, the net interest margin of the Group and the Company were 2.44% and 2.49%, respectively, both representing a decrease of 5 basis points year-on-year, and both representing a decrease of 4 basis points over the previous year. In the second quarter, the Group's net interest margin was 2.37%, representing a decrease of 14 basis points quarter-on-quarter as compared with the first quarter. Such decrease was mainly due to the reasons below. On the asset side, in terms of structure, the impact of the continual resurgence of the pandemic and the downturn in the property market weakened the consumer sentiment, leading to a slower growth in credit card loans and residential mortgage loans which had relatively high yields. In terms of pricing, due to the lack of demand for financing and multiple cuts in the Loan Prime Rate (LPR), the pricing of all types of newly granted loans denominated in RMB declined. On the liability side, corporate funds were insufficiently activated, and the growth of corporate demand deposits such as corporate settlement was restricted, while residents' investment shifted to time deposits due to the disturbance in the capital market and the proportion of demand deposits declined. In order to maintain a relatively stable net interest margin, the Group further strengthened the management of its asset and liability portfolio during the reporting period. On the asset side, the Group persistently focused on loan granting, while increasing the allocation of bonds to improve the efficiency of capital utilisation. On the liability side, the Group focused on driving growth in low-cost core deposits.

Looking forward to the second half of the year, the Group's net interest margin faces both opportunities and challenges. In terms of opportunities, the PRC has effectively coordinated the prevention and control of the pandemic with economic and social development, a package of policies rolled out to stabilise the economy has been put into effect and the resurgence of the pandemic has been effectively controlled. The economy has shown a sign of recovery, and credit demand is expected to improve marginally. The Group's asset structure is expected to be further optimised compared with the first half of the year. On the one hand, the improvement in credit availability will boost the increase in the proportion of general loans in interest-earning assets; on the other hand, as household consumption recovers, retail loans are expected to experience higher growth than in the first half of the year, and the proportion of retail loans in total loans is also expected to increase. In terms of challenges, with the unabated pressure of commercial banks to grow their deposits, the trend towards time deposits is likely to continue and the growth of deposits still confronts challenges in both scale and cost. At the same time, with the unsteady base for economic recovery, coupled with the decreasing corporate financing cost, it is expected that loan pricing will continue to be under pressure in the second half of the year.

The Group will actively take the following measures to maintain the net interest margin of the Group at a relatively outstanding level in the industry. As for assets, the Group will continue to prioritise assets allocation to promote the stable growth of credit scale, optimisation of structure and stable recovery of pricing. At the same time, the Group will flexibly arrange the granting of investment assets according to the credit demand, market interest rates and liquidity gap to improve overall allocation efficiency. As for liabilities, the Group will focus on the growth of low-cost core deposits, strengthen the limit control on high-cost deposits, and base on the trend of market interest rates, the Group will flexibly arrange market-oriented financing and reduce the overall cost of liabilities.

2. Net non-interest income

During the reporting period, the Group continued to reinforce its customer base and constantly upgraded its customer services. In face of increasing volatility in the capital market and pressure on the growth of wealth management income, the Group achieved steady growth in fees and commissions from its asset management, custody, bank card, clearing and settlement businesses, which in turn guaranteed the stable operation of the Group's net non-interest income. During the reporting period, the Group achieved net non-interest income of RMB71.385 billion, representing a year-on-year increase of 2.73%, accounting for 39.86% of our net operating income, down by 1.30 percentage points year-on-year. Among the Group's net non-interest income, net fee and commission income was RMB53.405 billion, representing a year-on-year increase of 2.20%, and accounting for 74.81% of net non-interest income; other net non-interest income amounted to RMB17.980 billion, representing a year-on-year increase of 4.32%. During the reporting period, the income from extensive wealth management of the Group was RMB28.257 billion[6], representing a year-on-year increase of 0.30%.

The following is an analysis of the Group's net fee and commission income during the reporting period from the perspective of major items. **Fee and commission income from wealth management** amounted to RMB18.873 billion, representing a year-on-year decrease of 8.13%, of which income from agency distribution of insurance policies amounted to RMB8.984 billion, representing a year-on-year increase of 61.61%, which was mainly due to the year-on-year increase in sales volume and proportion of regular premium business with high-value contribution as a result of the stronger risk prevention sentiment and demand of the customers against the backdrop of significant volatility in the capital markets; income from agency sales of wealth management products amounted to RMB3.493 billion, representing a year-on-year increase of 22.60%, which was mainly attributable to the admirable expansion in the sales scale of retail wealth management products as a result of the construction of an open platform to offer products; income from agency distribution of funds amounted to RMB3.474 billion, representing a year-on-year decrease of 46.95%, which was mainly due to the reduction in customers' equity products allocation under market volatility; income from agency distribution of trust schemes amounted to RMB2.287 billion, representing a year-on-year decrease of 49.49%, which was mainly due to the Group's active adjustment of business direction, which resulted in a decline in the business volume of agency distribution of trusts; income from securities brokerage amounted to RMB468 million, representing a year-on-year decrease of 38.50%, which was mainly attributable to the shrinking trading volume of stocks as a result of the decrease in activity of Hong Kong's capital market. **Fee and commission income from asset management** amounted to RMB6.339 billion, representing a year-on-year increase of 32.84%, which was mainly driven by the growth in the asset management scale of subsidiaries of the Group. **Commission income from custody business** was RMB3.045 billion, representing a year-on-year increase of 6.58%, mainly due to the steady growth of custodian size and the continuous structural optimisation. **Income from bank card fees** amounted to RMB10.706 billion, representing a year-on-year increase of 13.94%, mainly driven by the increase in transaction volume of credit cards. **Income from settlement and clearing fees** amounted to RMB7.819 billion, representing a year-on-year increase of 7.45%, mainly due to the increase in the income of online payment.

Looking forward to the second half of the year, the Group will continue to promote non-interest businesses to maintain quality development. The first is to optimise structure, assisting with the simultaneous operations of extensive wealth management, with regards to wealth management, the Group will deepen the practice of asset allocation concepts, provide more diversified solutions to customers, increase size and add value to the customer's assets; with regards to asset management, the Group will focus on the acquisition of capabilities such as core investment and research, asset allocation and portfolios investment, consolidating the competitive advantages of products; with regards to custody, the Group will proactively seize market opportunity, pushing for business breakthroughs in key areas. The second is to increase model effectiveness and promote the integration of ICPTR: on the one hand, speed up the establishment of ecological operation model that integrating wholesale finance and retail finance services in key scenarios, explore potential customers on focal business directions such as business integration, integrated acquisition of customers and retail referral of corporate customers; on the other hand, strengthen the linkage mechanism within the Group, implement cooperation and share resources, thereby maximising comprehensive customer service. The third is to tap the potential of scenario-based businesses, promoting the second growth of traditional non-interest income, increasing customer stickiness through refined operation of key scenarios, promoting steady growth of customer transaction and financing service income.

[6] The income from extensive wealth management includes the fee and commission income from wealth management, asset management and custody business. In order to be consistent with the statistical calibre of Note 5 to the financial statements, the data of the corresponding period of the previous year has been adjusted in accordance with the same statistical calibre.

3. Risk management and control for real estate sector

The Group has always adhered to the positioning of "Houses are for living in and not for speculative investment", closely focused on the expected goal of stabilising land prices and housing prices, followed the national guidelines to provide financial support for "guaranteeing the delivery of housing, people's livelihood and stability (保交樓、保民生、保穩定)", and resolutely implemented the requirements of the long-term real estate mechanism as well as specific policies for specific cities to support the commercial housing market to better meet the reasonable housing needs of buyers. Under the premise of implementing the prudent management of real estate finance, the Group will provide financial services to real estate enterprises in an orderly manner to promote a virtuous cycle and healthy development of the real estate industry.

During the reporting period, the Group adhered to the overall strategy of "stabilising scale, improving access, focusing on regions, adjustment of structure, and strict management" in the real estate sector. The Group focused on high-quality customers and high-quality projects, reduced the proportion of assets of high-leverage and high-debt real estate customers with lower ratings and poor qualifications, strictly investigated the cash flow of real estate enterprises, selected housing projects with capacity to cover their debts and commercial sustainability, focused on products such as housing projects for buyers with rigid demand and upgraders, and further strengthened post-investment and post-loan management.

As at the end of the reporting period, the total balance of the businesses relating to real estate of which the Group assumed credit risks, such as actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets amounted to RMB493.712 billion, representing a decrease of 3.48% as compared with the end of the previous year. The total balance of the businesses of which the Group did not assume credit risks, such as wealth management funds, entrusted loans, agency distribution of trust schemes under the active management by cooperative institutions, and debt financing instruments with the Group as the lead underwriter, amounted to RMB316.381 billion, representing a decrease of 23.22% as compared with the end of the previous year. In addition, as at the end of the reporting period, the Company's corporate real estate loan balance was RMB355.206 billion, representing a decrease of RMB771 million as compared with the end of the previous year, accounting for 6.35% of the Company's total loans and advances to customers, representing a decrease of 0.43 percentage point as compared with the end of the previous year. As at the end of the reporting period, the structure of real estate loan customers and regional structure of the Company have remained sound, among which, the balance of loans with customers featuring high credit rating accounted for more than 80%; in terms of regions where the projects were located, 85% of real estate development loan balance was in the urban areas of first-tier and second-tier cities. As at the end of the reporting period, the Company's non-performing loan ratio of corporate real estate loans was 2.95%, representing an increase of 1.56 percentage points as compared with the end of the previous year.

In the future, the Group will continue to firmly implement the relevant national policies on the real estate industry, strengthen the forward-looking prediction of the real estate risk situation and continue to adjust the structure of real estate customers, regions, businesses and products while focusing on key cities and strategic customers. The Group will pay attention to mergers, acquisitions and financing activities of leading enterprises, further strengthen post-investment and post-loan management, strictly implement the management requirements of real estate loans, strengthen project risk monitoring and analysis, make provisions on a case-by-case basis according to the risk of specific projects, and optimise risk management measures in a timely manner. In accordance with the principles of compliance with laws and regulations, controllable risks and sustainable business, the Group will carry out the loan business related to real estate project M&A in a stable and orderly manner, and promote the marketisation of risk mitigation and disposal of real estate enterprises. The risks in the real estate sector of the Group are generally controllable.

4. Deposits from customers

As at the end of the reporting period, the balance of the Company's deposits from customers amounted to RMB6,799.427 billion, representing an increase of RMB686.750 billion or 11.23% as compared with the end of the previous year. During the first half of this year, domestic economy faced difficult situations such as shrinking demand, disrupted supply and weakening expectations, which was aggravated by the outbreak of pandemic in some regions. As such, economic downward pressure increased, corporate funds were insufficiently activated, and there was an emerging trend of putting money on time deposits. With this unfavorable backdrop, the Company achieved continuous growth of customer deposits through measures such as strengthening customer orientation, extending the deposit classification management mindset, optimising assessment rules and increasing capital retention through integrated operation. During the reporting period, the Company's average daily balance of core deposits[7] was RMB5,635.730 billion, representing an increase of 12.64% as compared with the previous year, and accounting for 87.15% of the average daily balance of customer deposits; the average daily balance of demand deposits was RMB4,048.856 billion, representing an increase of 8.68% as compared with the previous year, and accounting for 62.61% of the average daily balance of customer deposits, representing a decrease of 2.37 percentage points as compared with the previous year. As at the end of the reporting period, the balance of structured deposits of the Company amounted to RMB266.847 billion, representing an increase of RMB530 million as compared with the end of the previous year, and the proportion of structured deposits was 3.92%, representing a decrease of 0.44 percentage point as compared with the end of the previous year.

Looking forward to the second half of the year, commercial banks will continue to face headwind in realising deposit growth as competition for deposits becomes increasingly fierce, and the prevailing trend of time deposits may continue. The Company will continue to face challenges in terms of growth in scale and cost control. In order to maintain the high-quality growth of deposits, the Company is going to take the following measures: firstly, we will continue to strengthen internal management, take growth of core deposits as the main task, and promote further optimisation of the deposit structure; secondly, we will constantly expand the size of customer base while enhancing the operation of existing customer base and broadening the sources of deposits, and further consolidating deposit-generating activities such as asset investment and growth in AUM; thirdly, we will increase the proportion of settlement-based deposits and maintain the favorably high proportion of demand deposits; fourthly, we will continue to strengthen the volume and price control of high-cost deposits to cope with the pressure of rising deposit costs.

5. Loan business

During the reporting period, the Company proactively responded to market changes, adopted targeted management measures, and actively promoted loan granting. As at the end of the reporting period, the Company's total loans and advances to customers amounted to RMB5,595.627 billion, representing an increase of RMB343.341 billion or 6.54% as compared with the end of the previous year. As at the end of the reporting period, the retail loans amounted to RMB3,041.089 billion, representing an increase of RMB100.069 billion or 3.40% as compared with the end of the previous year, with the growth rate declining year-on-year, which was mainly due to the weakened consumer sentiment and reduced effective demand for personal loans as a result of the impact of the resurgence of the pandemic. As at the end of the reporting period, the corporate loans amounted to RMB2,022.304 billion, representing an increase of RMB140.143 billion or 7.45% as compared with the end of the previous year. The rapid growth rate was mainly due to the Company's efforts to explore the credit needs of customers and continue to increase its financial support to the real economy. During the reporting period, the Company's newly granted corporate loans were mainly concentrated in five major segments, namely, new growth engines, green economy, high-quality track manufacturing industries, regional advantageous and characteristic industries and self-controllable industries, which accounted for 68.62% of the corporate loans newly granted by the Company, up by 10.14 percentage points as compared with the previous year.

In terms of inclusive finance, as at the end of the reporting period, the balance of SME inclusive finance loans of the Company amounted to RMB650.795 billion[8], representing an increase of RMB49.695 billion or 8.27% as compared with the end of the previous year, which was 1.73 percentage points higher than the growth rate of overall loans of the Company. The number of accounts with SME inclusive finance loan balance were 1,061,400, representing an increase of 148,100 as compared with the end of the previous year. During the reporting period, newly granted SME inclusive finance loans amounted to RMB242.683 billion and had an average interest rate of 5.31%.

7 The core deposits represent the internal management indicator for the Company's deposits, excluding large-denomination certificates of deposit, structured deposits and other high-cost deposits.

8 Refers to the small- and micro-sized enterprise loans + private industrial and commercial business operating loans + small- and micro-sized enterprise operating loans with a single account credit limit of RMB10 million, according to the appraisal calibre of the CBIRC, which is expressed in RMB on the domestic calibre and excludes bill financing.

During the reporting period, the Company earnestly adhered to and implemented the decisions and arrangements of Central Committee of the CPC and the State Council, implemented related financial relief policies, strengthened financial support for the enterprises that are in industries most seriously effected by the pandemic, continued to negotiate with eligible medium-, small- and micro-sized enterprises (including owners of medium-, small- and micro-sized enterprises) and private industrial and commercial businesses in accordance with market principles, carried out deferment of repayment of loan principal and interests, and flexibly adjusted repayment plans for loans such as credit cards in areas heavily affected by the pandemic, reasonably deferring repayment time. During the reporting period, the total amount of loan principal and interest repayment deferred by the Company for customers suffered in difficulties were RMB15.528 billion, it is expected that most of the borrowers may repay the principal and interest normally in the future and the effect on asset quality is overall controllable. The Company will strengthen the review on the utilisation of funds and cash flow management, pay close attention to the production and operation status of enterprises that are in the temporarily struggling industries due to the pandemic, strengthen asset quality monitoring, proactively conduct risk early warning and formulate mitigation and disposal plan, and strive to keep asset quality stable.

In the second half of the year, the Company will continuously pay attention to changes in internal and external operating environment, striving to maintain the stable growth of its credit assets. In terms of retail loans, with the risks under control, the Company will continue to promote the steady growth of micro-finance loans, consumer loans and credit-card loans, while determinedly adhering to the principle of "Houses are for living in and not for speculative investment", supporting reasonable housing demand, and promoting continuous optimisation of the retail credit structure. In terms of corporate loans, the Company will continue to promote the structural adjustment of corporate customers, continue to enhance the operation of corporate credit assets, and focus on driving credit granted to the industries and sectors of new growth engines, green economy, high-quality track manufacturing industries, regional advantageous and characteristic industries and self-controllable industries, and effectively meet the reasonable financing needs of real estate enterprises, so as to ensure the steady growth of corporate loans.

6. The formation and disposal of non-performing assets

During the reporting period, due to the impact of the increased risk associated with real estate customers and outbreak of pandemic in certain areas on our retail loan business, the Company recorded newly formed non-performing loans of RMB30.702 billion, representing a year-on-year increase of RMB7.460 billion, with a non-performing loan formation ratio (annualised) of 1.13%, up by 0.18 percentage point year-on-year. In terms of major business categories, the amount of newly formed non-performing corporate loans was RMB9.073 billion, representing an increase of RMB2.512 billion year-on-year; the amount of newly-formed non-performing retail loans (excluding credit cards) was RMB3.581 billion, representing an increase of RMB1.050 billion year-on-year; the amount of newly formed non-performing loans of credit cards was RMB18.048 billion, representing an increase of RMB3.898 billion year-on-year. As for regions, the non-performing loans were mainly formed in Yangtze River Delta, the Western China and the Head Office (for credit card loans). As for industries, the formation of non-performing loans was mainly distributed in real estate industry. From the perspective of customer base, formation of most of the non-performing loans were due from large-sized enterprises.

The Company has always adhered to prudent and stable customer selection and asset allocation, spurred by its sufficient risk compensation and strong capabilities of guarding against risks. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Company amounted to RMB248.641 billion, representing an increase of RMB9.456 billion as compared with the end of the previous year. The allowance coverage ratio was 473.42%, representing a decrease of 17.24 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.44%, representing a decrease of 0.11 percentage point as compared with the end of the previous year; the credit cost ratio (annualised) was 0.83%, representing a year-on-year increase of 0.24 percentage point, which was primarily due to the Company prudently increasing the allowance for impairment loss on loans and advances during the reporting period in order to enhance its risk compensation capacity.

During the reporting period, the Company played an active role in the disposal of non-performing loans, taking various approaches to reduce and dispose of risk assets. During the reporting period, the Company disposed of non-performing loans amounting to RMB27.130 billion, of which RMB11.114 billion was written off; RMB7.778 billion was securitised; RMB6.146 billion was recovered by collection; and RMB2.092 billion was disposed of by repossession, transfer, restructuring, upward migration, remission and other means.

In the second half of the year, affected by multiple internal and external factors, risks in certain industries and regions may continue to be exposed, and the Company's risk management will still face greater challenges. The Company will, on the one hand, increase credit support for key areas to lay a solid foundation for stable economic operation and quality improvement. On the other hand, the Company will continue to promote the adjustment of customer structure and credit structure, enhance the understanding on industries and customers, pay close attention to the risks of key industries, regions, and customers, strengthen risk monitoring and pre-warning in key areas such as real estate, government financing platforms, group customers with large outstanding loans, and small- and micro-sized customers, prudently research and make judgement on risks and formulate risk management plans, strengthen the management of special-mentioned loans and overdue loans, make adequate allowances, and actively promote the disposal of non-performing loans, effectively prevent and mitigate credit risks, and strive to maintain overall stability of asset quality.

7. Asset quality in key areas

During the reporting period, the Company strengthened the control of its risks associated with key areas such as consumer financing business, micro-finance loans, local government financing platforms, and management industries. The overall asset quality was stable. In the second half of the year, in active response to changes in external macro-economic situation, the Company will continue to enhance the risk screening and research and judgement on risk management and control in areas such as residential mortgage loans, micro-finance loans and local government financing platforms for better risk prevention and control in key areas.

The following table sets out the asset quality of the Company's loans and advances by product type as of the date indicated.

	30 June 2022						
(in millions of RMB, except for percentages)	Balance of Loans and Advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Special-mentioned loan ratio (%)	Balance of Overdue loans	Overdue loan ratio (%)
Corporate loans	2,022,304	27,346	1.35	18,770	0.93	25,934	1.28
Discounted bills	532,234	–	–	5	–	–	–
Retail loans	3,041,089	25,174	0.83	36,242	1.19	38,798	1.28
Micro-finance loans	608,414	3,861	0.63	2,323	0.38	3,975	0.65
Residential mortgage loans	1,378,286	3,782	0.27	8,640	0.63	4,647	0.34
Credit card loans	854,456	14,293	1.67	24,520	2.87	26,752	3.13
Consumer loans	183,834	1,938	1.05	650	0.35	2,121	1.15
Others (note)	16,099	1,300	8.08	109	0.68	1,303	8.09
Total loans and advances to customers	5,595,627	52,520	0.94	55,017	0.98	64,732	1.16

	31 December 2021						
(in millions of RMB, except for percentages)	Balance of Loans and Advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Special-mentioned loan ratio (%)	Balance of Overdue loans	Overdue loan ratio (%)
Corporate loans	1,882,161	24,666	1.31	10,456	0.56	18,912	1.00
Discounted bills	429,105	–	–	9	–	–	–
Retail loans	2,941,020	24,082	0.82	33,075	1.12	36,761	1.25
Micro-finance loans	560,565	3,488	0.62	1,792	0.32	3,076	0.55
Residential mortgage loans	1,364,518	3,806	0.28	4,928	0.36	3,782	0.28
Credit card loans	840,253	13,844	1.65	25,700	3.06	26,818	3.19
Consumer loans	155,984	1,595	1.02	502	0.32	1,727	1.11
Others (note)	19,700	1,349	6.85	153	0.78	1,358	6.89
Total loans and advances to customers	5,252,286	48,748	0.93	43,540	0.83	55,673	1.06

Note: Consists primarily of commercial housing loans, automobile loans, house decoration loans, education loans, internet joint consumer loans and other personal loans secured by monetary assets. The increase in the non-performing loan ratio of other retail loans from the end of the previous year was mainly due to the suppressing in the scale of internet joint consumer loans.

Risk management and control for residential mortgage loans

The Company has always adhered to the positioning of "Houses are for living in and not for speculative investment" in developing its residential mortgage loan business, and actively implemented the requirements of national and regional policies so as to vigorously meet the reasonable housing needs of buyers and realise the sound development of housing mortgage loan business. Under the circumstance of sluggish real estate sales and credit risk exposure of real estate enterprises in some cities, the residential mortgage loan business of the Company was further tilted in favor to the first-tier and second-tier cities with rapid economic development, relatively stable housing prices and strong consumer demand from buyers. During the reporting period, the amount of residential mortgage loans newly granted by the Company in the first-tier and second-tier cities accounted for 88.44% of the total amount of residential mortgage loans newly granted by the Company, up by 4.22 percentage points year-on-year. The balance of residential mortgage loans in the first-tier and second-tier cities as at the end of the reporting period accounted for 86.29% of the balance of residential mortgage loans of the Company as at the end of the reporting period, representing an increase of 0.25 percentage point as compared with the end of the previous year.

As at the end of the reporting period, with regard to the residential mortgage business of the Company, the non-performing loan ratio was 0.27%, representing a decrease of 0.01 percentage point as compared with the end of the previous year; the special-mentioned loan ratio was 0.63%, representing an increase of 0.27 percentage point as compared with the end of the previous year; and the overdue loan ratio was 0.34%, representing an increase of 0.06 percentage point as compared with the end of the previous year. Due to the impact of the pandemic and the economic downturn, both the special-mentioned loan ratio and the overdue loan ratio increased as compared with the end of the previous year. The increase in the special-mentioned loan ratio was mainly due to the increase in non-overdue loans as a result of external risk signals. The proportion of non-overdue residential mortgage loans in the balance of special-mentioned residential mortgage loans was more than 80%, and at the same time, the weighted average loan-to-value ratio of residential mortgage loans as at the end of the reporting period was 33.28%, which represented a better ratio with 1.10 percentage points lower than that of the end of the previous year with sufficient, stable and improving collaterals. The overall risk of residential mortgage loan business was controllable.

In the future, the Company will resolutely implement the policy of "Houses are for living in and not for speculative investment", continue to vigorously support the needs of customers with rigid housing demand and upgraders, maintain the healthy development of the real estate market, safeguard the legitimate rights and interests of housing consumers, while adhering to the implementation of city-specific policy, taking effect of risk prevention and control, and making every effort to maintain the stable quality of residential mortgage loan assets.

Risk management and control for consumer financing business

The Company consistently focused on the acquisition of high-value customers, optimising its asset structure and deeply exploring the upgrading consumption scenarios and the real comprehensive consumption scenarios of individuals or families encouraged by the national policies, so as to maintain steady development of consumer financing business. During the reporting period, the pandemic and the external environment had a significant impact on the employment and income of households, as well as certain customers' ability and willingness to repay their debts, resulting in fluctuations in the collection and recovery indicators for consumer financing business. This, together with the impact of the earlier timing set for recognising credit card loans as overdue loans and the adjustment to the recognition standards of non-performing retail loans in 2021, led to higher amount of non-performing loans and non-performing loan ratio of the consumer financing business. However, thanks to the optimisation of our customer base and the strengthening of the resilience of asset structure, as well as the application of various risk management strategies, the leading indicators such as special-mentioned loans and overdue loans remained basically stable.

As at the end of the reporting period, with regard to the Company's consumer financing business (including credit cards), the non-performing loans amounted to RMB16.231 billion, representing an increase of RMB792 million as compared with the end of the previous year, the non-performing loan ratio was 1.56%, up by 0.01 percentage point as compared with the end of the previous year; the special-mentioned loan ratio was 2.42%, down by 0.21 percentage point as compared with the end of the previous year; the overdue loan ratio was 2.78%, down by 0.09 percentage point as compared with the end of the previous year.

Given the uncertainty of the pandemic and its greater impact on the macroeconomy and household income, the asset quality of the consumer financing business is expected to remain under pressure. In the future, the Company will closely follow the changes in the external environment, adhere to a prudent and sound risk preference, continue to optimise risk management and control strategy for consumer financing business, continue to focus on value-based customer operations, increase investment in post-loan operations, improve digital and intelligent management, proactively dispose of the non-performing assets, and strive to maintain relative stability in asset quality of consumer financing business.

Risk management and control for micro-finance loan businesses

The Company implemented the strategic tasks of "six stabilisations (六穩)" and "six guarantees (六保)", continuously strengthened and enhanced the financial services for small- and micro-sized enterprises, steadily increased the credit supply to small and micro-sized enterprises to support the relief and quality development of small- and micro-sized enterprises, and relied on Fintech to explore product and service innovation, so as to further improve the quality and efficiency of financial services for small- and micro-sized customers.

As at the end of the reporting period, the balance of the Company's retail micro-finance loans amounted to RMB608.414 billion, representing an increase of 8.54% as compared with the end of the previous year, accounting for 10.87% of the total loans and advances, up by 0.20 percentage point as compared with the end of the previous year. During the reporting period, due to the impact of the pandemic and the economic downturn, small- and micro-sized enterprises faced greater difficulties in their production and operation, which brought certain pressures and challenges to the quality control of micro-finance loan assets. As at the end of the reporting period, the non-performing loan ratio, special-mentioned loan ratio and overdue loan ratio of the Company's retail micro-finance loans was 0.63%, 0.38% and 0.65%, respectively, increased by 0.01 percentage point, 0.06 percentage point and 0.10 percentage point, respectively, as compared to the end of the previous year, but the overall risk was controllable.

In the future, the Company will further promote the digital innovation and transformation of risk management, continue to strengthen the construction of risk control system and improve post-loan monitoring capabilities, and continue to optimise risk management strategies for micro-finance loans in light of changes in the external economic situation and differences in different regions to maintain the stability of the asset quality of micro-finance loans.

Risk management and control for local government financing platform business

The Company resolutely implemented the State's requirements to continue strengthening local governments' debts management, while preventing and defusing the risks on local governments' implicit liabilities and further regulating the investments and financing activities conducted by local state-owned enterprises and the financing platforms. The Company strictly performed legal procedures, and was committed to operating in compliance.

As at the end of the reporting period, the balance of risk exposure of the Company and CMB Wealth Management with local government financing platforms of the Company (calculated on the broad statistical calibre) amounted to RMB268.380 billion (including businesses such as actual and contingent credit, bond investments, proprietary investments and fund investments of wealth management products), representing an increase of RMB6.699 billion as compared with the end of the previous year. Among which, the balance of loans to domestic companies amounted to RMB127.872 billion, representing an increase of RMB4.346 billion as compared with the end of the previous year, and accounted for 2.29% of the total loans and advances of the Company, down by 0.06 percentage point as compared with the end of the previous year. As at the end of the reporting period, the non-performing loan ratio of the local government financing platform business was 0.74%, up by 0.11 percentage point as compared with the end of the previous year.

In the second half of the year, the Company will continue to strictly implement various regulatory policies, extend credit in accordance with commercial principles, carefully select its business based on the coverage of its debts by the projects and operating cash flow of customers by adhering to the overall principle of "supporting preferential clients in selective areas, compliance with regulatory requirements and through credit limit management, emphasising self-compensation and through city-specific policies". Besides, for the bond financing of local government, the Company will strictly implement the various national policy requirements on government debt management, participate in local government bond investment, select the regional issuers with more developed economy and stronger debt bearing capacity. In particular, for the special bonds of local government, the Company will choose the projects listed in the national key planning and construction to carry out the bond investment business on the premise of full risk assessment. For local governments' implicit debts management, the Company will continue to improve the supporting management mechanism for implicit debts, strictly implement the management and control requirements of the relevant policies with rigorous frequent investigations on the risk of implicit debts, and strictly prohibit the addition of local government implicit debts in any form or the false mitigation of the existing local government implicit debts. Against the backdrop that the national fiscal and financial policies remain stable, it is expected that the quality of the Company's assets granted to local government financing platforms is expected to remain stable.

Risk management and control for management industries

During the reporting period, the Company continued to implement differentiated management for customers by the principle of categorising them into three types, namely whitelist customers, general customers and controlled customers from 12 management industries[9] that are greatly affected by the supply-side structural reforms, overcapacity or the "dual carbon" policy. Among which, for the "whitelist" customers such as leading enterprises in the industries and regional quality enterprises, appropriate credit increase support would be given on the premise of controllable risk; for the "general" customers with relatively stable risks and acceptable operations, the Company would focus on listed companies, core enterprises within the group and mid-tier customers with sound performances, and continue to promote the optimisation and adjustment of customer structure and asset structure, for the "controlled" customers, such as "zombie" and "zombie-like" enterprises, enterprises with high leverage and high debts, single account quota management strategy would be implemented.

As at the end of the reporting period, the business financing exposure to the management industries of the Company (calculated on the full statistical calibre) amounted to RMB124.282 billion[10], representing an increase of RMB6.806 billion as compared with the beginning of the year, which was mainly granted to the quality strategic customers at Head Office and branches and customers on the whitelist. The non-performing loan ratio of management industries was 3.26%, down by 0.39 percentage point as compared with the beginning of the year. Affected by the risk exposure of individual existing customers and constant shrinking business scale of loans granted to the industries, the non-performing loan ratios of industries including iron and steel, synthetic material manufacturing and fertilizer increased as compared with the beginning of the year, while the non-performing loan ratios of other industries remained flat or declined as compared with the beginning of the year.

In light of the basic customer groups falling into the management industries of the Company are mainly strategic customers at Head Office and branches and customers on the whitelist, with relatively strong ability to resist external risks, it is expected that the risks associated with the industries will be generally controllable in the second half of 2022. Subsequently, the Company will dynamically adjust the credit policy in related fields, taking into consideration national industrial policies, financial regulatory policies and the actual operation of the market.

8. Capital management

The Company continued to optimise its business structure and to enhance capital management. During the reporting period, the Company satisfied the various capital requirements imposed by the CBIRC, with relatively adequate capital buffer.

The Company adhered to the principle of prudence and stability, and maintained steady growth of risk-weighted assets subject to maintaining the risks under control. As at the end of the reporting period, the growth rate of risk-weighted assets (having taken into consideration the floor requirements during the parallel run period) under the Advanced Measurement Approach of the Company was 6.57%; the ratio of the Company's risk-weighted assets (taking into consideration the floor requirements during the parallel run period) under the Advanced Measurement Approach to total assets was 59.42%. During the reporting period, the risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 27.38%, significantly higher than the cost of capital. As a result of the cash dividend of RMB38.385 billion, the growth rate of net capital under the Advanced Measurement Approach was lower than the growth rate of risk-weighted assets at all levels, and the capital adequacy ratio at all levels decreased compared with the end of the previous year.

The Company adhered to the development strategies of marketisation, branding and internationalisation, and constantly promoted the innovation and development of assets securitisation business to provide room for capital saving. During the reporting period, the Company issued a total of 3 asset securitisation projects through the interbank market with a total issue size of RMB2.701 billion. The underlying assets included auto installment loans and non-performing credit card loans.

Following the issuance of the "Assessment Methods for Systemically Important Banks 《系統重要性銀行評估辦法》", the PBOC and the CBIRC jointly published the first list of domestic banks of systematic importance in China in October 2021, and simultaneously issued the "Ancillary Regulatory Provision for Systematically Important Banks (Trial) 《系統重要性銀行附加監管規定(試行)》". The Company is in the third group on the list, and will face additional regulatory requirements such as 0.75% of supplementary capital and 0.375% of supplementary leverage ratio since 1 January 2023. Currently, the Company's capital adequacy ratio, leverage ratio, liquidity and other operating indicators at all levels are maintained at a high level, and shall satisfy the additional regulatory requirements.

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9 The 12 industries include glass manufacturing, textile and chemical fiber, steel trade, iron and steel, synthetic material manufacturing, fertilizer manufacturing, basic chemical, metal ore mining, coal chemical, coal trade, coal, nonferrous metal smelting and calendaring (excluding electrolysis of aluminium).

10 The statistical calibre of the management industries has been changed, and the figures at the beginning of the year have been adjusted in accordance with the same statistical calibre.

In recent years, "Ancillary Regulatory Provision for Systematically Important Banks (Trial) 《系統重要性銀行附加監管規定(試行)》" and "Administrative Measures for Total Loss Absorbing Capacity of Global Systemically Important Banks 《全球系統重要性銀行總損失吸收能力管理辦法》" have been released, and the regulatory documents in specific areas such as the "Provisional Measures for the Implementation of the Recovery and Disposal Plan of Banking and Insurance Institutions 《銀行保險機構恢復和處置計劃實施暫行辦法》" have been issued in succession. The international regulatory reform has continued to advance, and the final reform plan of Basel III will be fully implemented. Against such backdrop, the Company will continue to uphold the strategic direction of "Light-model Bank", while constantly optimising capital allocation strategy to strengthen asset-liability portfolio management and promote the dynamic and balanced development of "quality, efficiency and scale" of the Company, as well as improving capital return management mechanism with the application of the economic value added (EVA) and the risk-adjusted return on capital (RAROC) and other valuation indicators to enhance the efficiency of capital use. The Company will trace the progress of international capital regulatory reform, continue to implement the internal capital adequacy assessment procedures (ICAAP), prepare and implement the medium-term capital management plan on a rolling basis, keep a dynamic balance of supply and demand of capital, stick to the principles in capital supplement that fund generation and accumulation shall be mainly from internal resources, with capital replenishment through external resources as additional assistance, comprehensively plan the use of various capital instruments and achieve fund-raising through various channels and ways to ensure the smooth operation of capital adequacy ratio.

9. Transformation of corporate customer services

The Company supported the development of real economy with the service concept of "integrating investment banking and commercial banking" and accelerated the service transformation for corporate customers, provided three-dimensional, all-round and multi-level financing support to corporate customers based on changes in market conditions and the characteristics of different financing channels, by insisting on focusing on customer needs, sticking to two markets: direct financing and indirect financing, and providing multi-dimensional support from bond underwriting, financial capital contribution, proprietary investment, bill financing and cross-border joint financing.

As at the end of the reporting period, the Company's balance of aggregate financing products to corporate customers (FPA) was RMB5,147.800 billion[11], representing an increase of RMB411.931 billion over the beginning of the year, among which, the balance of traditional financing[12] was RMB2,767.227 billion, representing an increase of RMB325.965 billion over the beginning of the year. The balance of non-traditional financing[13] was RMB2,380.573 billion, representing an increase of RMB85.966 billion over the beginning of the year. The balance of non-traditional financing accounted for 46.24% of the balance of FPA, representing a decrease of 2.21 percentage points over the beginning of the year, mainly due to the impact of business restructuring and market environment, which resulted in a decrease in the balance of financing wealth management over the beginning of the year.

The Company has gradually built up its systematic service capability for the capital market. Regarding the bond market, the Company focused on high-quality bond issuance customers to actively organise standardised assets, closely grasped the opportunity of low interest rate, and assisted customers in issuing medium- and long-term bonds to lock costs, reduce costs and adjust capital structure. To cater for the personalised needs of customers, the Company vigorously promoted innovative new products such as REITs, green bonds, technology & innovation notes, and rural revitalisation notes. During the reporting period, the bonds with the Company as the lead underwriter amounted to RMB343.095 billion. As to the stock market, the Company focused on the key scenarios of refinancing, employee equity incentives and mergers and acquisitions, explored the needs of capital operation of listed companies and business consolidation and mergers and acquisitions of high-quality enterprises, continued to enhance its syndicated distribution capability, vigorously explored the business opportunities of the return of Chinese companies listed on the U.S. markets to A-share market and H-share market, and expanded the service range for listed companies through cooperation with CMB International Capital and China Merchants Securities. During the reporting period, the Company' M&A business amounted to RMB116.871 billion, representing a year-on-year increase of 15.72%.

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11 As the scopes of general loans, letters of credit, proprietary non-standardised corporate investments, financing wealth management, matching transactions and cross-border coordination financing that included in FPA were adjusted during the period, resulting in the adjustment to the figures at the beginning of the period in accordance with the same statistical calibre, with the balance of the adjusted FPA at the beginning of the period of RMB4,735.869 billion, of which amount of traditional financing amounted to RMB2,441.262 billion and amount of non-traditional financing amounted to RMB2,294.607 billion.

12 Traditional financing comprises of general corporate loans and commercial bills discounting (including transfer-out of outstanding bills), acceptance, letters of credit, financial guarantees and non-financial guarantees.

13 The eight compositions of non-traditional financing include: asset operation, proprietary non-standardised corporate investments, financing wealth management, debt financing instruments with the Company as the lead underwriter, matching transactions, financial leasing, cross-border coordination financing and leading syndicated loans.

In terms of bill financing, against the backdrop of low market interest rates and strong demand for corporate bill financing, the Company has increased the allocation of resources to its bill business, enhanced its level of online migration, improved one-stop service system and closely integrated bill business with supply chain service, serving over 110,000 bill customers. The volume of commercial acceptance bill discounting business ranked first in the market.

In terms of cross-border financing, the Company focused on the global business needs of high-quality Chinese enterprises, laid stress on cross-border employee stock ownership plans, cross-border corporate financing and other scenarios, leveraged the advantages of the Group's "flying wheel" systematic services that integrating the non-resident account system, overseas branches and overseas subsidiaries and continued to deepen its international syndicate leadership capability, so as to provide professional and efficient cross-border financing solutions for Chinese enterprises going global. During the reporting period, the Company provided cross-border financing services to customers through non-resident accounts exceeding USD9.1 billion, representing a year-on-year increase of 54%.

In terms of trade finance, the Company has accelerated the online migration of domestic trade finance basic services, improved the service capability of "contactless financing", enriched the "Instant System (閃電系)" of trade finance products, and launched Instant Issuance of Letter of Credit (閃電開證), Instant Agent Negotiation and Payment (閃電代理議付), Instant Payment by Paying Agent (付款代理閃電付) and Instant Issuance of Letter of Guarantee 3.0 (保函閃電開 3.0) successively to foster a convenient online customer experience. In particular, the Company has provided strong support to the uninterrupted operation of small- and medium-sized enterprises and relieved the shortage of short-term liquidity in the face of the multiple spread of the pandemic across the nation. During the reporting period, the Company's domestic trade financing business volume amounted to RMB374.363 billion, representing a year-on-year increase of 4.04%.

In terms of supply chain finance, the Company continued to develop the model of "providing services to one enterprise and its industry chain through national layout (全國服務一家)" for supply chain business, addressed the difficulty of financing for core enterprises and their upstream and downstream segments along industrial chains while integrating the Company's resources across branches and business lines with a further focus on customers to form a bank-wide customer service network that meets customer needs. As at the end of the reporting period, the Company promoted 235 nationwide projects under this model of "providing services to one enterprise and its industry chain through national layout (全國服務一家)", extending its services to 19,305 small- and medium-sized enterprises, among which 15,899 enterprises were granted the financing support, with the amount of granting loans of RMB208.0 billion. As at the end of the reporting period, the number of core corporate customers increased by 9.06% year-on-year.

10. Fintech

Focusing on the mainstay of building the cyclic extensive wealth management value chain, the Company deeply promoted the digital transformation and development of the Bank and the upgrade of the 3.0 business model. During the reporting period, the information technology expenses amounted to RMB5.360 billion, up by 6.03% year-on-year, and the ratio of the information technology expenses to the Company's net operating income was 3.26%.

Increase Fintech investment and continue to promote the construction of digital operation model. The Fintech Innovation Project Fund focused on the six major directions of retail customers' ecological construction, corporate customers' ecological construction, digital operation, digital management, technological infrastructure, and innovation and incubation. It continued to support the acquisition of new capabilities and exploration of new models, and actively created an innovation atmosphere of openness and inclusiveness. During the reporting period, 203 new Fintech innovation projects were launched, and 165 new projects were put into operation. As at the end of the reporting period, the number of the Bank's Fintech innovation projects launched and put into operation reached an aggregate of 2,868 and 2,126, respectively. The Fintech Innovation Project Fund has become an incubator and propeller for the new models of the Bank.

Transform the personnel structure to adapt to Digital Bank. The Company continued to increase efforts to introduce Fintech talents, and recruit digital talents through Fintech elite training camps to help the Bank build the cyclic extensive wealth management value chain from the basics of the team building. At the same time, we have established an internal training and cultivation system for Fintech talents, driving for the building of personnel teams such as product managers, operation managers and data analysts, so as to continuously promote a stronger product mindset of the technology team, and strengthen the awareness of digital transformation for all employees of the Bank to foster their digital thinking of all employees of the Bank. As at the end of the reporting period, the number of R&D personnel of the Group reached 10,392, representing an increase of 3.48% as compared with the end of the previous year, accounting for 10.00% of total number of employees of the Group.

Empower the construction and operation of the extensive wealth management ecosystem with open platforms, open scenarios and open capabilities. The Company proactively integrated into the life circle of retail customers, embedded financial services into more living scenarios, and opened up to empower external partners to jointly serve the diversified needs of customers. The Company also proactively integrated into the business circle of corporate customers, accelerated model innovation, and empowered corporate customers, their employees and customers. The Company continued to upgrade one-stop corporate digital service platform, Xin Fu Tong (薪福通), and focused on the key scenarios of HR, finance and co-office and fully unclogged the underlying architecture and data by taking the digital payroll as the starting point and providing enterprises with inclusive digital products and service solutions, so as to empower the digital transformation of enterprises and actively integrate into the wave of digital transformation of enterprises to realise customer acquisition and conversion of financial services. During the reporting period, there were 129,000 new certified enterprises registered in Xin Fu Tong.

Upgrade the digital platform tools to empower the frontline and help speed up the digitalisation of wealth management. Focusing on wealth management business scenarios and customer service needs, the Company constructed the first investment and research platform for retail wealth management business in the industry, "Wealth Alpha+", to empower the frontline to enhance its professionalism. The "Wealth Alpha+" platform integrates various discrete data and information in the capital market, and constructs a series of functional modules for quantitative screening, product pool management, financial product research, portfolio management, AUM perspective, etc. that deeply empower the work of employees at the Head Office – branches – sub-branches level, which can digitise and consolidate the professional product selection ability, research results, research standards and practical experience accumulated over a long period of time to become a unique professional tool for wealth management business, effectively empowering frontline digital management. At the same time, the Company constantly exported digital capabilities on the APP side, providing customers with easy-to-understand and value-of-worth professional services such as "CMB Perspective (招行解讀)" and "Video Explanation (視頻解讀)". As at the end of the reporting period, the Company had empowered more than 15,700 employees of the Bank, including account managers, and reached a daily average of more than one million customers in all service scenarios.

Continue to build new digital infrastructure for the future and accelerate the construction of a digital operation model. Firstly, the progress of cloud migration continued to accelerate. The Company reshaped the business processes with the transformation of the cloud architecture, broke down the barriers across systems under the mainframe architecture and opened up more possibilities for business innovation and customer experience enhancement, while relying on the friendliness of the cloud architecture in terms of horizontal expansion of performance and capacity, the Company perfectly matched the flexibility required for business development and made business innovation more agile. During the reporting period, significant progress in stages was made in the cloud migration, with retail customers fully migrating to the Company's self-developed Financial Transaction Cloud (FTC). Secondly, the Company strengthened data middle-office and technology middle-office. With the help of the data middle-office to promote the independent access to data throughout the Bank, data application has gradually penetrated into all aspects of the business, and the employees who used big data service accounted for over 40% of all employees. The Company continued to build an open and shared infrastructure with its technology middle-office, accelerating the precipitation of components and enabling the rapid growth of digital applications. The Company also built a low-code platform, lowering the threshold for application development and providing platform-level capabilities for rapid response to business needs. As at the end of the reporting period, there were 3,818 shared components in the Company's technology middle-office. Thirdly, the Company accelerated the building of four intelligent engines, namely, intelligent wealth, intelligent marketing, intelligent risk control and intelligent operation, to solidify enterprise-level capabilities and build a digital technology system that can adapt to the extensive wealth management and fully support rapid business innovation.

3.10 Business Operation

3.10.1 Retail finance business

Business overview

During the reporting period, the profit before tax from the retail finance business of the Company amounted to RMB45.725 billion, representing an increase of 14.17% as compared with the corresponding period of the previous year. Net operating income from the retail finance business amounted to RMB96.286 billion, representing an increase of 7.89% as compared with the corresponding period of the previous year and accounting for 58.63% of the net operating income of the Company. Among the income from retail finance, the net interest income amounted to RMB62.722 billion, representing an increase of 10.48% as compared with the corresponding period of the previous year and accounting for 65.14% of the net operating income from retail finance; the net non-interest income amounted to RMB33.564 billion, representing an increase of 3.36% as compared with the corresponding period of the previous year while accounting for 34.86% of the net operating income from retail finance and 56.07% of the net non-interest income of the Company. During the reporting period, the fee and commission income from retail wealth management of the Company was RMB18.194 billion, accounting for 56.24% of the net fee and commission income from retail finance; the Company recorded a fee income of RMB10.641 billion from retail bank cards, representing an increase of 14.16% as compared with the corresponding period of the previous year.

Retail customers and total assets under management from retail customers

During the reporting period, the Company's retail business was under pressure due to factors such as the economic downturn, the resurgence of the pandemic and the increased volatility in the capital market. During the reporting period, the Company has continued to build the cyclic value chain of extensive wealth management and enhanced its asset allocation expertise by strengthening product offering and refined management of customer groups. The Company has also iterated and upgraded our "people + digitalisation" service model, constantly broadened customer service boundaries, and further deepened our investor education and customer journey companion, resulting in a steady growth in retail customers and total assets under management from retail customers.

As at the end of the reporting period, the Company had 178 million retail customers (including debit and credit card customers), representing an increase of 2.89% as compared with the end of the previous year, among which, the number of Sunflower-level and above customers (those with minimum daily average total assets of RMB500,000 for each month) reached 4,023,600, representing an increase of 9.58% as compared with the end of the previous year.

As at the end of the reporting period, the balance of total assets under management from retail customers of the Company amounted to RMB11,717.713 billion, representing an increase of 8.91% as compared with the end of the previous year. Among them, the balance of total assets under management from the Sunflower-level and above customers amounted to RMB9,571.351 billion, representing an increase of 8.32% as compared with the end of the previous year. As at the end of the reporting period, the balance of deposits from retail customers of the Company amounted to RMB2,452.820 billion, representing an increase of 13.13% as compared with the end of the previous year and continuously ranking first among national small- and medium-sized banks according to data released by the PBOC. During the reporting period, demand deposits accounted for 65.72% of the daily average balance of deposits from retail customers of the Company. As at the end of the reporting period, a total of 179,000,000 All-in-one Cards had been issued by the Company for retail customers, up by 2.87% as compared with the end of the previous year.

Wealth management

As at the end of the reporting period, the Company had 40,748,600 customers who held wealth products, representing an increase of 7.84% as compared with the end of the previous year. During the reporting period, against the backdrop of increased volatility in the capital market, the Company responded to changes in the market, industry trends and customer demand by proactively adjusting its asset allocation structure and increasing the supply of stable products. As at the end of the reporting period, the balance of retail wealth management products amounted to RMB3,352.949 billion, representing an increase of 11.62% as compared with the end of the previous year. The Company achieved the agency sales of non-monetary mutual funds of RMB187.307 billion, representing a decrease of 45.12% as compared with the previous year, mainly due to the impact of capital market fluctuations and a significant decline in the size of mutual fund offerings, as well as a decline in customers' risk appetite and a shift of customers' wealth allocation towards products with a more stable nature. The Company recorded RMB71.491 billion in agency distribution of trust schemes, representing a decrease of 68.51% as compared with the corresponding period of the previous year, which was mainly due to the Company's initiative to adjust its business direction against the background of policies such as "Houses are for living in and not for speculative investment" and "Returning to origin of finance " and "trust business classification reform (信託業務分類改革)". The Company recorded RMB37.057 billion in premiums from agency distribution of insurance policies, representing a slight decrease of 0.73% as compared with the corresponding period of the previous year. The slight decrease was mainly because the Company continued to deepen its transformation of regular premiums, optimised its product structure and increased the promotion of regular premium business with high-value contribution, which has led to a slow-down in the single premium business with higher premium. During the reporting period, the Company recorded a fee and commission income from retail wealth management business of RMB18.194 billion, among which income from agency distribution of insurance policies amounted to RMB8.790 billion, income from agency distribution of funds amounted to RMB3.695 billion, income from agency sales of wealth management services amounted to RMB3.355 billion, income from agency distribution of trust schemes amounted to RMB2.188 billion and other income amounted to RMB166 million. For details of the reasons of changes in fee and commission income from wealth management, please refer to 3.9 "Net non-interest income" in this chapter.

During the reporting period, under the national goal of firmly promoting the "common prosperity" among all its people, the Company leveraged its Fintech and risk management capabilities to fully utilise its advantages in wealth management professional services and online services, and actively promoted the construction of the platform of wealth management.

Firstly, the Company quickly built up a matrix of light-model wealth products, where monthly, quarterly and semi-annual fund brand products with fixed income, and a series of light-model insurance products for customers without wealth management experience, such as welfare insurance, travel insurance and pet insurance have been launched to cultivate customers' insurance awareness. During the reporting period, the cumulative coverage of health fund and other complimentary insurance exceeded 2.5 million customers, and the first "Welfare Insurance (惠民保)" special section in the industry was launched, with access to welfare insurance products in 13 cities, with 80% of ordering customers being new insurance customers.

Secondly, the Company continued to improve the experience of its wealth management customers by shortening the time for collecting redemption payments, improving the redemption booking function, and optimising the way the Company accrued floating management fees, so that the customers could purchase wealth management products in a smooth manner and hold their positions with a reassured mindset.

Thirdly, the Company continued to promote "zero threshold" wealth management and set up master wealth accounts for young people. Through the "Zhao Zhao Bao (朝朝寶)" featuring simple traffic-oriented wealth management service, where products can be purchased at a price as less as one cent, the Company has established a connection with young people, with an aim of accompanying them to easily and scientifically manage their wealth, developing good wealth management habits and embarking on a "high level" path of wealth appreciation. As at the end of the reporting period, the number of customers subscribed "Zhao Zhao Bao" reached 20,082,000, with a position amount of RMB186.266 billion.

Fourthly, the Company enriched online education scenarios for wealth management investors to satisfy its customers' personalised investment needs. In terms of funds and wealth management, the Company has launched a "whole journey" accompanying service, covering over 85% of AUM for non-monetary mutual funds and net-value wealth management products.

Private banking

As at the end of the reporting period, the Company had 130,029 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 6.53% as compared with the end of the previous year; total assets under management from private banking customers amounted to RMB3,647.877 billion, representing an increase of 7.48% as compared with the end of the previous year; total assets per account amounted to RMB28.0543 million, representing an increase of RMB250,000 as compared with the end of the previous year. As at the end of the reporting period, the Company had 184 private banking centers in 92 domestic cities and 6 overseas cities, and has established a three-dimensional service network for high-net-worth customers.

The Company continued to promote the transformation and upgrade of its private banking business and strengthened its integrated service capacity of "individual, family, enterprise and society"[14] to build up its core competitive advantages in private banking. During the reporting period, the Company further strengthened its business collaboration with subsidiaries and third-party partner institutions, and promoted a comprehensive customer acquisition model by integrating wholesale finance and private banking. At the same time, the Company deepened its customer operation, refined the segmentation and classification of customers, and strengthened its asset allocation capability and customer companion in the face of capital market fluctuations. In addition, the Company strengthened the management of full-life cycle of its products, accelerated the digital transformation of its private banking, and promoted the overall improvement of business operation efficiency, management effectiveness and comprehensive customer service experience through online operation and digitalisation.

Credit cards

As at the end of the reporting period, the Company had issued an aggregate of 104.6234 million active credit cards, representing an increase of 2.16% as compared with the end of the previous year, and there were 70.4835 million active credit card users, representing an increase of 1.07% as compared with the end of the previous year. The balance of credit card loans was RMB854.501 billion, representing an increase of 1.69% as compared with the end of the previous year. During the reporting period, the credit card transactions of the Company amounted to RMB2,387.983 billion, representing an increase of 4.88% as compared with the corresponding period of the previous year. Interest income from credit cards amounted to RMB31.422 billion, representing an increase of 10.54% as compared with the corresponding period of the previous year. Non-interest income from credit cards amounted to RMB14.025 billion, representing an increase of 5.95% as compared with the corresponding period of the previous year.

During the reporting period, the Company continued to deepen the transformation of its credit card business and laid a solid foundation for business growth, resulting in further stabilisation of the operating structure and enhancement of risk resistance. During the reporting period, the overall collection risk of credit card business was relatively controllable, and the early special-mentioned and overdue indicators remained stable, but the scale of non-performing credit card loans increased due to the impact of the pandemic, earlier recognition of credit card loans as overdue loans and adjustment of recognition criteria of non-performing credit card loans from 90 days overdue to 60 days overdue. As at the end of the reporting period, the non-performing loan ratio of credit card loans was 1.67%, representing a slight increase of 0.02 percentage point as compared with the end of the previous year, but representing a decrease of 0.05 percentage point from the end of the first quarter of 2022. In the future, the Company will continue to promote its "stable and low-volatility" transformation strategy in respect of its credit card business, while focusing on value-based customer acquisition, increasing the operation of low- and medium-risk assets, and building a more stable asset portfolio, so as to achieve a dynamic and balanced development of "quality, efficiency and scale" in the credit card business.

[14] "Individual, family, enterprise and society" specifically refers to the needs of individuals, families, enterprises and the society.

During the reporting period, the Company continued to proceed with credit card service upgrades and product innovations, and took multiple measures to promote the recovery of consumption after the pandemic. In particular, firstly, the Company strengthened the acquisition of quality customers by gaining insight into the interests and needs of young customers, and launched the CMB-Douyin co-branded credit card in the first half of the year; secondly, the Company continued to increase the transaction scale by launching the "Cash-back Rebate for Mobile Payment (手機支付筆筆返現)" campaign for all cardholders, the "Daily Spending Coupon (天天消費券)" catering to the "Labour Day" holiday, and a series of promotions with e-commerce platforms following the tide of "618" shopping festival, so as to promote the recovery of consumption after the pandemic; thirdly, the Company increased the investment in auto installment loan business, with the theme of green and low-carbon, jointly created a "special section for new energy" with a number of leading new energy automobile brands via the CMB Life APP and CMB APP, and pioneered the "one-stop" experience through "online car viewing – car selection – test driving", and at the same time, in line with government incentive policy and through preferential promotions at merchant-side and client-side, so as to facilitate comprehensive recovery of the automobile consumption market; and fourthly, the Company upgraded the intelligent service level from "customers seeking services" to "services seeking customers", and driven by Fintech, proactively activated services when customers' needs arise, so as to comprehensively improve service interaction efficiency, experience as well as value. In addition, the Company further deepened the operation of the CMB Life APP. For details of the CMB Life APP, please refer to 3.10.3 "Distribution channels" in this chapter.

Retail loans

As at the end of the reporting period, the total retail loans of the Company amounted to RMB3,041.089 billion, representing an increase of 3.40% as compared with the end of the previous year and accounting for 54.35% of the Company's total loans and advances to customers, down by 1.65 percentage points as compared with the end of the previous year. Among which, the total amount of the Company's retail loans (excluding credit card loans) reached RMB2,186.633 billion, representing an increase of 4.09% as compared with the end of the previous year, accounting for 39.08% of total loans and advances to customers of the Company and representing a decrease of 0.92 percentage point as compared with the end of the previous year.

As to business development, during the reporting period, due to the complex external economic situation, the overall demand for residential mortgage loans decreased. The Company actively implemented the requirements of the national and regional policy and insisted on city-specific policy to support the residents' reasonable needs for their own homes, thus realising the sound development of housing mortgage loan business. At the same time, while making efforts to control and manage risks and maintaining stable asset quality, the Company took initiatives to adjust the business structure by increasing the loans to small- and micro-sized enterprises and consumer finance business. With respect to the micro-finance loans business, the Company strictly implemented various regulatory requirements, proactively gave a priority to serving the real economy, and relied on Fintech to explore product and service innovation, continuously improved the level and efficiency of financial services for small- and micro-sized enterprises for better financial support to the real economy. With respect to consumer financing business, the Company carefully identified quality customers and met the demand on consumer financing in a reasonable manner. As at the end of the reporting period, the Company recorded a balance of residential mortgage loans of RMB1,378.286 billion, representing an increase of 1.01% as compared with the end of the previous year. The balance of micro-finance loans amounted to RMB608.414 billion, representing an increase of 8.54% as compared with the end of the previous year. The balance of consumer financing amounted to RMB183.834 billion, up by 17.85% as compared with the end of the year. As at the end of the reporting period, the Company had 10,880,600 retail loan (excluding credit card loans) customers, representing an increase of 11.15% as compared with the end of the previous year. The expansion of customer base was mainly attributable to the light-model customer acquisition through online platform.

As to the quality of assets, during the reporting period, the Company managed to maintain a stable asset quality for retail loans by constantly optimising its strategies for risk management. At the same time, the Company continued to implement the policy of downgrading loans overdue for more than 60 days to non-performing loans, and the asset classification standards for all loans to borrowers with overdue or other risk signals within and outside the Bank further being adjusted to special-mentioned loans in strict accordance with regulatory requirements. As at the end of the reporting period, the balance of the Company's special-mentioned retail loans (excluding credit card loans) amounted to RMB11.722 billion, and the special-mentioned loan ratio was 0.54%, representing an increase of 0.19 percentage point as compared with the end of the previous year, of which the balance of non-overdue loans accounted for more than 70%, and the downgrade rate of special-mentioned loans into non-performing loans remained in a downward trend. As at the end of the reporting period, the balance of non-performing retail loans (excluding credit card loans) amounted to RMB10.881 billion, and the non-performing loan ratio was 0.50%, up by of 0.01 percentage point as compared with the end of the previous year. Excluding credit card loans, the mortgage and pledged loans accounted for 61.42% of the Company's new non-performing retail loans formed during the reporting period, the loan-to-value ratio of the mortgage and pledged loans as at the end of the reporting period was 36.49%. Given that the vast majority of such new non-performing retail loans were fully secured by collaterals, the risk was under control.

As to risk management, the impact of the resurgence of the pandemic on the stability of residents' income, coupled with the adjustment in the real estate market, posed certain challenges to the overall asset quality of retail loans. Taking into account changes in market conditions, the Company strengthened risk prediction and continued to deepen the construction of its risk control system to effectively enhance its risk management capabilities and maintain the overall stability of asset quality. Firstly, in terms of customer group selection, the Company gave preference to customers with good credit record and stable repayment sources as the major business targets. Secondly, in terms of quantitative risk control capability, in light of changes in the external environment, the Company continuously enriched data labels, rapidly iterated strategy models, and promoted the coverage of risk models to all processes and all products, so as to enhance risk monitoring capability and accurately identify and control risks. Thirdly, in terms of post-loan management capabilities, while constantly improving the level of digital post-loan management, the Company strictly controlled the fund flow of loans, implemented full-life cycle quantitative risk monitoring and classified management for customers, so as to ensure stable asset quality. At the same time, the Company further strengthened the post-loan risk management of properties, proactively cooperated with government departments and regulatory authorities to protect the rights and interests of housing consumers, and promoted the stable and healthy development of the real estate market.

3.10.2 Wholesale finance

Business overview

During the reporting period, the Company achieved profit before tax from wholesale finance of RMB29.922 billion, representing a decrease of 1.74% as compared with the corresponding period of the previous year. The net operating income from wholesale finance business of the Company was RMB66.903 billion, representing a decrease of 2.07% as compared with the corresponding period of the previous year, and accounting for 40.74% of the net operating income of the Company. Among them, net interest income of wholesale finance business amounted to RMB42.149 billion, representing a decrease of 0.86% as compared with the corresponding period of the previous year, and accounting for 63.00% of the net operating income of wholesale finance business; the net non-interest income of wholesale finance business amounted to RMB24.754 billion, representing a decrease of 4.05% as compared with the corresponding period of the previous year, and accounting for 37.00% of the net operating income of wholesale finance business, and 41.35% of the net non-interest income of the Company.

Wholesale customers

The Company has established the corporate customer service system featuring segmentation- and classification-based management, as well as professional operation based on industries in respect of strategic-customers, institutional customers, financial institution customers, cross-border customers, Qian Ying Zhan Yi (千鷹展翼) customers and basic customers. As at the end of the reporting period, the total number of corporate customers of the Company was 2,410,100, representing an increase of 4.01% as compared with the end of the previous year. The number of newly acquired corporate customers during the reporting period was 181,300, contributing daily average deposits of RMB87.868 billion, among them, 9,652 newly acquired corporate depositors contributed daily average deposits of more than RMB500,000.

With regards to its strategic customers, the Company took advantage of the Digital Bank and upgrade its customer service model with the integration of ICPTR to enhance customer experience, so as to realise industry-based professional operation and integrated customer service. As at the end of the reporting period, the number of the strategic customers under the Head Office of the Company was 359[15], representing an increase of 33 as compared with the end of the previous year; the balance of daily average customer deposits amounted to RMB1,079.950 billion, representing an increase of 8.83% as compared with the beginning of the year; the balance of general loans amounted to RMB908.291 billion, representing an increase of 6.98% as compared with the beginning of the year. The Company had 6,874[16] branch-level strategic customers. The daily average balance of the customer deposits amounted to RMB618.164 billion. The balance of general loans amounted to RMB300.742 billion.

With regards to its institutional customers, the Company actively served the Ministry of Finance, the National Development and Reform Commission, the Ministry of Human Resources and Social Security, the Bureau of Medical Insurance, the Ministry of Housing and Urban-Rural Development, the Ministry of Education, the State Tobacco Monopoly Administration, the General Administration of Customs, the Ministry of Ecology and Environment and other national ministries and commissions. By seizing major policy opportunities, the Company realised the "Head Office-to-Head Office" qualification breakthrough, system docking and scenario cooperation, and facilitated the implementation of policies and benefited people and enterprises with the capabilities of industry research, digital transformation, extensive wealth management and risk management. In response to the needs of local governments and industry authorities, the Company upgraded comprehensive services of "financing of capital + financing of intelligence + financing of technology (融資+融智+融科技)", and leveraged on special debt services and e-government affairs to assist in solving practical problems such as local government investment and financing, urban construction, housing security, labor security, low-carbon environmental protection and convenient household affairs, exported industry research capabilities and digital and technological service capabilities to institutional customers, assisted in the implementation of major cooperation projects, and seized opportunities of capital retention and traffic acquisition of institutional customers. As at the end of the reporting period, the Company had 45,900 institutional customers, with an average daily deposit balance of RMB1,029.272 billion. At the same time, the Company actively participated in the establishment of the national multi-level and multi-pillar pension insurance system, and comprehensively enhanced the service capabilities and operating value of the pension business. As at the end of the reporting period, the Company had provided entrusted enterprise annuity and account management services to 7,708 corporate customers across the country, and provided entrusted occupational annuity services to 27 provinces (regions and municipalities). Our entrusted enterprise and occupational annuities amounted to RMB152.998 billion, and the number of enterprise annuity accounts under management reached 2,110,400.

With regards to its financial institution customers, the Company's strategy of operating and serving financial institution customers across the Bank was to focus more on the platform value of financial institution customers on the basis of exploring the financial value of financial institution customers, deepened the understanding of financial institution customers, and further clarified the profile of financial institution customers in order to assist in the Company's acquisition and operation of retail customers and corporate customers, which has also contributed to the expansion of the "vast clientele", the establishment of a "comprehensive platform" and the construction of a "diverse ecology" for wealth management.

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15 The number of strategic customers at the Head Office level is that of the group customers as the strategic customers at the Head Office level operated by the Company.

16 The number of strategic customers at the branch level is that of the corporate customers as the strategic customers at the branch level operated by the Company.

With regards to its cross-border customers, the Company actively implemented the concept of serving customers, leveraged on the advantages of Fintech and integrated services at home and abroad, continuously consolidated the basic service capabilities of "people + digitalisation", and built a comprehensive service system of "Cross-border E Zhao Tong (跨境E招通)" to expand the cross-border financial brand influence of the Company. As at the end of the reporting period, the Company had 65,031 corporate customers in respect of international settlement, representing a year-on-year increase of 10.04%.

With regards to its Qian Ying Zhan Yi (千鷹展翼) customers, focusing on customer needs, the Company established the ecosystem service for the capital market, constantly upgraded the services for Qian Ying Zhan Yi customers, and provided customers with multi-dimensional services such as "talent management + capital support + industry integration" based on digital services, striving to improve the full life cycle, differentiated and comprehensive service capabilities for Qian Ying Zhan Yi customers. By focusing on customer groups such as to-be-listed enterprises and "specialised, competitive, distinguished, and innovative (專精特新)" enterprises, the Company provided integrated comprehensive service solutions covering ICPTR. As at the end of the reporting period, the number of Qian Ying Zhan Yi customers of the Company reached 32,106.

With regards to its basic customers, the Company explored an online centralised business model for corporate customers, and gradually established a "layered management + reach in batches + online service" and integrated online and offline services system for the Head Office and branches under the coordination of digital middle-office, provided digital operation services for millions of basic corporate customers, reduced the pressure on account managers to manage accounts, and improved the operating efficiency of basic customer groups. During the reporting period, the Company successfully served 9,950,000 customers through various online channels, which effectively improved its efficiency of customer service. During the reporting period, the Company had 944,800 corporate customers for withholding transactions, representing a year-on-year increase of 79,100 customers, and the transaction amount was RMB944.989 billion, representing a year-on-year increase of 21.37%.

Corporate loans

As at the end of the reporting period, total corporate loans of the Company amounted to RMB2,022.304 billion, representing an increase of 7.45% as compared with the end of the previous year and accounting for 36.14% of total loans and advances to customers of the Company, and representing an increase of 0.30 percentage point as compared with the end of the previous year. Among them, the balance of the medium- and long-term loans to domestic enterprises amounted to RMB1,251.125 billion, representing an increase of 1.75% as compared with the end of the previous year and accounting for 64.51% of the total loans to domestic enterprises, and representing a decrease of 4.17 percentage points as compared with the end of the previous year. The non-performing loan ratio of our corporate loans was 1.35%, representing an increase of 0.04 percentage point as compared with the end of the previous year.

During the reporting period, while steadily promoting the grant of corporate loans, the Company actively followed national policy guidance and continued to deepen loan granting and customer services in areas such as green finance and high-quality manufacturing industry, and effectively optimised the corporate loan structure. By actively focusing on business opportunities such as mixed ownership reform of state-owned enterprises, refinancing of listed companies and capital market privatisation, the Company strictly followed regulatory guidelines to manage and control loans in areas such as real estate industry and the local government financing platforms. As at the end of the reporting period, the balance of loans to manufacturing of the Company was RMB363.527 billion, representing an increase of RMB43.467 billion or 13.58% as compared with the end of the previous year, and accounting for 17.98% of the total corporate loans of the Company; the balance of green loans of the Company was RMB312.183 billion, representing an increase of RMB48.341 billion or 18.32% as compared with the end of the previous year, and accounting for 15.44% of the total corporate loans of the Company; the balance of loans to strategic emerging industries was RMB254.812 billion, representing an increase of RMB35.658 billion or 16.27% as compared with the end of the previous year and accounting for 12.60% of the total corporate loans of the Company. For further details of loans extended to the sectors which are subject to the strict regulation of the nation, such as the real estate industry and the local government financing platforms, please refer to section 3.9.

Bill business

During the reporting period, the Company actively responded to market changes and leveraged its advantages of bill direct discounting business and transactions regarding discounted bills transferred to other financial institutions to switch the "product-oriented" model to the "customer-oriented" model in respect of bill business, thus realising the transformation from product sales to integrated customer operation, while continuing to enhance customer experience through online operations. During the reporting period, the Company had 110,154 customers of bill business, representing a year-on-year increase of 5.14%; and its bills direct discounting business volume amounted to RMB843.923 billion, representing a year-on-year increase of 20.29%, ranking second in the market (data from China Banking Association), among which, the commercial acceptance bill discounting business volume was RMB88.794 billion, ranking first in the market (data from the Commercial Bank Bill Business Association). During the reporting period, the Company had 14,827 customers of bills online discounting business, representing a year-on-year increase of 28.58%, among which, medium-, small- and micro-sized enterprise customers accounted for 92.98%; the bills online discounting business volume amounted to RMB227.309 billion, representing a year-on-year increase of 34.59%. As at the end of the reporting period, the bill discounting balance of the Company amounted to RMB532.234 billion, representing an increase of 24.03% from the end of the previous year.

The Company continued to strengthen its integrated investment and research mechanism, enhanced its research and judgement of forward-looking interest rate, intensified efforts in the transactions regarding discounted bills transferred to other financial institutions, and increased inter-bank counterparties. During the reporting period, the discounted bills transferred to other financial institutions amounted to RMB912.198 billion, representing a year-on-year growth of 27.50%, ranking second in the market in terms of business volume (data from China Banking Association).

The Company continued to implement the rediscounting policy of the PBOC and actively supported corporate financing through rediscounting to serve the real economy. During the reporting period, the business volume of bill rediscounting of the Company was RMB100.270 billion, representing a year-on-year increase of 6.38%. As at the end of the reporting period, the bill rediscounting balance of the Company was RMB75.355 billion, representing an increase of 15.20% as compared with the end of the previous year, ranking first in the market (data from China Banking Association).

Corporate customer deposits

During the reporting period, the Company focused on key customer management and high-quality customer acquisition, with which it realised a stable growth in corporate deposits. As at the end of the reporting period, the balance of corporate customer deposits amounted to RMB4,346.607 billion, representing an increase of 10.19% as compared with the end of the previous year; the daily average balance amounted to RMB4,175.689 billion, representing an increase of 10.88% as compared with the previous year; the demand deposits accounted for 60.91% of the balance of the daily average deposits from our corporate customers. During the reporting period, the average cost ratio of deposits from corporate customers was 1.69%, up by 7 basis points as compared with the previous year.

Transaction banking business

During the reporting period, the Company adhered to the principle of "customer-centric" and highlighted three scenarios of corporate sales, procurement and "integration of business and finance", focused on the operational pain points in the digital transformation of the Company and capitalised on the achievements of its Fintech innovations to enhance its capability to serve customers.

With respect to the corporate sales, the Company built a product system covering the whole process of collection and enhanced its service capability to help enterprises manage their capital in an efficient manner. For enterprises' multi-channel collection and post-collection accounting and bookkeeping, the Company provided account services and capital collection and payment services based on different sales models; for enterprises' post-sales cash inflow, the Company provided centralised capital management and transfer services to reasonably enhance capital gains while ensuring capital liquidity; for nationwide collection projects for group-based management, franchise and platform enterprises, the Company continued to promote nationwide collaboration of collection to enhance the ability of its local branches to provide coordinated services. During the reporting period, the transaction amount of corporate collection products was RMB1,780.247 billion[17], representing an increase of 14.10% on the same calibre as compared with the corresponding period of the previous year.

17 As a result of the addition of withholding water, electricity, and gas charges into publicly collection products during the period, resulting in the adjustment to the year-on-year figures in accordance with the same statistical calibre.

Focusing on the whole supply chain, procurement payment and short-term financing needs of corporate customers, in order to ensure smooth transactions among them, the Company managed to optimise the workflow of its letters & certificates issuance and bank guarantee businesses and enhanced the convenience of online operation, especially amid the pandemic, the Company rolled out online independent access to service to improve the efficiency of business processing. During the reporting period, the letters & certificates issuance business transactions of the Company amounted to RMB157.480 billion, representing a year-on-year increase of 14.18%. Meanwhile, from the perspective of supply chain management and digital transformation of procurement process of our corporate customers, the Company applied Fintech in building the coordinated financial service capabilities for their supply chains, such as the Cloudvoucher system, dedicated supply chain service in the corporate online banking section, contract management service and invoice cloud, etc.

The Company also created integrated digital services for enterprises under the scenario of "integration of business and finance" to empower their digital transformation. In response to the demand for informationisation and intelligentisation of the financial data during the upgrade of financial management of large-scale enterprises, the Company provided services of billing, investment and wealth management, budget management, financing management, international business, etc. through its CBS+ treasury management open platform. For enterprises equipped with digital systems such as ERP, OA, fee control system and supply chain financial platform, the Company provided direct connection between their systems and financial services of the Company through Cloud-based Direct Connect. As at the end of the reporting period, the Company's CBS+ open service platform served 4,154 group customers, with 160,400 companies under management, representing an increase of 10.70% as compared with the end of the previous year; the number of active Cloud-based Direct Connect users reached 48,900, representing an increase of 14.64% as compared with the end of the previous year. In response to the demand for digital upgrade of corporate finance and taxation and informatisation management of files, the Company provided non-financial services such as contract management, invoice management and intelligent reviewing, and leveraged its Fintech capabilities to help enterprises improve their management efficiency. For corporate staff services, the Company provided various services such as travel expense control, equity incentive and online payroll services.

Cross-border finance business

During the reporting period, the Company developed a cross-border financial operation and management system with Fintech and integrated its cross-border financial product system under a new brand "Cross-border E Zhao Tong (跨境E招通)", while intensifying a compliant and stable foreign exchange policy regime and risk management system and systematically enhancing the comprehensive competitiveness of its cross-border business in respect of the market, customers and grassroots, with the aim of continuously improving the quality of its professional services and customer experience.

Deeply exploring operation of cross-border customer group with distinguishing characteristics, the Company accurately targeted customers with strong cross-border attributes, such as those involved in cross-border trade, cross-border investment and overseas capital markets as well as non-resident customers. The Company also strengthened professional services and scenario-based expansion, customised product maps and personalised service solutions, fully exerted the Company's Five-in-One advantages featuring "domestic and overseas, offshore and onshore, domestic and foreign currencies, investment and commercial banking, online and offline", to serve the export-oriented real economy, with a view of providing precise support for stabilising foreign trade and foreign investment and promoting economic growth. During the reporting period, the Company's international settlement in respect of corporate customers amounted to USD214.674 billion, representing a year-on-year increase of 21.39%.

Comprehensively building the "Cross-border E Zhao Tong(跨境E招通)" product system, continuing to enrich the brand connotation, enhancing the product supply-side innovation capability and customer value creation capability, covering the needs of customers in all cross-border scenarios, the Company presented its product and service from the perspective of customers. In the first half of the year, under the background of resurgence of the pandemic in many places, the Company actively provided online and convenient cross-border financial services for the daily operation of enterprises, and strongly supported the resumption of work and production. During the reporting period, the Company's corporate cross-border online remittances reached 273,400, representing a year-on-year increase of 94.47%, accounting for 70.93% of all corporate cross-border remittances, representing a year-on-year increase of 23.59 percentage points.

The Company steadily carried out foreign exchange business compliance and cross-border anti-money laundering management with the aim of building a solid foundation for quality development and promoting development with compliance. The Company also made the most of its status as the exclusive pilot bank for the "digitalisation of capital projects" recognised by the State Administration of Foreign Exchange to enhance its market influence, and continued to promote the optimisation of the end-to-end processes of cross-border anti-money laundering, accelerated the construction of a digital risk control platform, and relentlessly refined its anti-money laundering management strategies.

Investment banking business

During the reporting period, the Company continued to enhance its ability to provide systemised services in the capital market and manage its circle of friends, and vigorously implemented multi-dimensional approaches in terms of list-based management, project-based management and solution-based management to achieve quality development of its investment banking business.

With respect to its bond underwriting business, the Company continued to deepen the construction of an all-round service system for bond issuance enterprises. During the reporting period, the bonds with the Company as the lead underwriter amounted to RMB343.095 billion, ranking third in the industry in terms of the size of debt financing instruments (Wind data). The Company actively responded to the national requirements for energy conservation and emission reduction and adhered to the strategy of innovation-driven development, and launched nationwide the first batch of "carbon neutrality" panda subordinated perpetual notes,the first batch of expressway service area toll rights asset-backed notes (ABN), while, as the lead underwriter, participating in the launch of the first batch of real estate M&A medium-term notes, the first batch of subject-oriented technology & innovation notes and the first batch of use-oriented technology & innovation notes.

With respect to its M&A financing business, the Company focused on the needs for industrial integration of key customers such as listed companies, state-owned enterprises and private equity institutions, reorganised its high-quality assets in response to market opportunities associated with, among others, high-quality real estate and green energy, and initiated a number of high-profile M&A projects. During the reporting period, the Company achieved M&A business value of RMB116.871 billion, representing a year-on-year increase of 15.72%.

With respect to its corporate wealth management business, the Company grasped the opportunities arising in the domestic and overseas markets to expand the variety of partners and enrich its product portfolio, and strategically introduced new products with high-frequency open minimum holding period and rolling period, and launched the first batch of agency sales corporate insurance asset management products in the market, while continuing to improve systemised functions by providing value-added services such as monthly market reports to enrich the essence of its services. During the reporting period, the Company's average daily balance of corporate wealth management products was RMB391.298 billion, with a total of 43,000 customers.

With respect to its market transactions (matching services) business, the Company provided "all-inclusive investment and financing service solutions" to meet the individual needs of corporate customers by effectively coordinating the capital strengths of various financial institutions based on specific investment and financing scenarios. During the reporting period, the market transactions (matching services) business value of the Company increased by 24.20% year-on-year.

Financial institution business

With respect to its financial institution asset and liability business, the Company further deepened the customer services for financial institutions, taking into consideration the needs of liquidity management of the Bank, and expanded targeted high-quality financial institution customers. During the reporting period, the daily average balance of financial institution deposits of the Company amounted to RMB671.550 billion, among which, the daily average balance of financial institution demand deposits from fund clearing, settlement or depository service amounted to RMB610.964 billion.

With respect to its depository service, the Company's security and futures margin depository service was in stable operation, with third-party depository services extending to 105 securities companies and 14,927,600 customers secured at the end of the reporting period. In addition, the Company entered into cooperation with 91 securities companies on margin trading and short selling business, serving 528,300 committed customers at the end of the reporting period. Also, the Company entered into cooperation with 58 securities companies on stock options business, serving 42,200 committed customers at the end of the reporting period, and entered into cooperation with 140 future companies on fund transfer, serving 333,700 committed customers at the end of the reporting period.

With respect to the businesses on interbank online service platform, through the interbank online service platform "Zhao Ying Tong (招赢通)", the Company provided financial institutions with online sales and trading services of various products and assets throughout the market. As at the end of the reporting period, the number of financial institution clients on the "Zhao Ying Tong" platform of the Company reached 3,007, the online business volume amounted to RMB596.968 billion during the reporting period.

Asset management business

As at the end of the reporting period, the total asset management business of CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and CMB International Capital, all being subsidiaries of the Company, amounted to RMB4.60 trillion[18], representing an increase of 6.73% as compared with the end of the previous year, of which the balance of wealth management products managed by CMB Wealth Management was RMB2.88 trillion[19], representing an increase of 3.60% as compared with the end of the previous year; the scale of asset management business of China Merchants Fund amounted to RMB1.49 trillion, representing an increase of 10.37% as compared with the end of the previous year; the scale of asset management business of CIGNA & CMAM amounted to RMB132.3 billion[20], representing an increase of 43.33% as compared with the beginning of the year; and the scale of asset management business of CMB International Capital amounted to RMB101.3 billion, representing an increase of 4.00% as compared with the end of the previous year.

During the reporting period, CMB Wealth Management made solid progress on various tasks. **In terms of promoting business transformation**, firstly, it followed the regulatory requirements and continued to push forward with product rectification. As at the end of the reporting period, the balance of its new products[21] amounted to RMB2.74 trillion, representing an increase of 5.38% as compared with the end of the previous year, accounting for 95.14% of the balance of the total wealth management products, while the remaining old products were used to take up case assets that had been approved by the regulatory authorities. In the future, CMB Wealth Management will monitor the assets in accordance with the disposal plan and complete the disposal of case assets in a steady and orderly manner through various methods. Secondly, in accordance with the requirements of the Notice on Standardising the Management of Cash Management Wealth Management Products, CMB Wealth Management carried out the transformation of cash products. The average duration of assets was reasonably reduced, and customers were guided to increase the allocation of non-cash products. It is expected that cash products will achieve steady transformation during the year. **In terms of improving its risk management**, CMB Wealth Management continued to strengthen credit risk control, improved concentration risk control for single credit entity, reviewed and adjusted credit risk strategies on a quarterly basis, and provided risk alerts for key areas; it strengthened market risk management by studying and establishing a unified market risk management system based on the risk-return characteristics of its products, and formulated a max drawdown control plan; it promoted liquidity risk management by strengthening liquidity risk assessment of wealth management products, and improved the efficiency and ability to respond to market risk emergencies. **In terms of enriching its product system**, CMB Wealth Management focused on customer needs and achieved a steady growth in the scale of its fixed income+, multi-asset and equity products. As at the end of the reporting period, CMB Wealth Management has built 70 product maps based on the five product lines of "CMB – Ying Rui Zhi Zhuo Yue (招－赢睿智卓越)". At the same time, CMB Wealth Management launched the Zhiyuan (智遠) Series of scenario-specific products while continuously issuing pension wealth management products and strengthening the sales of scenario-based products, resulting in enhancement of customer recognition and loyalty. **In terms of deepening cooperation with JPMorgan Asset Management (Asia Pacific) Limited**, CMB Wealth Management has invested in 38 products of the mutual funds and dedicated fund accounts of JPMorgan Asset Management (Asia Pacific) Limited, with the total investment amounting to RMB1.402 billion as at the end of the reporting period. At the same time, 4 products were co-issued by both parties by leveraging their respective advantages in fixed income and global equity investment. As at the end of the reporting period, the total management scale of 4 products was RMB2.754 billion.

[18] The total asset management business of China Merchants Fund and CMB International Capital include the data of their subsidiaries.

[19] The balance is the sum of customers' principal in the wealth management products and the changes in net value of net value products as at the end of the reporting period.

[20] Comparable data was adjusted according to the regulatory reporting calibre and same statistical calibre.

[21] New products are wealth management products in compliance with the relevant provisions of the New Regulation on Asset Management.

During the reporting period, China Merchants Fund insisted on seeking progress on the basis of stability and continued to develop market-oriented and professional services, maintaining an overall momentum of quality and efficiency improvement, and a stable growth in the scale of capital management, of which the scale of non-monetary mutual funds reached RMB586.8 billion, representing an increase of 7.01% as compared with the end of the previous year. **In terms of enhancing capabilities of investment and research**, it continued to promote the integration of investment and research through an "all-in-one" mechanism while adhering to the investment and research value of "duty", "dedication" and "openness". It actively improved the recommendation mechanism for key stocks and managed to accelerate the building of a digital platform for investment and research. **In terms of deepening customer operation**, it started with the basic concept of "satisfying customer needs", actively promoted channel and customer base development, strengthened customer operation and after-sales service follow-up, provided its customers with professional market analysis and investment insight in a timely manner, and advanced investor education and services in the face of increased market volatility. **In terms of improving product layout**, it adjusted its product strategy in a timely and dynamic manner, focusing on the layout of medium and low-risk products and adapting to changes in customer demand against market adjustment, with the scale of new products issued during the reporting period ranking among the top issuers in the industry. At the same time, it won three new projects for public REITs business and actively advanced the application of public REITs subsidiaries. **In terms of strengthening risk control and compliance management**, it strengthened risk control and compliance with a "red line" mindset, and effectively controlled business risks by improving its overall risk management system, preventing risks in key areas, enhancing the technological support in compliance audits, and implementing anti-money laundering measures, and as a result no major risk compliance incidents has occurred during the reporting period.

During the reporting period, CIGNA & CMAM focused on three key tasks, i.e. "building a high-quality operating foundation, focusing on life insurance as the main business and fully integrating into the Group's flywheel". In terms of entrusted management, it focused on life insurance as its main business and undertook custody duties, making efforts to strengthen its core investment capabilities, adjusted allocation and investment strategies in a timely manner in line with market changes, and steadily improved its investment returns through a combination of measures. As at the end of the reporting period, the scale of insurance funds under entrusted management was RMB99.020 billion, representing an increase of 15.01% as compared with the end of the previous year. In terms of product creation, it strove to develop special expertise in insurance bond investment banking business with focus on top quality customers while accelerating the creation of alternative capital management products and portfolio capital management products, thereby driving the flywheel of asset organisation with long-term capital investment. In terms of operation and risk management, it focused on the construction of the five core investment capabilities, i.e. asset allocation capability, comprehensive risk management capability, internal and external manager selection capability, insurance bond investment banking capability and Fintech capability, while enhancing the expertise of refined management, strengthening comprehensive risk management, aiming to improve overall efficiency by fostering organisational culture.

During the reporting period, CMB International Capital was committed to leveraging its professional ability of asset organisation, fully integrated into the Group's flywheel, and cooperated with the Head Office and branches of the Company to provide integrated services of investment banking + commercial banking for its customers. In terms of domestic equity investment fund business, the investment efficiency and industry influence continued to improve. A total of five domestic and overseas listed projects were completed during the reporting period. In terms of overseas asset management business, it continued to promote its fund-raising efforts in an unfavorable market environment, and successfully withdraw its equity projects from the secondary market at opportune times, so as to create returns for investors. In addition, it initiated the establishment of Aquila Acquisition Corporation, the first special purpose acquisition company in Hong Kong which issued shares successfully and completed listing in Hong Kong in March, which has strengthened the Group's brand advantage in the innovative business at home and abroad. During the reporting period, CMB International Capital ranked fourth among all investment banks in terms of market share of IPO underwriting in Hong Kong, and ranked first among all Chinese investment banks.

Asset custody business

As at the end of the reporting period, the balance of assets under custody of the Company was RMB20.58 trillion, representing an increase of 5.76% as compared with the end of the previous year. During the reporting period, the Company realised a custodian fee income of RMB3.026 billion, representing a year-on-year increase of 6.70%.

During the reporting period, the Company focused on key customer groups and key sectors of its custody business, and gradually promoted the automation, digitalisation and intelligentisation of its business operations by optimising the operation model of the custody scenarios, with the development of the custody business reaching a new level.

The custody business grew steadily with its business structure keep optimising. As at the end of the reporting period, the balance of mutual fund assets under custody of the Company amounted to RMB2.04 trillion[22], representing an increase of RMB132.2 billion from the beginning of the year. Among the mutual funds newly issued during the reporting period, the Company managed 104 funds with a total size of RMB116.5 billion, ranking first in the industry in terms of both number and size (WIND data). As at the end of the reporting period, the balance of insurance assets under custody amounted to RMB2.05 trillion, representing an increase of 23.49% as compared with the end of the previous year.

The Company explored the integrated operation of extensive wealth management and made key breakthroughs in the development of innovative products. For public REITs, the Company formulated a scenario paradigm and built a full-process service system for public REITs with custody as the main approach. As at the end of the reporting period, 13 public REITs have been launched in the market, of which 8 were under the custody of the Company, which secured the Company to rank first in terms of market share. The Company vigorously developed the emerging cross-border businesses and successfully launched the cross-border RMB investment credit fund custody business. The Company actively responded to the national policies on promoting the development of individual pension funds, proactively provided custody services for various third-pillar pension products, and successfully launched the pension wealth management and pension FOF fund custody business.

The Company strove to improve the comprehensive service capability of custody business with technology empowerment and create value for customers. The Company established a new custody service system featuring "asset protection, resource linking, operation outsourcing, and digital services", and created a "custody plus 2.0 (託管+2.0)" value-added service platform with the launch of the investment and research service system, which is able to provide customised custody services for the customers and continuously enrich the custody service offerings.

Financial markets business

During the reporting period, affected by factors such as resurgence of the pandemic, downward pressure of the macroeconomy and the Central Bank's acts to cut interest rates and required reserve ratios, interest rates of short-term RMB bonds declined generally, while interest rates of long-term bonds had very limited downside, which resulted in the interest rate fluctuation within a range. The exchange rate of the US dollar against RMB fluctuated within a range of RMB6.3 to RMB6.8, and the RMB exchange rate was adjusted to a certain extent from the beginning of the year; the international gold price fell after raise, with the average closing price of around USD1,800 in the first half of the year.

With respect to bond investment, for RMB bond investment, based on the overall judgement of the downward trend amid volatility of interest rates in the bond market at the beginning of the year, the Company took the initiative to increase investment, maintain high positions in accounts, properly extend the duration in the first quarter of the year, further improved the qualification of credit bond issuers and optimised the portfolio structure and increased investment return through continuous trading operation and appropriate leverage strategy. For foreign currency bond investment, the Company appropriately shortened the duration of its foreign currency bond portfolio, seized the opportunities arising from fluctuation in the spread of credit bonds, and increased range trading operation to effectively improve portfolio yields. During the reporting period, the Company further deepened the digital transformation of its investment and trading business, continued to enrich the quantitative trading factor database of fixed income assets, and continuously optimised the precious metal market-making system and interest rate duration adjustment strategy, thereby enabling the automated forward market-making strategy for the standard bonds, while pricing benchmarks such as real-time yield curves and interest rate risk factor models were constructed to promote the establishment of an automated market-making system for cash bonds.

22 According to the statistical calibre of the Custody Committee of the China Banking Association, from the current period, the balance of the QDII mutual fund under custody is included in the calculation of cross-border business, and is no longer included in the mutual fund. The Company adjusted the data at the beginning of the period in accordance with the same statistical calibre.

With respect to foreign exchange transactions, the Company actively studied and assessed the conditions of the economy, inflation and monetary policy directions of major countries around the world during the reporting period, while adhering to the principles of stable operation. Transaction strategies were revised flexibly under different market conditions to obtain corresponding return on market-making and transactions.

With respect to precious metals trading, the Company carefully assessed the impact of geopolitical risks such as the Russian-Ukrainian conflict on international gold prices, comprehensively used various types of trading instruments, and attached great importance to the timing of transactions so as to obtain return on investment transactions.

With respect to customer transaction business, the Company continued to strengthen its ability to manage exchange rate risks when serving the enterprises by formulating and issuing the "White Paper on Exchange Rate Risk Management for Chinese Enterprises in 2022 《2022 年中國企業匯率風險管理白皮書》", which served to guide its customers to establish the concept of exchange rate risk neutrality, and tailor exchange rate risk management solutions for its customers based on their main business scenarios. The Company actively applied Fintech in its customer service, and developed online trading and international service functions to satisfy the needs of its secondary branches and county-level sub-branches in customer service, and improve business processing efficiency and customer experience through digital empowerment of customer services. The Company promoted the establishment of exchange rate hedging special credit facilities to reduce the cost of exchange rate hedging for enterprises. The "CMB Hedging (招銀避險)" service system was further enriched, and the number of corporate derivative customers and transaction volume continued to grow.

During the reporting period, the trading volumes of inter-bank RMB exchange rate swap of the Company amounted to USD404.686 billion, which remained basically flat as compared with the corresponding period of the previous year. The trading volumes of transaction services to the corporate customers amounted to USD134.003 billion, representing a year-on-year increase of 25.48%. In addition, the Company continued to actively participate in the bilateral opening up of the bond market to provide high-quality services to overseas investors, for which it was awarded the "Excellent Market Maker of Bond Connect (債券通優秀做市商)" award by Bond Connect Company Limited.

3.10.3 Distribution channels

The Company provides products and services via multiple distribution channels, which mainly consist of physical distribution channels and e-banking channels.

Physical distribution channels

The Company's business is focused on the China market and had most of its distribution networks established in major central cities in Mainland China as well as international financial centers such as Hong Kong, New York, London, Singapore, Luxembourg and Sydney. As at the end of the reporting period, the Company had 143 branches, 1,771 sub-branches, 2 dedicated branch-level operation center (credit card center and fund operation center), 2,756 self-service centers, 6,193 cash self-service machines and 12,246 visual counters in more than 130 cities of Mainland China. The Company also has a branch in Hong Kong; a branch and a representative office in New York, the United States; a branch in London, the UK; a branch in Singapore; a branch in Luxembourg; a representative office in Taipei and a branch in Sydney, Australia.

E-banking channels

Major retail e-banking channels

CMB APP

During the reporting period, the Company relentlessly improved its core financial scenario services based on extensive wealth management and upgraded its investment and financing experience in respect of CMB APP, constantly consolidated the construction of its digital middle-office system to support the segmentation and classification-based retail customer operation across the Bank; worked with partners to advance the construction of an open wealth ecosystem; and accelerated the upgrade of its intelligent wealth assistant "AI Xiao Zhao (AI小招)" in order to optimise the "people + digitalisation" service model.

As at the end of the reporting period, the number of CMB APP users totalled 178 million. During the reporting period, the maximum number of daily active users of CMB APP reached 17,928,100, with a total of 3.611 billion logins and average monthly logins of 10.25 per user, as well as monthly active users of 65,136,300 as at the end of the reporting period. Affected by the pandemic and other factors, during the reporting period, CMB APP recorded 872 million transactions and a total transaction amount of RMB27.42 trillion, down by 9.26% and 8.14% respectively, as compared with the corresponding period of the previous year.

CMB Life APP for credit card

During the reporting period, guided by the customer-centric approach, the Company continued to refine product experience and responded quickly to the pandemic based on the CMB Life APP while providing customers with home-based financial and lifestyle services such as intelligent customer service and online family doctors relying on Fintech. The Company launched a number of popular marketing activities such as "Daily Coupon for May Day (五一天天消費券)" and "Spending 18 June with You (和你一起 618)" to form a continuous, efficient and large-scale customer mobilisation capability, which effectively promoted the increase in credit card consumption and became more closely connected with customer operations.

As at the end of the reporting period, the total number of CMB Life APP users was 132 million. During the reporting period, the maximum number of daily active users of CMB Life APP reached 6,723,400 and the number of monthly active users was 42,129,800 as at the end of the period, which outperforms other credit card APPs in the banking industry in terms of online activity of users.

Network operation service

The Company's Network Operation Service Center provides instant, comprehensive, prompt, professional and caring services to its customers through telephone, network and video.

The Company continued to proceed with the integration of service channels by invoking Xiao Zhao Customer Service (小招客服) of CMB APP in the phone call service to actualise the interoperability of telephone and text services so as to facilitate smoother online interaction of the customers. Through the creation of AI agent work assistants, real-time voice-to-text and important information push functions are implemented to improve customer service efficiency. We earnestly fulfilled our social responsibilities, provided special service guarantees to customers in areas affected by natural disasters and pandemics, supplied elderly customers with efficient, high-quality and comforting service experience catered to their ages, and strengthened customer identification and service adaptation to create personalised experience for customers. During the reporting period, the success rate of remote online omni-channel connection for manual services was 97.50%, the remote online omni-channel 20-second manual response rate was 93.43%, and the remote online omni-channel customer satisfaction rate was 97.95%. Utilising "people + digitalisation" as the new engine, the Company continued to strengthen the driving force of Fintech, further broadened the boundaries of online service scenarios, perfected the intelligent robot operation system and accelerated the development of intelligent services. The proportion of intelligent self-service[23] during the reporting period was at 80.60%.

Smart service system

During the reporting period, the Company continued to optimise its intelligent service network which features two core APPs, i.e. CMB APP and CMB Life APP. During the reporting period, the Company further strengthened the AI service capabilities and closed-loop service level of the Xiao Zhao Customer Service (小招客服) of CMB APP and the smart customer service of CMB Life APP, and continued to provide customers with better intelligent service products. At the same time, the Company carried out brand publicity and business promotion through a variety of Internet channels, continuously output high-quality content that could create value for customers, comprehensively strengthened the professional and reliable brand image and continued to enhance the Company's business reputation and brand reputation. In addition, the Company continued to accelerate the connection with Generation Z[24], and carried out high-frequency interactive operation by the rule of communication with young generation, so as to establish in-depth and close communication with young users.

Major wholesale e-banking channels

During the reporting period, the Company further improved its wholesale e-banking channels, and continued to enhance the "online" service capability for corporate customers. As at the end of the reporting period, the Company had 2,272,300 customers of wholesale e-banking channels, with a coverage rate of 94.16%.

During the reporting period, by optimising the service process of high-usage-frequency products of online corporate banking and CMB Corporate APP, the Company improved the convenience of function activation, agreement signing and operation on electronic channels, and continued to improve the "easy-to-use, intelligent and open" capabilities of the two major service channels, i.e. online corporate banking and CMB Corporate APP. At the same time, the Company built digital channel service capability based on scenario operation, and supported the operation of segmented customer groups and the localised customer operation of branches in the form of special sectors on the platform. During the reporting period, the number of monthly active customers of wholesale e-banking channels was 1,550,700, representing a year-on-year increase of 6.72%; the number of customers with capital transactions was 1,016,000, representing a year-on-year increase of 12.60%. 151 million transactions were processed, representing a year-on-year increase of 3.62%. The transaction amount was RMB82.82 trillion, representing a year-on-year increase of 14.33%.

23 The percentage of services undertaken by intelligent robots in all types of remote inquiries (including phone calls and online text).

24 People born between 1995 and 2009, or collectively the generation that has been greatly influenced by technological products such as the internet, instant messaging, smartphones and tablet computers.

3.10.4 IT and R&D

During the reporting period, the Company vigorously promoted the construction of Fintech infrastructure in accordance with its strategic "14th Five-year Plan"; continuously improved the level of refined management to build an agile, efficient, open and integrated technology organisation; attached great importance to intellectual property protection and increased the intensity of patent application; and used Fintech to promote digital transformation to build a digital investment bank.

In terms of business security, the Company has stepped into the cloud era in an all-round way, completed the adjustment of the cloud data center organisation structure, and built the digital operation capability of the cloud data center around stability, agility, automation and intelligence. In the process of supporting comprehensive cloud migration, the availability of the Company's core accounting system and backbone network remained industry-leading; through strengthening governance of its cloud resources and cloud application architecture, the Company strove to achieve economy in the cloud era. The Company also made remarkable efforts to ensure the stability and reliability of its video conferencing and virtual private network (VPN) services during the outbreak of pandemic to support remote office.

In terms of Fintech infrastructure, the Company accelerated the implementation of its "cloud + middle office" strategy, and advanced its cloud migration and structural transformation at full speed as planned. During the reporting period, all its retail customer data was uploaded onto the cloud. The Company accelerated the construction of its data middle office and technology middle office to promote data opening and sharing and technology availability and affordability, and enhance technological agility and user experience. The Company insisted on promoting its businesses through innovation by boosting the application of artificial intelligence, Conch RPA (robotic process automation), block chain, low code and other technologies, which is playing an increasingly important role in replacing manual labor with machines and empowering business with technology. During the reporting period, the Company's digital RMB was officially launched to its customers, which served to leverage its innovative strengths to build a digital RMB ecosystem. The Company also issued digital collectibles with unique digital identifications, starting its exploration of metaverse applications.

In terms of business system construction, the Company gave full play to its technological advantages to advance the 3.0 model transformation and business transformation, and develop its digital operation capability for the future. In terms of fully supporting business intelligence, the Company successfully promoted the construction of the Four Engines, i.e. smart wealth, smart marketing, smart risk control and smart operation, and improved the precipitation and merger capability of these businesses. In respect of retail business digitalisation, the Company launched the barrier-free renovation of its CMB APP, aiming to continuously improve user experience, and promote the continuous optimisation of functional modules such as investment, community, life and "two-coupon". In terms of wholesale business digitalisation, the Company launched "Cross-border E Zhao Tong (跨境E招通)" to create a service model of "people + digitalisation", which relies on its global service network to break down the barriers faced by its corporate customers when conducting cross-border business; it also launched the "Instant Issuance of Domestic Letter of Credit (國內信用證閃電開)" and the 3.0 version of"Instant Issuance of Letter of Guarantee (保函閃電開)" as well as the MVP version of its custody business operation platform; its Xin Fu Tong (薪福通) product has become one of the crucial tools for the expansion of its payroll business and customer base of its corporate finance business through digitally empowering enterprises and realising business value conversion.

3.10.5 Overseas branches

Hong Kong Branch

Established in 2002, the Hong Kong Branch is the first branch duly established overseas by the Company, which engages in comprehensive commercial banking businesses. With regard to wholesale business, the Hong Kong Branch provides diversified corporate banking products and services, such as deposits, settlement, trade financing, bilateral loans, syndicated loans, cross-border M&A portfolio solutions, asset management and asset custody, engages in transaction of funds, bond trading and foreign exchange trading with financial institutions, and conducts funds clearing and asset transfer with financial institution customers. With respect to retail business, the Hong Kong Branch provides cross-border personal banking services and private wealth management services for individual customers in Hong Kong and Mainland China, featured products include "Hong Kong All-in-One Card" and "Hong Kong Bank-Securities Express".

During the reporting period, the Hong Kong Branch maintained its strategic determination under tremendous external pressures such as the impact of the pandemic and ongoing closure of Hong Kong-Mainland China border. The Hong Kong Branch stuck to the "focus on maintaining stability and make steady progress" principle, continued to deepen structural adjustments, consolidated the advantages in retail banking, focused on establishing customer bases, worked hard to develop businesses such as private wealth management, asset custody and asset management. During the reporting period, the Hong Kong Branch realised a net operating income of HK$1.221 billion.

New York Branch

Established in 2008, the New York Branch of the Company is the first branch of Chinese banks approved to operate in the U.S. after the promulgation of the US Foreign Bank Supervision Enhancement Act in 1991. The New York Branch is located in the global financial center and is committed to establishing a cross-border financial platform characterised by coordination between China and the U.S., so as to offer diversified and all-round banking services for the companies in China and the U.S., which mainly include: settlement, deposits, foreign exchange, international documents, syndicated loans, cross-border M&A, privatisation financing, fund financing and project financing. At the same time, it provides high-quality non-financial value-added services to high-net-worth customers on the premise of proper compliance.

During the reporting period, the New York Branch adapted to the market changes and tapped deeply into the potential of cross-border business between China and the United States, with the aim of enhancing the comprehensive service capability of its cross-border financial platform, and continuously improved comprehensive risk management capabilities. During the reporting period, the New York Branch realised a net operating income of USD52,877,300.

Singapore Branch

Established in 2013, the Singapore Branch of the Company is the Company's significant cross-border financial platform in Southeast Asia. Based in Singapore and expanding to Southeast Asia, the Singapore Branch focuses on two major businesses, namely cross-border finance and wealth management, strives to provide all-round cross-border finance one-stop solutions to the Chinese companies "going global" and the companies "brought in" located in Singapore and other Southeast Asia region. Its major services and products include: funds settlement, deposit service, foreign exchange trading, coordination financing, trade financing, M&A loans, syndicated loans, real estate trust leveraged financing and delisting financing. In terms of wealth management business, the Private Banking (Singapore) Center provides high-net-value customers with private banking products and value-added services with integrated investment and financing solutions, such as cash management, asset allocation and heritage of wealth.

During the reporting period, the Singapore Branch focused on the strategic customers of the Head Office and branches, as well as local leading quality enterprises, strengthened the domestic and overseas integration and linkage mechanism of investment banking and commercial banking, and continued to consolidate featured quality customer bases. The Singapore Branch took the family office and family trust businesses as the starting point to deepen its corporate and private banking services model. During the reporting period, the Singapore Branch realised a net operating income of USD10,530,200.

Luxembourg Branch

Established in 2015, the Luxembourg Branch of the Company is positioned as an important cross-border financial platform in Europe, which mainly engages in corporate banking business currently. It provides products and services such as deposits, loans, project financing, trade financing and M&A financing, and is committed to setting up an operational platform of the Company in Europe leveraging the superior businesses of the parent bank in combination with the special advantages of Luxembourg. At the same time, it provides high-quality non-financial value-added services to high-net-worth customers on the premise of proper compliance.

During the reporting period, the Luxembourg Branch adapted quickly to the market changes by strengthening cooperation with domestic and overseas financial institutions while making remarkable efforts to expand its business and financing channels, with which it has achieved a sound business development. During the reporting period, the Luxembourg Branch realised a net operating income of €6,310,000.

London Branch

Established in 2016, the London Branch of the Company is the first branch approved to be established in the United Kingdom among all the PRC joint-stock commercial banks. It provides the Chinese companies "going-global" and the local leading companies "brought-in" with diversified corporate banking products and services, such as deposits, loans (including bilateral loans, syndicated loans and cross-border M&A financing) and trade finance products, such as making payments on behalf of customers (代付) and forfeiting (福費廷). It also engages in interbank transaction of funds and foreign exchange trading with financial institutions, and conducts funds clearing and asset transfer businesses with other financial institution customers. At the same time, it provides high-quality non-financial value-added services to high-net-worth customers on the premise of proper compliance.

During the reporting period, in the face of the complex and ever-changing external environment, the London Branch maintained a tight control of risks, strengthened compliance management and secured a steady and orderly business growth. During the reporting period, the London Branch realised a net operating income of USD7,000,500.

Sydney Branch

Established in 2017, the Sydney Branch of the Company is the first branch approved to be established in Australia among all the PRC joint-stock commercial banks. Focusing on the overall requirement of "steady growth, improved quality and efficiency, enhanced foundation, uniqueness and risk prevention", the Sydney Branch adheres to the quality development path guided by our value and is well positioned to conduct Sino-Australian economic, trade and investment transactions. The Sydney Branch focuses on the needs of the strategic customer bases of the Head Office and branches of the Company and leading quality customers in Australia and New Zealand, creating value for customers through providing cross-border financial services in mutual ways. At the same time, it provides high-quality non-financial value-added services to high-net-worth customers on the premise of proper compliance. The establishment of the Sydney Branch further expanded and improved the Company's global presence, forming a global service network across four continents: Asia, Europe, America and Australia.

During the reporting period, the Sydney Branch focused on customers' value contribution experiences, solidly advanced the growth of high-value customer base and gradually enhanced the high-quality asset organisation. During the reporting period, the Sydney Branch realised a net operating income of AUD20,962,100.

3.10.6 Major Subsidiaries

During the reporting period, the Company exercised shareholders' rights in compliance with laws and regulations; implemented comprehensive and ongoing management of subsidiaries in terms of corporate governance, capital management, risk management and financial management; and gave full play to the advantages of license resources and professional operations of the subsidiaries and strengthened the "flywheel effect" of mutual promotion of the coordinated development within the Group to provide customers with diversified financial services.

CMB Wing Lung Bank

Founded in 1933, CMB Wing Lung Bank has a registered capital of HK$1.161 billion, and is a wholly-owned subsidiary of the Company in Hong Kong. CMB Wing Lung Bank insists on the customer-centric principle and provides diversified banking products and services, including retail and private banking, corporate banking and other banking products and services. CMB Wing Lung Bank also provides asset management, insurance brokerage and general insurance underwriting services through its wholly-owned subsidiaries. At present, CMB Wing Lung Bank has one head office, 30 branches and private banking centers in Hong Kong, four branches and sub-branches in Mainland China, one branch in Macau, and one branch located respectively in Los Angeles and San Francisco, the United States, as well as one representative office in Bangkok.

During the reporting period, CMB Wing Lung Group realised a profit attributable to shareholders of HK$1.706 billion and a net operating income of HK$3.421 billion, of which net interest income was HK$2.235 billion and net non-interest income was HK$1.186 billion. The cost-to-income ratio was 34.56%. As at the end of the reporting period, the total assets of CMB Wing Lung Group amounted to HK$392.901 billion. Total equity attributable to shareholders amounted to HK$44.654 billion. Total loans and advances to customers (including trade bills) amounted to HK$203.126 billion. Deposits from customers amounted to HK$292.371 billion. The loan-to-deposit ratio was 66.52%. The non-performing loan ratio (including trade bills) was 0.78%. For detailed financial information on CMB Wing Lung Group, please refer to the 2022 interim results of CMB Wing Lung Bank, which is published on the website of CMB Wing Lung Bank (www.cmbwinglungbank.com).

CMB Financial Leasing

CMB Financial Leasing was established in 2008 and wholly owned by the Company with a registered capital of RMB12.0 billion. CMB Financial Leasing has adhered to its operation and development strategy of "professionalisation, internationalisation and digitalisation", carried out the mission of "supporting national strategy, serving the real economy and promoting industrial upgrading", and launched the financial solutions for the ten industries of aviation, shipping, energy, infrastructure, equipment manufacturing, environment, healthcare and cultural tourism, public transportation and logistics, smart interconnection and integrated circuit as well as leasing to satisfy the lessees' different needs in respect of equipment procurement, sales promotion, asset revitalisation, balancing of tax liabilities and improvement of financial structure.

As at the end of the reporting period, the total assets of CMB Financial Leasing amounted to RMB266.216 billion, and its net assets amounted to RMB27.837 billion. It realised a net profit of RMB1.966 billion during the reporting period.

CMB International Capital

Established in 1993, CMB International Capital is a wholly-owned subsidiary of the Company in Hong Kong, with a registered capital of HK$4.129 billion. At present, the business scope of CMB International Capital and its subsidiaries mainly covers corporate finance, asset management, wealth management, global market and structured finance.

As at the end of the reporting period, the total assets of CMB International Capital amounted to HK$51.011 billion, and its net assets amounted to HK$12.122 billion. During the reporting period, it realised a net profit of HK$328 million.

CMB Wealth Management

CMB Wealth Management was duly established in 2019. Its business scope includes issuance of wealth management products, wealth management consulting and advisory, and other businesses approved by the CBIRC. In May 2022, in accordance with the "China Banking and Insurance Regulatory Commission's Approval on the Matters Related to the Capital Increase and the Change of Registered Capital of CMB Wealth Management Company Limited (Yin Bao Jian Fu [2021] No.920)(《中國銀保監會關於招銀理財有限責任公司增資擴股及變更註冊資本有關事宜的批覆》(銀保監覆[2021]920 號))", CMB Wealth Management completed the relevant statutory change procedures related to the capital increase, registered capital change and the change of industrial and commercial registration. CMB Wealth Management's registered capital has been increased to approximately RMB5.556 billion from RMB5.0 billion and it is owned as to 90% and 10% by the Company and JPMorgan Asset Management (Asia Pacific) Limited, respectively.

As at the end of the reporting period, the total assets of CMB Wealth Management amounted to RMB16.537 billion, and its net assets amounted to RMB15.408 billion. During the reporting period, it realised a net operating income of RMB3.186 billion and a net profit of RMB2.066 billion.

China Merchants Fund

Established in 2002, China Merchants Fund has a registered capital of RMB1.31 billion. As at the end of the reporting period, the Company held 55% of China Merchants Fund's equity interests. The business scope of China Merchants Fund covers fund establishment, fund management and other operations approved by the CSRC.

As at the end of the reporting period, the total assets of China Merchants Fund amounted to RMB10.967 billion, and its net assets amounted to RMB7.315 billion. It realised a net profit of RMB954 million during the reporting period.

CIGNA & CMAM

CIGNA & CMAM was established in 2020 with a registered capital of RMB500 million and is an indirectly owned subsidiary of the Company, which is owned as to 87.3458% and 12.6542% by CIGNA & CMB Life Insurance, a joint venture of the Company, and CMB International Capital, a subsidiary of the Company, respectively. The scope of business of CIGNA & CMAM includes entrusted management of client's funds, issuance of insurance asset management products and asset management related consultation business.

As at the end of the reporting period, the total assets of CIGNA & CMAM amounted to RMB742 million, and its net assets amounted to RMB570 million. During the reporting period, it realised a net profit of RMB34 million.

CMB Europe S.A.

The establishment of CMB Europe S.A. was approved in May 2021 with a registered capital of €50 million. It is a wholly-owned subsidiary of the Company in Europe and is the regional head office of the Company in continental Europe. CMB Europe S.A. will be fully integrated into the Company's extensive wealth management system and leverage its full license advantage to provide its customers with a wide range of financial products and services such as cross-border financing, M&A finance, private banking, investment management, financial markets, bond underwriting, trade finance, etc. for managing and allocating the global assets of its corporate and individual customers.

As at the end of the reporting period, the total assets and net assets of CMB Europe S.A. amounted to €48 million, respectively.

3.10.7 Major joint ventures

CIGNA & CMB Life Insurance

CIGNA & CMB Life Insurance, a joint venture of the Company, was established in Shenzhen in 2003 with a registered capital of RMB2.8 billion. As at the end of the reporting period, the Company held 50% equity interests of CIGNA & CMB Life Insurance. CIGNA & CMB Life Insurance is mainly engaged in insurance businesses such as life insurance, health insurance and accident injury insurance, as well as the reinsurance of the above insurances.

As at the end of the reporting period, the total assets of CIGNA & CMB Life Insurance amounted to RMB124.162 billion, and its net assets amounted to RMB10.627 billion. During the reporting period, CIGNA & CMB Life Insurance realised a net profit of RMB328 million.

Merchants Union Consumer Finance

Merchants Union Consumer Finance, a joint venture of the Company, was established in Shenzhen in 2015 with a registered capital of RMB10.0 billion. As at the end of the reporting period, the Company held 50% equity interests of Merchants Union Consumer Finance. Merchants Union Consumer Finance is mainly engaged in the granting of personal consumer loans.

As at the end of the reporting period, the total assets of Merchants Union Consumer Finance amounted to RMB142.971 billion and the net assets were RMB15.675 billion. It realised a net profit of RMB1.937 billion during the reporting period.

3.10.8 Major associates

Bank of Taizhou

Bank of Taizhou Co., Ltd. ("Bank of Taizhou"), an associate of the Company, was established in Taizhou, Zhejiang province in 2002 with a registered capital of RMB1.8 billion. As at the end of the reporting period, the Company held 24.8559% equity interests of Bank of Taizhou. Bank of Taizhou is engaged in commercial banking businesses approved by the CBIRC, such as taking public deposits, granting loans and interbank lending.

As at the end of the reporting period, the total assets of Bank of Taizhou amounted to RMB351.521 billion and its net assets amounted to RMB27.402 billion. During the reporting period, Bank of Taizhou realised a net profit of RMB2.248 billion.

3.11 Risk Management

Adhering to the concept of dynamic and balanced development of "quality, efficiency and scale", the Company established a risk culture of "staying healthy, rational, proactive and comprehensive (穩健、理性、主動、全員)", adhered to a prudent risk preferences, reasonably controlled the growth rate the risk-weighted assets and enhanced the capability of assets allocation. The Company actively created a "six all" risk management system covering all risks, all institutions, all customers, all assets, all processes and all elements, so as to further enhance the ability to coordinate development and security, and firmly adhere to the bottom line of preventing systemic financial risks.

The Risk and Compliance Management Committee of the Head Office is responsible for reviewing and determining the most significant bank-wide risk management policies on risk preferences, strategies, policies and authorisations approved by the Board of Directors. During the reporting period, in the face of the complex and severe external environment and the downward pressure on the economy brought about by the impact of the pandemic in China, the Company maintained its strategic determination, steadily improved its risk management capabilities in accordance with the requirements of the 3.0 model transformation, and promoted the construction of a comprehensive risk management system in an orderly manner while actively preventing and tackling various types of risks.

3.11.1 Credit risk management

Credit risk refers to the risk arising from a bank's borrowers or counterparties failing to perform its obligations as agreed. The Company stuck to the concept of balanced returns and risks and the prudent business strategy in which risks can ultimately be covered by capital, implemented a unified credit risk preference, optimised the life-cycle credit risk management processes, continuously upgraded credit risk management tools, and fully improved risk management standard, so as to prevent and reduce credit risk loss.

During the reporting period, the Company actively responded to the changes in situation, adhered to the customer-centric principle and strictly adhered to the bottom line of risks to ensure stable asset quality. Firstly, the Company strictly implemented customer access and post-loan early warning management, strengthened risk monitoring in key areas, paid close attention to risks associated with real estate and customers with large transaction value, and formulated management measures based on "different policy for each customer". The Company also rapidly responded to the changes in the financial market, make timely analysis and judgement to take corresponding measures in advance. Secondly, the Company implemented the new development concept by focusing on the key industries supported by the state, increasing support for manufacturing, green industries, and new growth engine customer groups, and vigorously promoting the differentiated development strategy of "different policy for each industry", the Company improved industry awareness, thus becoming well-positioned to assist in asset organisation. Thirdly, the Company enhanced its efforts in disposal of non-performing assets, expanded the channels for disposal of non-performing assets, thereby achieving breakthroughs in risk mitigation and disposal in key areas. Fourthly, the Company further strengthened the risk management responsibility of the first line of defense, improved the empowerment of weak branches and affiliates, enhanced the professional capability of teams, and consolidated the foundation of risk management. Fifthly, based on the cloud migration of credit, the Company increased the application of Fintech and accelerated the digital transformation of risk management leveraging on the basic platform.

For more information about the Company's credit risk management, please refer to Note 41(a) to the financial statements.

3.11.2 Management of large-scale risk exposure

In accordance with the Management Measures for Large-Scale Risk Exposure of Commercial Banks《商業銀行大額風險暴露管理辦法》 issued by the CBIRC, large-scale risk exposure refers to the credit risk exposure (including various credit risk exposures in the banking book and trading book) to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net Tier 1 capital. The Company has incorporated large-scale risk exposure management into its overall risk management system, continued to improve customer credit management requirements, dynamically monitored changes in large-scale risk exposures by way of Fintech, and reported regularly on large-scale risk exposure indicators and related management work to regulatory authorities, so as to effectively control customer concentration risks. As at the end of the reporting period, other than customers with regulatory authorities' exemption, single non-financial institution customers, group non-financial institution customers, single financial institution customers and group financial institution customers of the Company that reached the standards of large-scale risk exposure were all in compliance with the regulatory requirements.

3.11.3 Country risk management

Country risks represent the risks of economic, political and social changes or developments in a country or region that may cause borrowers or debtors in that country or region to be unable or unwilling to fulfil their obligations to banks, or incur loss to commercial presences of the Company in that country or region, or other loss to the Company in that country or region.

The Company strictly implemented relevant regulatory requirements and followed the principles of soundness and prudence, established a country risk management system compatible with strategic objectives, risk profile and complexity, and incorporated country risk management into its overall risk management system so as to promptly identify, measure, evaluate, monitor, report, control and mitigate country risks, assess the country risk ratings in a regular manner and implement limit management, while guiding business to tilt in favor of low-risk countries or regions. Major matters involving country risk management strategies and policies were submitted to the Board for consideration and approval.

During the reporting period, under the background of spreading pandemic overseas and the complicated and changing political and economic conditions in the international arena, the Company dynamically updated country risk ratings based on risk changes, and strictly restricted business growth in high-risk countries. As at the end of the reporting period, the Company has made adequate allowances for country risks in accordance with the regulatory requirements. As a result, the country risks will not have material effect on the operations of the Company.

3.11.4 Market risk management

The Company's market risk arises from trading book and banking book, and the interest rate risk and exchange rate risk are the major market risks faced by the Company.

Interest rate risk management

Trading book

The Company uses volume indicators, market risk value indicators (VaR, covering interest rate risk factors of various currencies and durations relating to trading book business), interest rate stress testing loss indicators, interest-rate-sensitive indicators and accumulative loss indicators, to measure, monitor and manage the interest rate risk of trading book. The interest rate risk factors used for risk measurement cover all businesses under the trading book, and are comprised of around 200 interest rate or bond yield curves. VaR includes general VaR and stressed VaR, which are both calculated using the historical simulation method and adopt a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. The interest rate stress testing scenarios include the parallel move, steep move and twisted change of interest rates at various degrees and various unfavorable market scenarios designed on the characteristics of investment portfolios, among which, the extreme interest rate scenario may move up to 300 basis points and cover the extremely unfavorable conditions of the market. Major interest rate sensibility indicator reflects the duration of bonds and the change in the market value of bonds and interest rate derivatives PV01 (when an interest rate fluctuates unfavorably by 1 basis point). As for daily risk management, the annual scope of authorisation and the market risk limits for the interest rate risk businesses under the trading book are set in accordance with the risk appetite, operation plan and risk prediction of the Board of Directors at the beginning of the year for which the Market Risk Management Department is responsible for daily monitoring and continuous reporting.

During the reporting period, due to the factors such as the resurgence of the COVID-19 pandemic in China and interest rate hikes by the US Federal Reserve, the interest rate market in both China and the United States experienced significant divergence, with the RMB interest rate hitting bottom, while the US dollar interest rate rising sharply, resulting in the Sino-US interest rate spread continuously inverting. The investment portfolio of the Company's trading book mainly consists of RMB bonds, and a generally prudent investment strategy and targeted risk control measures are adopted to ensure that all interest rate risk indicators of the trading book fall within the target range.

Banking book

The Company mainly adopts the re-pricing gap analysis, duration analysis, benchmark-correlated analysis, scenario simulation and other methods to measure and analyse the interest rate risk of banking book on a monthly basis. The re-pricing gap analysis mainly monitors the distribution of re-pricing duration and mismatch of assets and liabilities; the duration analysis monitors the duration of major product types and the change in the duration gap of assets and liabilities of the whole Bank; the benchmark-correlated analysis assesses the benchmark risk existing between different pricing benchmark interest rate curves, as well as between the different duration points on each of such curves based on the benchmark-correlated coefficients calculated using our internal models; the scenario simulation is the major approach for the Company to conduct interest rate risk analysis and measurement, which comprises a number of ordinary scenarios and stress scenarios, including the interest rate benchmark impact, the parallel move and the change in the shape of yield curves, the extreme changes in interest rates in history, and the most possible changes in interest rates in the future as judged by experts and other scenarios. In addition, the optionality risk parameters such as loan prepayment rate, advance withdrawal rate of time deposits and settlement rate of deposits without a maturity date and their changes under different scenarios are also considered in the measurement. The changes in Economic Value of Equity (EVE) and Net Interest Income (NII) in the coming year are calculated through simulation of the scenario of changes in interest rates. The NII fluctuation ratio and the EVE fluctuation ratio of certain scenarios are included into the interest rate risk limit system of the whole Bank. At the same time, the limit indicator system is also included into the standardised measurement indicators set out in the Guidelines on the Management of Interest Rate Risk of Banking Book of Commercial Banks (Revised) issued by the CBIRC.

During the reporting period, the Company adhered to the principle of neutral and prudent interest rate risk appetite, paid close attention to changes in the external environment and internal interest rate risk exposure structure, made prediction and analysis of the trend of credit and market interest rates based on the macro quantitative model, and flexibly adjusted the active management strategy for interest rate risk and reduced the risk exposure of the banking book. As at the end of the reporting period, various on– and off-balance sheet management measures were implemented as scheduled, and the interest rate risks were under control within the annual interest rate risk management and control target range of the Company. The results of stress test also showed that various indicators still stayed within the limits and pre-warning values of the Company, and the interest rate risk of the banking book was generally controllable.

Exchange rate risk management

Trading book

The Company uses risk exposure indicator, market risk value indicator (VaR, covering foreign exchange rate risk factors of various currencies related to transactions on the trading book), the exchange loss indicator under stress test, option-sensitive indicator and accumulated loss indicator to conduct risk measurement and monitoring management. As for risk measurement, the selected exchange rate risk factor is applied on spot prices, forward prices and volatility in all transaction currencies under the trading book. Market value risk indicators comprise general market value at risk and stress market value at risk, and are calculated using historical simulation based on a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. Exchange rate stress test scenarios cover 5%, 10%, 15% or more adverse changes in every transaction currency against RMB, and changed volatility of foreign exchange options. Major option-sensitive indicators include Delta, Gamma, Vega and other indicators. For daily management, we set annual limits on authority associated with exchange rate risks under the trading book and relevant market exposure at the beginning of the year according to the risk appetite, business planning and risk forecast of the Board of Directors, and delegated the Market Risk Management Department to perform daily monitoring and on-going reporting.

During the reporting period, under the interactions of the two major factors of fundamentals of the domestic economy and the USD index, the RMB exchange rate generally demonstrated a trend of "resilience to turmoil after rapid depreciation". The Company mainly obtained spread income through foreign exchange trading business on behalf of customers, and utilised system modules to dynamically monitor the exposure of proprietary trading. By adopting close internal control and management and closely monitoring changes in sensitivity index, stop loss and other limit indicators, all exchange rate risk indicators of the trading book of the Company were within the target range at the end of the reporting period.

Banking book

The Company mainly uses foreign exchange exposure analysis, scenario simulation analysis, stress test, and other methods for measurement and analysis of exchange rate risk of banking book of the Company. The foreign exchange exposure measurement uses the short-sided method, the correlation approach and the aggregation approach; scenario simulation and stress test analysis are two important exchange rate risk management tools of the Company for managing foreign exchange rate risk in respect of fluctuation of all currency exchange rates, including the standard scenario, historical scenario, forward scenario and stress scenario, including scenarios such as spot and forward exchange rate fluctuations and historical extreme exchange rate fluctuations of various currencies, each scenario could simulate the impact on the Company's profit or loss. The effects of certain scenarios on the profit and loss and its percentage to net capital as a limit indicator are taken as reference in the daily management. The Company conducts back-testing and assessment on relevant model parameters on a regular basis to verify the effectiveness of measurement models.

The Company regularly measures and analyses foreign exchange exposure of banking book and scenario simulation results, monitors and reports exchange rate risk on a monthly basis under its quota limit framework, and adjusts its foreign exchange exposure accordingly based on the trend of foreign exchange movements, so as to mitigate the relevant foreign exchange risk of banking book. The Audit Department of the Company is responsible for overall auditing of our exchange rate risk.

During the reporting period, the Company paid close attention to exchange rate movements, took initiative to analyse the impact of exchange rate changes in light of the macroeconomic conditions at home and abroad, increased its efforts to monitor and analyse of foreign exchange exposure, and imposed a stringent control over the scale of foreign exchange risk exposure. The Company was prudent about the exchange rate risk. As at the end of the reporting period, the size of the banking book of the Company's foreign exchange exposure was at a relatively low level. The exchange rate risk of the Company is generally stable with all the core limit indicators, general scenarios and stress testing results satisfying the regulatory limit requirement.

For more information about the Company's market risk management, please refer to Note 41(b) to the financial statements.

3.11.5 Operational risk management

Operational risk refers to the risk of loss arising from inappropriate or failed internal procedures, incompetent personnel or IT systems, or external events. In view of the various aspects and wide range of operational risks, the Company's operational risk management will, based on the principles of cost-revenue matching and input-output balance, vigorously strengthen the establishment of operational risk management system to the utmost extent, implement internal control system, continue to carry out various businesses steadily and reduce or prevent operational risk losses with a certain level of cost. In the process of operational risk management, within the risk limits set by the Board of Directors, the Company will, through measures such as further improving the risk management mechanism, strengthening risk prevention and control in key areas, conducting risk monitoring and pre-warning, improving assessment and evaluation mechanism, and cultivating operational risk prevention culture, so as to further improve operational risk management capabilities and effectiveness, and prevent and reduce operational risk losses.

During the reporting period, striving for the goal of preventing losses arising from the risks involved in systematic and significant operations, the Company continued to improve its operational risk management system. The first was to develop, optimise and iterate the cooperative business management platform to achieve centralised management on data and information in respect of cooperative businesses, and to further smooth out interaction and communication channels between the Head Office and branches to provide a platform on which branches came together to share successful experiences and evidences in the course of cooperative business management. The second was to focus on risk management and control in key business areas, carry out a thorough rearrangement on comprehensiveness and systematisation of custody and investment banking businesses, and put forward specific and targeted risk management improvement plans. The third was to carry out risk-shooting in key areas such as bond underwriting business, capital supervision business and mortgage loan business of real estate enterprises. The fourth was to reinforce management on the risks associated with outsourcing and review changes in outsourcing information technology products. The fifth was to strengthen management on IT risk and business continuity, identify the latest important business and systems based on the review results, and update the plans of business continuity and guidelines on relevant engagement. The sixth was to strengthen the application of Fintech and carry out monitoring through operational risk management system and data analysis platform. The seventh was to increase the empowerment of subsidiaries and branches, and carry out video training for the operational risk management personnel of domestic and foreign branches and subsidiaries so as to improve operational risk management skills.

3.11.6 Liquidity risk management

Liquidity risk refers to the risk that the Company is unable to obtain sufficient funds at a reasonable cost in a timely manner to grow its assets, pay maturing debts and perform other payment obligations. The liquidity risk management of the Company is based on the principles of prudence, foresight and comprehensiveness, which is more appropriate for the current development stage of the Company. The current liquidity risk management policies and systems of the Company have satisfied the regulatory requirements and its own management needs.

The Company adopted a liquidity risk management and governance structure in accordance with the principle of separation of policy formulation, strategy implementation and supervision functions for liquidity risk management, and clearly defined the roles, duties, and reporting procedure of its Board of Directors, Risk and Capital Management Committee, Board of Supervisors, senior management and dedicated committees, and relevant departments so as to ensure control over the liquidity risk.

During the reporting period, the central bank maintained a prudent monetary policy at all times and interbank market liquidity remained sufficient in a reasonable manner. Based on the analysis on macroeconomic and market trend, the Company dynamically and quantitatively predicted future risk conditions, and deployed asset-liability management strategies in a forward-looking manner to balance the risks and returns. The first was to continue to promote the steady growth of customer deposits. The second was to take various measures to strengthen the organisation of high-quality assets and continuously optimise the asset structure. The third was to further improve the efficiency of fund utilisation by appropriately increasing investment in qualified and high-quality bonds to maintain sufficient liquidity reserves. The fourth was to carry out active liability management through comprehensive and multiple channels, expand diversified financing channels, flexibly carry out short-term and medium-to-long term active liability business, actively conduct open market transactions and play the role of a primary dealer. The fifth was to strengthen the liquidity risk monitoring and management for business lines, overseas branches and affiliates. The sixth was to continue to carry out emergency management to effectively improve the capability to cope with matters regarding liquidity risks.

As at the end of the reporting period, all liquidity indicators of the Company met the regulatory requirements and the Company had sufficient funding sources to meet the needs of sustainable and healthy development of its business. In accordance with the requirements of the PBOC, the Company's RMB statutory deposit reserve ratio was 7.75%, and the foreign exchange statutory deposit reserve ratio was 8%. The Company's liquidity indicators remained at healthy levels. Deposits maintained steady growth. Liquidity reserves were sufficient and overall liquidity was at a safe level.

For more information about the Company's liquidity risk management, please refer to Note 41(c) to the financial statements.

3.11.7 Reputational risk management

Reputational risk refers to the risk that the Company might be negatively evaluated by relevant stakeholders, the public and the media due to behaviors of the Company and its employees or external incidents, which damages the brand value of the Company and is detrimental to the normal operation of the Company, or, to the extent, be exposed to the risks involving market and social stability. Reputational risk management is an important part of the corporate governance and the overall risk management system of the Company, covering all activities, operations and businesses undertaken by the Company and its subsidiaries. The Company has established and formulated the reputational risk management rules and system by taking the initiatives to effectively prevent the reputational risk and coping with any incidents in relation to reputation, so as to reduce loss and negative impact to the greatest extent.

During the reporting period, the Company strictly fulfilled the requirements of the Measures for Reputational Risk Management of Banking and Insurance Institutions issued by the CBIRC, continuously improved the reputational risk management system, and boosted the reputational risk management capability. The first was to designate personnel in charge of reputational risk management in all branches, and enhance the reputational risk awareness of all staff through special training, case propaganda, scenario drills, etc. The second was to strengthen reputational risk investigation, pre-warning and reminder so as to mitigate potential risks. The third was to properly handle significant reputational incidents, establish a unified information release mechanism, and proactively respond to concerns from society. The fourth was to carry out thematic publicity on supporting the real economy, pandemic relief, consumer rights protection, revitalisation of rural areas and green finance in light of various initiatives taken by the Company to actively discharge its corporate social responsibilities in order to promote brand image.

3.11.8 Compliance risk management

Compliance risk refers to the risk of being subject to legal sanctions, regulatory punishments, material financial losses, and reputational loss as a result of the failure to observe the laws, rules and standards. The Board of Directors of the Company is ultimately responsible for the compliance of the operating activities, and delegates the Risk and Capital Management Committee under the Board of Directors to supervise the compliance risk management. The Risk and Compliance Management Committee of the Head Office is the organisation to manage compliance risk of the whole company under the senior management. The Company set up three lines of defense for compliance risk management and the double-line reporting mechanism through the establishment of organisational management structure comprising the risk and compliance management committees, compliance supervisors, compliance officers and legal and compliance departments under the Head Office and its branches as well as compliance supervisors at branch and sub-branch levels, continuously improved risk management techniques and management procedures and established a complete and effective compliance risk management system to achieve effective control of compliance risks.

During the reporting period, the Company strictly implemented the regulatory policies and requirements, and continued to improve the long-term mechanism for internal control and compliance management. The first was to formulate and release the "Guidelines on Internal Control and Compliance Work of the Bank in 2022" to make unified arrangements for the internal control and compliance management throughout the Bank. The second was to strengthen the interpretation and conveyance of the new regulatory regulations, carry out the internalisation of external regulations in a timely manner, reinforce the implementation of the new regulatory regulations in the Company, and effectively identify, evaluate and respond to the compliance risks of new products, new businesses and major projects. The third was to strengthen the management of basic systems, and sort out and improve the basic system of extensive wealth management in accordance with the basic principles of "basic risk system – special business system – business operation system". The fourth was to continuously launch compliance education activities for top leaders, compliance officers and compliance supervisors, regularly carry out inspection on abnormal behaviors of employees, and strengthen the use of employee behavior management tools such as minor non-compliance points, list of non-compliance restrictions and due diligence upon departure from the Bank, so as to implement employee behavior management properly. The fifth was to strengthen supervision and inspection by focusing on the key points, conducted in-depth analysis of the causes of the issues identified in the inspection and rectification by analogy so as to effectively improve the effectiveness of inspection and rectification. The sixth was to strengthen the construction of internal control and compliance management system by integrating internal control and compliance data resources and building an internal control and compliance data mart, so as to improve the capability of internal control and compliance data analysis and promote the digital transformation of internal control and compliance management of the whole bank.

3.11.9 Money laundering risk management

Money laundering risk refers to the risk that the Company may be used by the three types of activities such as "money laundering", "terrorist financing" and "proliferation financing" in the course of conducting business and managing operations. The Company has established a relatively sound money laundering risk management mechanism, including a governance structure with clear responsibilities from the Board and senior management to ordinary employees, a comprehensive system coverage, an effective risk assessment and dynamic monitoring system, scientific anti-money laundering data governance, and elements such as targeted management of customers or businesses associated with high risks, efficient anti-money laundering automated system support, independent inspection and auditing, and continuous and effective anti-money laundering compliance training, so as to provide guarantee for the Company's stable and compliance operations.

During the reporting period, the Company proactively fulfilled its anti-money laundering obligations and improved the effectiveness of its money laundering risk management. The first was to comprehensively promote institutional money laundering risk assessment which was underpinned by optimised money laundering risk assessment and customer money laundering risk classification and rating system, so as to improve the overall synergy of money laundering risk management system. The second was to organise a comprehensive review of the existing business system to further improve the anti-money laundering system. The third was to strengthen the procedures, system optimisation and resource guarantee in areas such as customer due diligence, transaction monitoring and high-risk customer management. The fourth was to adjust and optimise the quantitative indicators and classification standards for customer and product money laundering risk assessment, and continue to improve the management of high-risk customers and products. The fifth was to promote overseas branches and affiliates to carry out institutional money laundering risk assessment simultaneously to improve the information sharing mechanism within the Group. The sixth was to continue to increase investment in scientific and technological sectors regarding anti-money laundering, continuously explore the in-depth application of AI technology, and carry out system research and development, iteration and upgrade focusing on data analysis, risk management and control, due diligence management, unified view of customer information, regulatory compliance and data governance.

3.12 Outlook and Coping Tactics

During the reporting period, factors such as the resurgence of the pandemic, economic downturn, real estate industry adjustments, declining interest rates and volatility in capital market posed a considerable challenge to the banking industry in terms of performance. However, the banking industry as a whole demonstrated resilience by continuously strengthening the stabilisation of the economy and maintaining stability in overall asset quality. In general, the banking industry is in a new development stage from scale expansion to quality improvement, focusing on major sectors including the inclusive finance, green finance, rural revitalisation and freight logistics industry as well as the weaknesses and deficiencies thereof, optimising the allocation of credit resources, further boosting the quality and efficiency of serving the real economy.

In the second half of the year, the external circumstances of China remains complex and challenging. The Russian-Ukrainian conflict and the resurgence of the pandemic had exerted a profound impact on the global energy and food supply, financial system and industrial supply chain, further heightening the pressure of "stagnation" in major overseas economies. Driven by the high inflation, the monetary policy of the United States and Europe was tightened at an accelerated pace, bringing about the corresponding increase in the probability of "hard landing" of the economy.

China's economy will be in the recovery stage after hitting the bottom for the second time in the three-year pandemic. On the demand side, the kinetic energy of the "three growth drivers" generally comes under pressure with differentiated structure. Under the circumstances where the external demand declines, the export prospective or margin tapers off, diminishing the contribution of net exports to GDP. The consumption recovery momentum is generally weak under the multiple sources of pressures. It takes time for real estate investment to improve, which may have a negative impact on economic growth. Investment in infrastructure and manufacturing industry will become the main force of the policy to stabilise growth, increasing its contribution to economic growth. On the supply side, the production of industrial and service industries is expected to continue to recover, and the growth rate will be higher than that in the first half of the year. In terms of inflation, PPI inflation is expected to decline steadily under a high base, but the downside potential is constrained by the demand and supply; the overall CPI inflation is moderate, and the upward potential and pace are mainly determined by the hog price. The PPI-CPI inflation scissor gap will converge accordingly, which is beneficial to the profitability of midstream and downstream enterprises.

The Company believes, under the current macroeconomic landscape, the interplay of trend, cyclical and institutional factors will further intensify the internal differentiation of the industry, which enhanced the Company's determination to stick with the path of differentiated development. The Company will resolutely implement various national economic and financial policies and regulatory requirements, adhere to the core value of "customer-centric and create value for customers", and by focusing on the value creation chain of "increment-increasing revenue-increasing efficiency-increasing value", comprehensively strengthen management and promote the development of various key tasks to accelerate the establishment of the "Malik Curve" of CMB.

Firstly, driven by the "Original Aspiration Plan", the Company will enhance the core capabilities of wealth management. Taking corporate finance, "people+digitalisation" and more refined customer segmentation and classification-based management as the starting points, the Company will continuously enhance the scope, depth and accuracy of wealth management services, bolster the construction of investment and research capabilities, asset allocation capabilities, companionship capabilities and other wealth management core capabilities, so as to let "professionalism and warmth" become the lifeline of China Merchants Bank's wealth management services. The Bank continues to promote the comprehensive implementation of the "Original Aspiration Plan" and merge core values into daily work and operation management.

Secondly, the Bank will reinforce the construction of Fintech capabilities and build a "Digital CMB". Leveraging on Fintech, the Company will connect to the digital society and the digital economy in an all-round way, and comprehensively promote the digital reshaping of the financial infrastructure and capability system, customers and channels, businesses and products, management and decision-making by focusing on online, data, intelligence, platform and ecology.

Thirdly, the Bank will comprehensively improve risk management capabilities and build a fortress-style risk compliance management system. The Bank will steadily promote business departments to strengthen risk management and strengthen the primary responsibility of risk management of the first line of defense. The Bank will fortify the construction of risk systems and processes, continue to optimise the management of industry and customer quotas in a bid to constantly improve the methodological system of centralisation control. The Bank will also strengthen the prevention and mitigation of risks in key areas, intensify the recovery of non-performing assets, strengthen compliance risk management and establish the concept of "compliance first, compliance creates value (合規優先，合規創造價值)" for all employees.

Fourthly, the Bank will continue to enhance the long-term competitiveness of asset organisation. By integrating asset organisation with the construction of segmentation and classification-based service system, the integrated operation of "ICPTR" and the profound industrial knowledge, the Bank will accelerate the building of professional capabilities in asset business, improve the three-tier marketing organisational system of "Head Office – branches – sub-branches". By vigorously expanding the consumer financing scenario, the Bank continues to optimise the structure of retail credit business.

Fifthly, the Bank will accelerate its development in key regions and create new growth poles for quality development. Based on the characteristics of the economic structure of the regions where the branches are located, the Bank will formulate differentiated development strategies. The Bank will further strengthen its branches in central cities among the Yangtze River Delta, the Pearl River Delta and Chengdu-Chongqing Region, enhance the development momentum of branches in key regions, and promote the quality and efficiency of tier-2 branches.

Sixthly, the Bank will take refined management as the yardstick, while strengthening internal management more strictly. Adhering to the concept of "small moves making big difference", the Bank, starting from data, segmentation, differentiation and standardisation, will comprehensively improve the level of refined management, and strive to achieve the goal of creating value through management. Insisting on the principle of "basing the Bank on good service", the Bank will continue to advocate the service culture of "We are here Just for you", and continuously push forward the protection of consumer rights and interests.

Environmental, Social and Governance (ESG)

4.1 ESG Review

With the sustainable development goal of "committing to sustainable finance, enhancing sustainable value and promoting sustainable development", the Company proactively improved the social responsibility management mechanism, efficiently communicated with stakeholders, and earnestly fulfilled its corporate social responsibilities, thereby continuously contributing to sustainable economic and social development.

4.2 Environmental Information

During the reporting period, to support the State's "3060" goal in reaching carbon peak and achieving carbon neutrality, the Company promoted green finance and green operation on all fronts to build a better homeland hand in hand. The Company did not have any environmental violation during the reporting period.

Green finance

With regard to green credit, during the reporting period, the Company established a customer business environmental risk classification system to conduct classified management of corporate customers and loans of domestic institutions based on the environmental impact of the loans to customers or projects as well as the level of environmental and social risks they came across from the two dimensions of customers and loans. As at the end of the reporting period, the balance of green loans was RMB312.183 billion, representing an increase of RMB48.341 billion or 18.32% as compared with the end of the previous year, 10.87 percentage points higher than the growth rate of corporate loans. Green loans were mainly granted to the fields of energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrade of infrastructure and green services. During the reporting period, the Company obtained funds from the carbon emission reduction support instruments granted by the People's Bank of China and granted loans in respect of carbon emission reduction of RMB9.956 billion to 96 projects, resulting in a carbon emission reduction of 1,864,500 tons of CO_2 equivalent. During the reporting period, CMB Financial Leasing, a subsidiary of the Company, granted loans in respect of green leasing of RMB22.823 billion with a closing loan balance of RMB105.505 billion, representing an increase of 17.09% as compared with the end of the previous year.

With respect to green bonds, during the reporting period, the Company assisted a total of 13 enterprises in issuing 19 green bonds with a total issuance size of RMB42.538 billion. Specifically, the Company underwrote RMB19.312 billion in those bonds as the leading underwriter, including RMB16.062 billion in 10 carbon neutrality bonds, with the funds from which having been invested in rail transportation, renewable energy and other fields, which strongly fortified the direct financing of green and low-carbon enterprises.

With regard to green investment, taking the initiatives to implement the new development philosophy of innovation, coordination, green, openness and sharing, the Company reinforced its support for the green, low-carbon and circular economy by investing in green buildings, urban and rural public transport, urban and rural environmental infrastructure, irrigation and water conservancy projects, and new and clean energy equipment manufacturing. During the reporting period, the Company completed the agency sales of 63 new energy and photovoltaic funds. CMB Wealth Management, a subsidiary of the Company, vigorously introduced the wealth management products with ESG philosophy. As at the end of the reporting period, the existing fund size was RMB925 million; at the same time, the Company gave priority to supporting the investment in green bonds. As at the end of the reporting period, the balance of investments in green bonds was RMB24.603 billion. China Merchants Fund, a subsidiary of the Company, actively implemented the ESG investment philosophy and attached great importance to the layout of green financial products. During the reporting period, China Merchants Smart Energy Hybrid Securities Investment Fund (招商智慧能源混合基金) was issued and established, and the first batch of CSI SEEE Carbon Neutral ETFs (中證上海環交所碳中和ETF) in the industry was approved. As at the end of the reporting period, there were 6 existing ESG-related products with an existing fund size of RMB2.668 billion.

Green operation

With regard to green operation, the Company aggressively discharged its corporate social responsibilities in pursuit of the sustainable development featuring green, environmental protection and low-carbon. Firstly, the Company provided convenient online channels for retail and wholesale customers by vigorously developing e-banking channels to reduce the frequency of customers visiting physical outlets to handle banking issues in an effective manner, thereby reducing carbon emissions from customer travel. Secondly, the Company encouraged credit card customers to accept electronic bills. With the proportion of credit card electronic bills exceeding 99% as at the end of the reporting period, the Company saved more than 1 billion pieces of paper in billing and realised an environmentally friendly transformation toward green operation during the reporting period. Thirdly, the Company adhered to the philosophy of green operation and green office. To this end, the Company continuously promoted shared office, improved the utilisation rate of office space, set an energy management goal, built an energy management platform, organised performance evaluation of core equipment, and created smart and energy-saving office properties through refined energy management, prioritised the internal procurement of energy-saving and environmentally friendly products and promoted paperless office. In addition, it also conducted internal reimbursement fully online, continuously optimised the office platform named “Zhaohu (招乎)” to facilitate online meeting and training, and encouraged employees to choose green commuting to reduce carbon emissions.

4.3 Social Responsibility Information

Serving the real economy

The Company integrated its own development strategies with national policies, adhered to the origin of financial institutions serving the real economy, and constantly enhanced overall services to corporate customers. During the reporting period, by continuously optimising such support policies as rating and pricing, and deepening its understanding of industry segments, the Company continued to increase credits for manufacturers and accelerate the adjustment of customer and asset structure in response to the lack of corporate financing needs and the impact of information asymmetry on the efficiency of bank-enterprise matchmaking brought about by the COVID-19 pandemic, which provided high-efficiency and high-quality financial services for the development of real economy, and contributed financial resources to the construction of a nation with strong manufacturing capacities. As at the end of the reporting period, the Company’s balance of loans to manufacturing industry was RMB363.527 billion, and its balance of loans to strategic emerging industries was RMB254.812 billion.

The Company continued to improve the digital inclusive finance service system, promoted the application of Fintech in the whole process of inclusive finance services, and provided online digital products and services for small- and micro-sized enterprises, thereby solving the ”last mile” problem of inclusive finance through digital solution. As at the end of the reporting period, the Company’s balance of inclusive finance loans to small- and micro-sized enterprises amounted to RMB650.795 billion, representing an increase of 8.27% as compared with the end of the previous year. The total number of registered users of CMB Zhao Dai (招貸) APP, a designated digital service platform for SME inclusive finance loans, reached 2.38 million, and the credit facility of micro-finance loans applied and granted through CMB Zhao Dai (招貸) APP reached RMB106.940 billion during the reporting period.

The Company actively implemented the requirements of the ”Notice on Further Strengthening the Publicity of the Policy on Reduction of Fees and Profits of Payment Services” issued by the People’ s Bank of China. During the reporting period, the Company reduced the fees for payment services by a total of RMB671 million, benefiting 2,401,800 customers covering small- and micro-sized enterprises, private industrial and commercial businesses and other corporate customers.

Supporting the improvement of people’s livelihood

The Company was keen on the investment in actively invested financial resources to support the improvement of people’s livelihood such as pension, social security, medical care and housing.

The Company continued to promote the development of the second-pillar enterprise annuity and occupational annuity businesses, and contributed to the construction of the State’s multi-level and multi-pillar pension insurance system. As at the end of the reporting period, the entrusted scale of enterprise annuity and occupational annuity amounted to RMB152.998 billion, and the number of enterprise annuity accounts under management reached 2,110,400. The Company proactively participated in the work related to the personal pension business led by the Ministry of Human Resources and Social Security and promoted investor education, paving the way for the launch of personal pension.

The Company supported the Ministry of Human Resources and Social Security in the issuance and application of electronic social security cards. As at the end of the reporting period, a total of 39.61 million electronic social security cards were issued, and social security inquiry, qualification certification and other convenience services were offered online for insured persons. The Company cooperated with the Ministry of Human Resources and Social Security to carry out the"inter-provincial connection (跨省通辦)" of social security cards, offering inter-provincial services for insured persons. For the migrant worker group, the Company assisted the labor supervision department to establish a monitoring and early-warning platform, and strengthened the supervision of the special accounts for migrant workers' wages, standardised the payment behavior of migrant workers' wages, so as to ensure the payment of wages. As at the end of the reporting period, a total of 10,841 special accounts had been opened, serving more than 1.4 million migrant workers.

The Company continued to carry out strategic cooperation with the National Healthcare Security Administration to promote the launch and application of electronic medical insurance certificates. As at the end of the reporting period, the Company activated an aggregate of 17.58 million of electronic medical insurance certificates. The Company promoted the construction of the medical insurance mobile payment based on electronic medical insurance certificates, continuously enriched medical insurance application scenarios, and improved user application experience. In addition, the Company offered medical insurance loan products for designated medical institutions, and cooperated with medical security institutions at all levels to provide convenient services for people and enterprises. The Company participated in the customised urban commercial medical insurance services led by local governments, and offered multi-level medical insurance services for insured persons in more than 13 cities.

The CMB APP of the Company has launched the national housing provident fund WeChat applet developed by the Ministry of Housing and Urban-Rural Development, covering 341 urban housing provident fund centers and 115 housing provident fund branches, and serving approximately 164 million housing provident fund contributors nationwide. During the reporting period, the Company launched the transfer and connection function of provident funds between different places and continuously enhanced its capability in offering convenience services. At the same time, the Company continuously explored to strengthen financial support for the construction and operation of indemnificatory housing projects through the special bonds and special loans for indemnificatory housing projects and other approaches.

Access to financial services

With regard to physical channels, the Company continued to promote the construction and road map of the optimisation of domestic branches. During the reporting period, 16 new outlets were opened, 50 existing outlets were relocated and optimised, and 81 outlets were furnished and renovated. Benefiting from the steady increase in the number of outlets and scientific location selection, the effective coverage of our outlets was further expanded and more efficient offline financial services were offered to customers.

With respect to electronic channels, the Company took an APP-based approach to continuously improve customer experience and the efficiency and level of financial services. The Company launched the"Anti-pandemic Zone (抗疫專區)" with its local branches in the areas infected by COVID-19 to provide services including information on the pandemic, convenient payment and payment and settlement. The Company strengthened the construction of a diverse ecology for wealth management, and worked with third parties to enhance the services including online live broadcast, wealth management and companion. The Company devised the subject of financial services for new citizens and provided services for new citizens in terms of convenience, security, financing, etc. The Company continued to support branches to utilise various channels such as special zone in branches and online stores of outlets to carry out regionalised characteristic operation. The Company improved the 95555 service interaction convenience through intelligent voice browsing, and provided users with 7×24 online consultation services through AI customer service.

At the same time, the Company actively promoted the elderly-oriented and barrier-free transformation of service channels to ensure that all people can equally enjoy high-quality financial services. With regard to elderly-oriented transformation, the 95555 "Dedicated Line for the Elderly (頤享專線)" proactively identified elderly customers and realise quick access to exclusive human agents. During the reporting period, it provided 19,094 quick access services to elderly customers with a connection rate of 98.16%. With respect to barrier-free transformation, the Company upgraded the voice broadcast function of the barrier-free mode of CMB APP to provide convenient services for the visually impaired persons, and provided barrier-free services for the disabled persons by setting up the barrier-free service facilities for the disabled persons in all its domestic business outlets, such as ramps for the disabled persons, one-button calls and wheelchairs for the disabled persons, as well as posting assistance telephone numbers at barrier-free passages.

Security of financial products

The Company adopted various measures to ensure compliance in the sales of products and effectively protected the interests of customers. The Company has set up a strict product access and risk assessment process. With regard to the introduction of cooperative institutions and agency sales products, the Company strictly complied with the internal and external regulations and requirements, conducted in-depth research, strict access approval and unified management for seed candidates and all kinds of asset management products, and established a risk control mechanism for the whole process of product access, marketing and after-sales service. With respect to the display of agency sales products, the Company highlighted the reminders of product management agencies, risk rating and investment duration on various sales channels and information inquiry platforms, so as to help customers identify the sources and elements of products. With regard to system restrictions, the sales system is able to clearly remind or restrict customers to avoid the purchases that excess their risk appetite. With respect to sales quality control, the Company set up a special area for the sales of wealth management (agency sales) products in its outlets to strictly implement the requirements on audio and video recording during the sales process.

The Company was committed to building a full-process companion system for products. Through product roadshows, companion live broadcast, a series of investor education articles, one-minute short videos on wealth management and the"Asset Allocation Season" series activities, the Company helped customers better understand products; we popularised financial knowledge to customers through the interpretation of relevant policies and regulations, investment strategy reviews and comments, quarterly product operation reports and aperiodic market fluctuation reviews; the Company continued to improve the after-sales service experience of products through continued expansion of the companion service for online wealth management products combined with offline relationship manager services.

Information security and privacy protection

The Company attaches great importance to customer privacy protection and data security management. It actively implemented the requirements of national laws and regulations such as "Network Security Law of the People's Republic of China" (《中華人民共和國網絡安全法》), the "Personal Information Protection Law of the People's Republic of China" (《中華人民共和國個人信息保護法》) and the "Personal Financial Information Protection Technical Specification" (《個人金融信息保護技術規範》), as well as the financial industrial standards, and made every effort to ensure the security of personal information.

Regarding the information security and privacy protection of retail customers, the Company issued the "Management Measures for Retail Finance Personal Information of China Merchants Bank (Fifth Edition)" (《招商銀行零售金融個人信息管理辦法(第五版)》), set up a safety protection system for the whole life cycle from the collection, transmission, use, sharing and saving of retail financial personal information, as well as the treatment mechanism for personal information protection such as emergency plan, risk management, supervision and inspection, and personal information complaint channel, and earnestly carried out user tiered and classified authorisation management. In addition, the Company strictly controlled the scope of authorisation for personal information inquiry, enhanced the safety impact assessment and management on the use of personal information, standardised the approval management of personal information use, carried out internal control and compliance inspection, emergency drill of personal information and other activities, and strengthened the publicity and education of personal information protection, in order to strictly prevent the risks associated with information leakage. During the reporting period, the Company did not have any incident of personal information privacy leakage.

Consumer rights protection

The Company always attaches great importance to the protection of consumer rights, and adheres to the origin of "financing for people (金融為民)", the philosophy of "We are here Just for you" and the customer-centric approach. Being committed to providing customers with efficient, convenient, considerate and friendly services, the Company earnestly implemented various work requirements of the People's Bank of China and China Banking and Insurance Regulatory Commission for the protection of consumer rights.

During the reporting period, the Company elevated the Consumer Rights Protection and Service Supervision and Management Center to a second-level department, and changed its name to "Consumer Rights Protection Center", namely "Customer Service Center", positioning itself as the main department for bank-wide consumer rights protection and customer service management. With regard to improving the construction of the consumer protection mechanism, the Company established six long-term working mechanisms, and fully implemented its policies on duty performance, customer response, data analysis, work coordination, product review and regulatory communication, so as to further promote the quality development of consumer protection and improve customer service level. With respect to consumer protection review, the Company brought forward the main duties for consumer protection review of products and services, effectively eliminating various hidden dangers of infringing consumer rights and interests, and cementing the first line of defense for consumer rights protection. With regard to financial knowledge popularisation, a special group for open and integrated education and publicity was established to unify the planning and theme of annual financial knowledge popularisation activities. With respect to publicity methods and contents, more than 20 publicity accounts were used to provide consumers with easy-to-understand and popular propaganda and education contents. During the reporting period, 9,176 online and offline activities were carried out, reaching an audience of more than 200 million consumers, 1,357 original promotional materials were designed, and some of them were reprinted by official media. With regard to system development, according to the latest requirements of regulatory agencies, and from the perspective of improving the efficiency of customer complaint handling, as well as traceability analysis and rectification, the functions of the complaint management system were repeatedly calculated and optimised, so as to study, grasp and solve problems in serving customers and improve customer service experience.

Rural revitalisation

The Company resolutely implemented the relevant requirements of the Central Committee of the Communist Party of China and the State Council on targeted assistance and rural revitalisation, and continuously promoted the rural revitalisation and targeted assistance work for the "five major revitalisation". According to the idea of "education enhancement, medical security, industrial support, and improvement of human settlement", the Company formulated the "Assistance Work Plan of China Merchants Bank for Rural Revitalisation and Poverty Alleviation Work for 2022", which clarified the poverty alleviation goals, poverty alleviation objects and revitalisation measures, innovated poverty alleviation models, focused on industry, education and medical assistance, and assisted designated counties in establishing a long-term mechanism to solve relative poverty, so as to effectively raise the income level and living standards of people. During the reporting period, the Company invested a total of RMB33.0669 million in assistance funds for 29 poverty alleviation projects in Wuding and Yongren counties in Yunnan province, and achieved remarkable results.

Public welfare and charity

During the reporting period, the Company continued to participate in public welfare and charity by making total external donations of RMB50.0729 million, thereby contributing to the promotion of social fairness and the improvement of people's livelihood and well-being.

Since 2012, the Company has innovatively combined public welfare with credit card points to create a public welfare platform named "Donating Small Points for Micro Charity (小積分•微慈善)". By donating points, users can participate in charitable projects such as"Social Integration Courses for Children with Autism (自閉症兒童社會融合課程)", "Free Lunch for Children (兒童免費午餐)" and "Yangfan Public Welfare Books (揚帆公益圖書)". As at the end of the reporting period, the platform donated a total of 570 million points, making a contribution of around 400,000 social integration courses for children with autism, 2.69 million free lunches and 320,000 volumes of books.

4.4 Governance Information

The Company continuously promoted the perfection of corporate governance mechanism, improved the corporate governance, upheld prudent operation and strengthened risk control, so as to promote its quality development steadily. The core of the Company's corporate governance mechanism is to adhere to the leadership of the Party, and integrate the leadership of the Party into all aspects of corporate governance. The key to the Company's corporate governance mechanism is to adhere to the President assuming full responsibility under the leadership of the Board of Directors, the market-based talent selection and employment mechanism, and the remuneration incentive mechanism. The Company's shareholding structure is reasonable and the shareholders' behaviors are regulated. The Shareholders' General Meeting exercises its powers according to law. The Board of Directors and the Board of Supervisors diligently perform their respective duties while the senior management are professional and dedicated at work, which provides a fundamental guarantee for the long-term, healthy and sustainable development of the Company.

During the reporting period, the Board of Directors of the Company proactively performed its relevant duties in inclusive finance, green finance, data governance, human resources, consumer rights protection and social responsibilities. The Board of Directors reviewed the "Resolution on Coordinating the Performance of ESG-Related Duties and Renaming the Committee by the Strategy Committee of the Board of Directors", approving to rename the "Strategy Committee of the Board of Directors" as the "Strategy and Sustainable Development Committee of the Board of Directors", which will take effect after the amendment of the Company' s Articles of Association. The Company strengthened the coordination of ESG-related duties, improved the ESG top-level governance structure to ensure a clear ESG governance structure, smooth information communication and complete working mechanisms, and promoted the Company to further build itself into one of the most socially responsible banks. The Board of Directors and its relevant special committees successively reviewed and approved the relevant resolutions on the "Inclusive Finance Development for 2021 and Work Plan Report for 2022", the "Internet Loan Development for 2021 and Work Plan Report for 2022", the "Data Governance Work Summary for 2021 and Work Plan for 2022", the "Human Resources Management and Talent Strategy Implementation Report for 2021", the "Employee Behavior Evaluation Report for 2021", the "Work Report on Consumer Rights Protection for 2021" and the "Sustainable Development Report for 2021". The purposes of which are to further promote the Company to proactively implement the national policies on inclusive finance, vigorously develop green finance to realise the national goal of carbon peaking and carbon neutrality, continuously improve the Company's data governance standards, earnestly enhance the awareness and strength of consumer rights protection, thoroughly implement the responsibility concept of "originating from society and returning to society", and work together with all stakeholders to build a better society.

During the reporting period, the Board of Supervisors of the Company successively studied and reviewed the "Inclusive Finance Development for 2021 and Work Plan Report for 2022", the "Internet Loan Development for 2021 and Work Plan Report for 2022", the "Sustainable Development Report for 2021" and the "Work Report on Consumer Rights Protection for 2021", focusing on the Board of Directors and senior management's duty performance on the issues related to inclusive finance, green finance, consumer rights protection and social responsibilities. In addition, the Board of Supervisors made a special trip to the designated assistance counties of Yongren and Wuding in Yunnan province to conduct collective investigations, so as to gain an in-depth understanding of the Company's designated assistance work, and promote the Company to contribute more financial resources to the cause of rural revitalisation.

For more details on corporate governance, please refer to Chapter V.

Corporate Governance

5.1 Overview of Corporate Governance

During the reporting period, the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the special committees under the Board of Directors and the Board of Supervisors of the Company functioned in an efficient manner, fully secured the compliance and prudent operation of the Company, and ensured sustainable and healthy development of the Company. During the reporting period, the Company held 1 shareholders' general meeting; held 9 meetings of the Board of Directors, including 4 on-site meetings and 5 meetings voted by way of written resolution, at which 50 resolutions were considered and 9 reports were delivered; held 18 meetings of the special committees under the Board of Directors, including 5 meetings of Strategic Committee, 5 meetings of Audit Committee, 2 meetings of Related Party Transactions Management and Consumer Rights Protection Committee, 3 meetings of Risk and Capital Management Committee, and 3 meetings of Nomination Committee, at which 63 resolutions were considered and 10 reports were delivered; held 8 meetings of the Board of Supervisors, including 3 on-site meetings and 5 meetings voted by way of written resolution, at which 26 resolutions were considered and 12 reports were delivered; held 5 meetings of the special committees under the Board of Supervisors, at which 7 resolutions were considered. 2 collective researches were organised by the Board of Supervisors. Having conducted thorough self-inspection, the Company was not aware of any non-compliance of its corporate governance practice with the requirements set out in the CSRC's regulatory documents governing the corporate governance of listed companies during the reporting period.

5.2 Information about Shareholders' General Meetings

During the reporting period, the Company convened 1 shareholders' general meeting, being the 2021 Annual General Meeting held in Shenzhen on 29 June 2022. The notice, convening, holding and voting procedures of the meeting were all in compliance with the relevant requirements of the Company Law of the People's Republic of China, the Articles of Association of China Merchants Bank Co., Ltd. and the Hong Kong Listing Rules. 12 resolutions and their sub-resolutions were considered and approved at the meeting, including the Work Report of the Board of Directors for the year 2021, the Work Report of the Board of Supervisors for the year 2021, the Annual Report for the year 2021 (including the Audited Financial Report), the Audited Financial Statements for the year 2021, the Proposal regarding the Profit Appropriation Plan for the year 2021 (including the distribution of final dividend), the Engagement of Accounting Firm for the year 2022, the Election of Members of the Twelfth Session of the Board of Directors of China Merchants Bank, the Election of Shareholder Supervisors and External Supervisors of the Twelfth Session of the Board of Supervisors of China Merchants Bank, and Amending the Articles of Association of China Merchants Bank Co., Ltd.; the Proposal regarding Election of Mr. Shen Zheting as the Non-Executive Director of China Merchants Bank was rejected at the meeting. For details of the relevant resolutions considered at the meeting, please refer to the disclosure documents published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company, which include the document of 2021 Annual General Meeting, the circular of shareholders' general meeting, the supplemental circular of shareholders' general meeting, the announcement on additional interim proposal for approval and the announcement regarding resolutions passed at shareholder' general meeting.

5.3 Directors, Supervisors and Senior Management

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)
Miao Jianmin	Male	1965.1	Chairman	2020.9–2025.6	–	–
			Non-Executive Director	2020.9–2025.6		
Fu Gangfeng	Male	1966.12	Vice Chairman	2018.7–2025.6	–	–
			Non-Executive Director	2010.8–2025.6		
Wang Liang	Male	1965.12	Executive Director	2019.8–2025.6	250,000	270,000
			President and Chief Executive Officer	2022.6–2025.6		
			Chief Financial Officer	2019.4–2025.6		
			Secretary of the Board of Directors	2021.8–2025.6		
Zhou Song	Male	1972.4	Non-Executive Director	2018.10–2025.6	–	–
Hong Xiaoyuan	Male	1963.3	Non-Executive Director	2007.6–2025.6	–	–
Zhang Jian	Male	1964.10	Non-Executive Director	2016.11–2025.6	–	–
Su Min	Female	1968.2	Non-Executive Director	2014.9–2025.6	–	–
Wong See Hong	Male	1953.6	Independent Non-Executive Director	2017.2–(note 1)	–	–
Li Menggang	Male	1967.4	Independent Non-Executive Director	2018.11–(note 1)	–	–
Liu Qiao	Male	1970.5	Independent Non-Executive Director	2018.11–(note 1)	–	–
Tian Hongqi	Male	1957.5	Independent Non-Executive Director	2019.8–2025.6	–	–
Li Chaoxian	Male	1958.9	Independent Non-Executive Director	2021.8–2025.6	–	–
Shi Yongdong	Male	1968.11	Independent Non-Executive Director	2021.8–2025.6	–	–
Xiong Liangjun	Male	1963.2	Chairman of Board of Supervisors, Employee Supervisor	2021.8–2025.6	240,000	240,000
Luo Sheng	Male	1970.9	Shareholder Supervisor	2022.6–2025.6	–	–
Peng Bihong	Male	1963.10	Shareholder Supervisor	2019.6–2025.6	–	–
Wu Heng	Male	1976.8	Shareholder Supervisor	2016.6–2025.6	–	–
Xu Zhengjun	Male	1955.9	External Supervisor	2019.6–2025.6	–	–
Cai Hongping	Male	1954.12	External Supervisor	2022.6–2025.6	–	–
Zhang Xiang	Male	1963.12	External Supervisor	2022.6–2025.6	–	–
Wang Wanqing	Male	1964.9	Employee Supervisor	2018.7–2025.6	181,000	181,000
Cai Jin	Female	1970.7	Employee Supervisor	2021.12–2025.6	114,050	114,050
Wang Jianzhong	Male	1962.10	Executive Vice President	2019.4–2025.6	240,200	240,200
Shi Shunhua	Male	1962.12	Executive Vice President	2019.4–2025.6	245,000	245,000
Wang Yungui	Male	1963.6	Executive Vice President	2019.6–2025.6	210,000	210,000
Li Delin	Male	1974.12	Executive Vice President	2021.3-2025.6	204,400	204,400
Zhu Jiangtao	Male	1972.12	Executive Vice President	2021.9–2025.6	198,800	198,800
Xiong Kai	Male	1971.4	Secretary of the Party Discipline Committee	2021.7–present	225,600	225,600
Zhong Desheng	Male	1967.7	Executive Assistant President	2021.10–present	177,300	177,300
Wang Xiaoqing	Male	1971.10	Executive Assistant President	2021.10–present	–	–
Tian Huiyu	Male	1965.12	Former Executive Director	2013.8–2022.6	335,500	335,500
			Former President and Chief Executive Officer	2013.9–2022.4		
Wang Daxiong	Male	1960.12	Former Non-Executive Director	2016.11–2022.6	–	–
Luo Sheng	Male	1970.9	Former Non-Executive Director	2019.7–2022.6	–	–
Guo Xikun	Male	1965.9	Former Shareholder Supervisor	2021.6–2022.6	–	–
Ding Huiping	Male	1956.6	Former External Supervisor	2016.6–2022.6	–	–
Han Zirong	Male	1963.7	Former External Supervisor	2016.6–2022.6	–	–

Notes:

(1) Pursuant to the relevant requirements of the "Guiding Opinions on Establishing the Independent Director System in Listed Companies(《關於在上市公司建立獨立董事制度的指導意見》)", the term of office of independent directors shall not exceed six years. Therefore, the terms of office of Mr. Wong See Hong, Mr. Li Menggang and Mr. Liu Qiao, all being Independent Directors, will expire prior to the expiration of the Twelfth Session of the Board of Directors.

(2) As at the end of the reporting period, the spouse of Mr. Zhou Song held 23,282 A Shares in the Company and Ms. Cai Jin held 114,050 shares in the Company, which consisted of 109,500 A Shares and 4,550 H Shares. The shares held by others listed in the above table were all A Shares. The changes in Mr. Wang Liang's shareholding during the reporting period were resulting from shareholding increase.

(3) None of the Directors, Supervisors or senior management listed in the above table has been punished by the securities regulator(s) over the past three years.

(4) None of the Directors, Supervisors or senior management listed in the above table holds any share options of the Company or has been granted any of its restricted shares.

5.3.1 New appointment and resignation of Directors, Supervisors and senior management

Directors

According to the relevant resolutions passed at the 2021 Annual General Meeting of the Company, Mr. Hu Jianhua, Mr. Sun Yunfei and Mr. Chen Dong were elected as the Non-Executive Directors of the Company, their qualifications are subject to approval by the CBIRC and their terms of office will be effective from the date of approval by the CBIRC and expire on the date of expiry of the Twelfth Session of the Board of Directors; Mr. Li Delin was elected as an Executive Director of the Company, his qualification is subject to the approval by the CBIRC and his term of office will be effective from the date of approval by the CBIRC and expire on the date of expiry of the Twelfth Session of the Board of Directors. According to the resolutions passed at the first meeting of the Twelfth Session of the Board of Directors of the Company, the Board of Directors elected Mr. Hu Jianhua as the Vice Chairman of the Twelfth Session of the Board of Directors of the Company and his qualification of being the Vice Chairman of the Board of Directors shall be submitted to the CBIRC for approval.

In June 2022, Mr. Wang Daxiong and Mr. Luo Sheng ceased to be the Non-Executive Directors of the Company due to the expiration of their terms of office. In June 2022, Mr. Tian Huiyu ceased to be the Executive Director of the Company due to the expiration of his term of office.

Supervisors

According to the relevant resolutions passed at the 2021 Annual General Meeting of the Company, Mr. Luo Sheng was elected as a Shareholder Supervisor of the Company, and Mr. Cai Hongping and Mr. Zhang Xiang were elected as the External Supervisors of the Company.

In June 2022, Mr. Guo Xikun ceased to be the Shareholder Supervisor of the Company due to the expiration of his term of office, and Mr. Ding Huiping and Mr. Han Zirong ceased to be the External Supervisors of the Company due to the expiration of their terms of office.

Senior management

Mr. Wang Liang was appointed as the President of the Company at the 40th meeting of the Eleventh Session of the Board of Directors of the Company, for a term of office commencing from 15 June 2022, being the date of approval by the CBIRC.

In April 2022, Mr. Tian Huiyu ceased to be the President of the Company in accordance with the resolutions passed at the 38th meeting of the Eleventh Session of the Board of Directors of the Company.

For details of the new appointments and resignation of Directors, Supervisors and senior management, please refer to the relevant announcements published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

5.3.2 Changes in information of Directors and Supervisors

1. Mr. Fu Gangfeng serves as the Chairman of the Board of Directors of State Development & Investment Corp., Ltd. and ceases to be the Director and General Manager of China COSCO Shipping Corporation Limited.
2. Mr. Wang Liang serves as the President of the Company, and concurrently serves as the Chairman of the Board of Directors of both CMB International Capital Holdings Corporation Limited and CMB International Capital Corporation Limited.
3. Mr. Peng Bihong ceases to be the Vice Chairman of Jiang Tai Insurance Brokers Co., Ltd..

5.3.3 Current positions held by Directors and Supervisors appointed by shareholders in the shareholders' companies

Name	Name of Company	Major Title	Term of Office
Miao Jianmin	China Merchants Group Ltd.	Chairman	From July 2020 up to now
Fu Gangfeng	China COSCO Shipping Corporation Limited	Director and General Manager	From September 2019 to June 2022
Zhou Song	China Merchants Group Ltd.	Chief Accountant	From October 2018 up to now
Hong Xiaoyuan	China Merchants Group Ltd.	Assistant General Manager	From September 2011 up to now
		Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform	From June 2018 up to now
Zhang Jian	China Merchants Group Ltd.	Chief Digital Officer	From January 2019 up to now
		Deputy Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform	From June 2018 up to now
Su Min	China Merchants Group Ltd.	Deputy Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform	From June 2018 up to now
Luo Sheng	Dajia Insurance Group Co., Ltd.	Deputy General Manager	From September 2020 up to now
		Temporary Head	From September 2021 up to now
Peng Bihong	China Communications Construction Group (Limited)	Chief Accountant	From September 2019 up to now
Wu Heng	SAIC Motor Corporation Limited	General Manager of Finance Affairs Department	From August 2019 up to now

5.3.4 Securities transactions of Directors, Supervisors and relevant employees

The Company has adopted the standards set out in the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for Directors and Supervisors of the Company in respect of their dealings in the Company's securities. Having made specific enquiries, so far as the Company is aware of, all the Directors and Supervisors of the Company have complied with the aforesaid Model Code during the reporting period.

The Company has also established the guidelines for the relevant employees' dealings in the Company's securities, which are no less exacting than the Model Code.

5.3.5 Interests and short positions of Directors, Supervisors and chief executives under Hong Kong laws and regulations

As at 30 June 2022, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in the SFO), which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests or short positions which the Directors, Supervisors and chief executives of the Company are deemed or taken to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (share)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Wang Liang	Executive Director President and Chief Executive Officer Chief Financial Officer Secretary of the Board of Directors	A Share	Long position	Beneficial owner	270,000	0.00131	0.00107
Zhou Song	Non-Executive Director	A Share	Long position	Interest of spouse	23,282	0.00011	0.00009
Xiong Liangjun	Chairman of the Board of Supervisors, Employee Supervisor	A Share	Long position	Beneficial owner	240,000	0.00116	0.00095
Wang Wanqing	Employee Supervisor	A Share	Long position	Beneficial owner	181,000	0.00088	0.00072
Cai Jin	Employee Supervisor	A Share	Long position	Beneficial owner	109,500	0.00053	0.00043
		H Share	Long position	Beneficial owner	4,550	0.00010	0.00002

5.4 Profit Appropriation

The profit appropriation plan for the year 2021

The Company's profit appropriation plan for the year 2021 was considered and approved at the 2021 Annual General Meeting held by the Company on 29 June 2022.

10% of the audited net profit of the Company for 2021 of RMB109.794 billion, equivalent to RMB10.979 billion, was allocated to the statutory surplus reserve, while 1.5% of the amount of the increased balance of the Company's assets that bearing risks and losses at the end of the period, equivalent to RMB11.874 billion, was appropriated to the general reserve. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company declared a cash dividend of RMB1.522 (tax included) for every share to all shareholders of the Company whose names appear on the register, denominated and declared in Renminbi, payable in Renminbi for holders of A Shares and in Hong Kong Dollars for holders of H Shares. The retained profits will be carried forward to the next year. In 2021, the Company did not transfer any capital reserve into share capital.

The Board of Directors of the Company has already implemented the above-mentioned dividend appropriation plan. For further information, please refer to the relevant dividend appropriation announcement(s) published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company, respectively.

Interim profit appropriation for 2022

The Company will not implement the profit appropriation, nor will it transfer any capital reserve into share capital for the first half of 2022 (for January-June 2021: nil).

5.5 Information on Employees

As of 30 June 2022, the Group had 103,904 employees[25] (including dispatched employees).

The classification of the Group's employees by profession is: 18,061 employees in corporate finance, 45,153 employees in retail finance, 6,449 employees in risk management, 14,210 employees in operation management, 10,392 employees in research and development, 1,004 employees in administrative and logistical support, and 8,635 employees in general management.

The classification of the Group's employees by educational background is: 24,082 employees with master's degrees or above, 67,142 employees with bachelor's degrees and 12,680 employees with junior college degrees or below.

The distribution of the Group's employees by regions is: 25,389 employees in the Yangtze River Delta, 12,871 employees in the Bohai Rim, 32,450 employees in the Pearl River Delta and West Side of Taiwan Strait, 5,114 employees in the North-eastern China, 11,531 employees in the Central China, 13,415 employees in the Western China, and 3,134 employees outside Mainland China.

The classification of the Group's employees in research and development by educational background is: 4,761 employees with master's degrees or above, 5,514 employees with bachelor's degrees, and 117 employees with junior college degrees or below. The range of the employees by age is: 6,016 employees aged 30 or below, 3,592 employees aged 30-40 (excluding 30 years old, including 40 years old), 668 employees aged 40-50 (excluding 40 years old, including 50 years old) and 116 employees aged 50-60 (excluding 50 years old, including 60 years old).

Staff remuneration policy and training

The Company's remuneration policy is in line with its operation targets, cultural and value concepts. It aims to refine and improve its incentive and restrictive mechanisms, realise its corporate strategies, enhance its organisational performance and minimise its operating risk. The remuneration policy adheres to the remuneration management principles featuring "strategic orientation, performance enhancement, risk control, internal fairness and market adaptation" and reflects the remuneration concept of "fixing remuneration based on positions and workload". In order to improve the remuneration incentive and restrictive mechanism and mitigate various operating and management risks, the Company has established a mechanism related to remuneration deferred payment and performance-based remuneration recovery in accordance with regulatory requirements and operational management needs.

The Company has established a categorised, professional and digital talent training system, and adopts a diversified training method that combines online and offline training. The contents of training mainly comprise of knowledge of its business and products, professional ethics and security, cultural values and leadership, satisfying the career growth needs of employees at different levels.

[25] Including employees of the Company, CMB Wing Lung Bank and its subsidiaries, CMB Financial Leasing, CMB International Capital and its subsidiaries, CMB Wealth Management, China Merchants Fund and its subsidiaries, CIGNA & CMB Life Insurance, CIGNA & CMAM, Merchants Union Consumer, CMB Network Technology and CMB YunChuang.

5.6 Head Office and Branches and Representative Offices

Regions	Name of branches	Business address	No. of branches as at the end of the reporting period	Asset scale as at the end of the reporting period (in millions of RMB)
Head Office	Head Office	7088 Shennan Boulevard, Shenzhen	1	2,741,947
	Credit Card Center	686 Lai' an Road, Pudong New District, Shanghai	1	834,523
	Capital Operation Center	6/F, Block 2, 1088 Lujiazui Ring Road, Pudong New District, Shanghai	1	709,908
Yangtze River Delta	Shanghai Branch	1088 Lujiazui Ring Road, Pudong New District, Shanghai	102	363,545
	Shanghai Pilot Free Trade Zone Branch	56 Bohang Road, China (Shanghai) Pilot Free Trade Zone	1	45,667
	Nanjing Branch	199 Lushan Road, Jianye District, Nanjing	83	244,142
	Hangzhou Branch	300 Fuchun Road, Shangcheng District, Hangzhou	74	262,734
	Ningbo Branch	342 Min' an East Road, Ningbo	34	93,121
	Suzhou Branch	36 Wansheng Street, Industrial Park, Suzhou	34	144,483
	Wuxi Branch	6-107, 6-108 1st Financial Street, Binhu District, Wuxi	21	64,498
	Wenzhou Branch	Block 2, 4, 5, Hongshengjin Garden, Wuqiao Avenue, Lucheng District, Wenzhou	15	42,988
	Nantong Branch	111 Gongnong Road, Nantong	17	41,405
Bohai Rim	Beijing Branch	156 Fuxingmen Nei Dajie, Xicheng District, Beijing	119	439,250
	Qingdao Branch	65 Hai' er Road, Laoshan District, Qingdao	54	67,327
	Tianjin Branch	255 Guangdong Road and 9 Qianjin Road, Hexi District, Tianjin	43	102,255
	Jinan Branch	Building 1, District 4, No. 7000, Jingshi Road, High-tech Zone, Jinan	61	119,361
	Yantai Branch	66 Zhujiang Road, Economic & Technological Development Area, Yantai	17	28,129
	Shijiazhuang Branch	172 Zhonghua South Street, Shijiazhuang	18	27,971
	Tangshan Branch	45 Beixin Road West, Lubei District, Tangshan	11	10,247
Pearl River Delta and West Side of Taiwan Strait	Guangzhou Branch	5 Huasui Road, Tianhe District, Guangzhou	74	248,899
	Shenzhen Branch	2016 Shennan Boulevard, Futian District, Shenzhen	126	523,278
	Fuzhou Branch	316 Jiangbinzhong Boulevard Road, Fuzhou	38	78,557
	Xiamen Branch	18 Lingshiguan Road, Siming District, Xiamen	31	74,879
	Quanzhou Branch	180 Jiangbin North Road, Fengze Street, Quanzhou	17	29,565
	Dongguan Branch	200 Hongfu Road, Nancheng District, Dongguan	28	67,948
	Foshan Branch	12 Denghu Road East, Guicheng Street, Nanhai District, Foshan	31	79,409
North-eastern China	Shenyang Branch	12 Shiyiwei Road, Heping District, Shenyang	51	53,612
	Dalian Branch	17 Renmin Road, Zhongshan District, Dalian	36	53,370
	Harbin Branch	3 Zhongyang Avenue, Daoli District, Harbin	39	46,957
	Changchun Branch	9999 Renmin Avenue, Nanguan District, Changchun	24	23,367
Central China	Wuhan Branch	188 Yunxia Road, Jianghan District, Wuhan	127	190,014
	Nanchang Branch	1111 Huizhan Road, Honggutan District, Nanchang City	53	109,642
	Changsha Branch	39 Chazishan East Road, Yuelu District, Changsha City	46	79,041
	Hefei Branch	169 Funan Road, Hefei	41	83,250
	Zhengzhou Branch	96 Nongye Road East, Zhengzhou	51	91,264
	Taiyuan Branch	265 Nan Zhong Huan Road, Xiaodian District, Taiyuan	24	37,402
	Haikou Branch	Building C, Haian Yihao, 1 Shimao Road North, Haikou	9	25,740

Regions	Name of branches	Business address	No. of branches as at the end of the reporting period	Asset scale as at the end of the reporting period (in millions of RMB)
Western China	Chengdu Branch	No. 1, the 3rd section of Renmin Road South, Wuhou District, Chengdu	58	102,029
	Lanzhou Branch	9 Qingyang Road, Chengguan District, Lanzhou	25	40,248
	Xi'an Branch	1 Gaoxin No.2 Road, Xi'an	71	129,121
	Chongqing Branch	88 Xingguang Road, New North District, Chongqing	52	120,977
	Urumchi Branch	2 Huanghe Road, Urumchi	16	29,968
	Kunming Branch	1 Chongren Street, Wuhua District, Kunming	55	70,495
	Hohhot Branch	9 Chilechuan Avenue, Saihan District, Hohhot	23	36,055
	Nanning Branch	No.136-5 Minzu Avenue, Qingxiu District, Nanning	21	38,448
	Guiyang Branch	West 2nd Tower, International Finance Center, Guanshanhu District, Guiyang	17	28,161
	Yinchuan Branch	138 Beijingzhong Road, Jinfeng District, Yinchuan	15	19,244
	Xining Branch	4 Xinning Road, Chengxi District, Xining	11	13,228
Outside Mainland China	Hong Kong Branch	31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong	1	90,808
	USA Representative Office	535 Madison Avenue, 18th Floor, New York, U.S.A	1	/
	New York Branch	535 Madison Avenue, 18th Floor, New York, U.S.A	1	67,834
	Singapore Branch	1 Raffles Place, Tower2, #32-61, Singapore	1	13,112
	Taipei Representative Office	333, Section 1, Jilong Road, Xinyi District, Taipei	1	/
	Luxembourg Branch	20 Boulevard Royal, L-2449, Luxembourg	1	12,100
	London Branch	18/F, 20 Fenchurch Street, London, UK	1	13,990
	Sydney Branch	L39, GPT, 1 Farrer Place, Sydney, NSW	1	11,390
Total	/	/	**1,925**	**9,116,903**

5.7 Compliance with the Corporate Governance Code

During the reporting period, the Company has complied with the principles and code provisions of the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules and adhered to the majority of the recommended best practices thereunder.

Important Events

6.1 Purchase, Sale or Repurchase of Listed Securities of the Company

Neither the Company nor its subsidiaries had purchased, sold or repurchased any of the Company's listed securities during the reporting period.

6.2 Disciplinary Actions Imposed on the Company, Directors, Supervisors or Senior Management

During the reporting period, the Company was not subject to criminal investigations for suspected crimes. The Company, its Directors, Supervisors and senior management members were not subject to criminal punishment, or subject to investigations by the CSRC or administrative punishment by the CSRC for suspected violations of laws and regulations, or subject to administrative punishments by other competent authorities that have major impact on the operation of the Company. Except Tian Huiyu, the former Secretary to the Party Committee, the former Director and the former President of the Company, who is currently under the disciplinary review and investigation by the Central Commission for Discipline Inspection and the National Supervisory Commission (中央紀委國家監委) for suspected serious violations of discipline and law, none of the other Directors, Supervisors and senior management members of the Company were subject to compulsory measures in accordance with the law for suspected crimes, or subject to detention by the disciplinary inspection and supervision authorities for suspected serious violations of laws and regulations or duty-related crimes that affected the performance of their duties, or subject to compulsory measures taken by other competent authorities for suspected violations of laws and regulations that affected the performance of their duties.

6.3 Explanation on the Integrity of the Company

During the reporting period, there was no circumstance where the Company failed to fulfill any obligation under effective court judgements or failed to repay any due debt with a large amount.

6.4 Significant Connected Transactions[26]

6.4.1 Overview of connected transactions

Pursuant to Chapter 14A of the Hong Kong Listing Rules, a majority of the continuing connected transactions of the Company met the de minimis exemption and the non-exempt continuing connected transactions fulfilled the reporting and announcement requirements under the Hong Kong Listing Rules.

6.4.2 Non-exempt continuing connected transactions

As at the end of the reporting period, the Company and China Merchants Securities Co., Ltd. held 55% and 45% of the equity interest in CMFM, respectively. Therefore, in accordance with the Hong Kong Listing Rules, CMFM and its associates ("CMFM Group") are connected parties of the Company, and the fund agency sales service provided by the Company to CMFM Group constituted non-exempt continuing connected transactions of the Company under the Hong Kong Listing Rules.

On 3 December 2019, the Company entered into a Business Cooperation Agreement with CMFM on an arm's length basis and on normal commercial principles for a term commencing on 1 January 2020 and expiring on 31 December 2022. CMFM Group shall calculate fees based on the rates specified in the fund offering documents and/or the offering prospectuses, and shall pay agency service fees to the Company according to the agreement. Meanwhile, the Company has announced the annual caps of RMB1.4 billion, RMB1.6 billion and RMB1.8 billion for the continuing connected transactions with CMFM Group for 2020, 2021 and 2022, respectively as approved by the Board of Directors. The annual caps for the service fees were not more than 5% of the relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules. Therefore, these transactions would only be subject to the reporting, announcement and annual review requirements under the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement. For details, please refer to the relevant announcement of the Company dated 3 December 2019.

During the reporting period, the continuing connected transactions between the Company and CMFM Group amounted to RMB664 million (unaudited).

[26] Both "connected transactions" and "connected parties" in this section are terms used in Hong Kong Listing Rules.

6.5 Material Litigations and Arbitrations

Certain litigations were filed during the daily operation of the Company, most of which were filed proactively for the purpose of recovering non-performing loans. As at the end of the reporting period, there were 249 cases pending on final judgment (including litigations and arbitrations) in which the Company was involved as the defendant, with an aggregate amount of litigation objects of RMB1.486 billion. The Company believes that none of the above litigation and arbitration cases would have a material adverse impact on the financial position or operating results of the Company.

6.6 Material Contracts and Their Performance

Significant events in respect of holding in custody, contracting, hiring or leasing of assets

During the reporting period, the Company did not have any material contract signed in connection with holding in custody, contracting, or hiring or leasing of any assets of other companies outside the normal scope of banking businesses, or vice versa.

Significant guarantees

Guarantee business falls within the Company's ordinary course of business. During the reporting period, save for the financial guarantees entered into in our business scope approved by the CBIRC, the Company did not have any other significant discloseable guarantees, nor was the Company a party to any guarantee contract in violation of the resolution procedures of external guarantees as required by laws, administrative regulations and the CSRC.

6.7 Use of Funds by Related Parties

During the reporting period, none of the related parties of the Company had used any funds of the Company for non-operating purposes, and none of them had used the funds of the Company through, among others, any related transactions not entered into on an arm's length basis.

6.8 Engagement of Accounting Firms for 2022

Upon the approval at the 2021 Annual General Meeting of the Company, the Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic accounting firm of the Company and its domestic subsidiaries for 2022 and engaged Deloitte Touche Tohmatsu, an overseas member of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the international accounting firm of the Company and its overseas subsidiaries for 2022. The term of each of the engagements is one year. For further details, please refer to the documents and circulars of the 2021 Annual General Meeting, and relevant announcements regarding the resolutions of the Company.

6.9 Major Amendments to the Articles of Association

During the reporting period, to further improve the corporate governance system and reflect its concept of compliance and prudent operation, sustainable and quality development in a full, accurate and comprehensive manner, the Company, according to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other laws and regulations and the latest regulatory requirements of domestic and overseas regulatory authorities, has made all-around review and revision on the Articles of Association. The amendments to the Articles of Association involve a total of 187 articles in 22 chapters. For details, please refer to the documents and circulars of the 2021 Annual General Meeting published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company. The amended Articles of Association is subject to the approval by the CBIRC.

6.10 Other Events

On 22 July 2022, the "Resolution regarding the Withdrawal of the Application for the Opening of China Merchants T-Bank" was considered and approved at the third meeting of the Twelfth Session of the Board of Directors of the Company, agreeing to withdraw the application for the opening of China Merchants T-Bank Co., Ltd. (under preparation) and terminate the preparatory work, authorise the senior management of China Merchants Bank and agree on the senior management delegating relevant persons to handle all the matters related to the withdrawal of the application for the opening of China Merchants T-Bank Co., Ltd. (under preparation) in accordance with laws and regulations.

6.11 Review of Interim Results

Deloitte Touche Tohmatsu, our external auditor, has reviewed the interim financial statements of the Company prepared in accordance with the International Financial Reporting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee under the Board of Directors of the Company has reviewed and agreed with the financial results and financial statements of the Company for the period ended 30 June 2022.

6.12 Publication of Interim Report

The Company prepared the interim report in both English and Chinese versions in accordance with the International Financial Reporting Standards and the Hong Kong Listing Rules. These reports are available on the websites of Hong Kong Exchanges and Clearing Limited and the Company. In the event of any discrepancies in interpretation between the English and Chinese versions, the Chinese version shall prevail.

The Company also prepared the interim report in Chinese version in accordance with the PRC Generally Accepted Accounting Principles and the preparation rules for interim reports of the CSRC. The report is available on the websites of Shanghai Stock Exchange and the Company.

Changes in Shares and Information on Shareholders

7.1 Changes in Ordinary Shares of the Company During the Reporting Period

		31 December 2021		Changes during the reporting period (share)	30 June 2022	
		No. of shares (share)	Percentage (%)		No. of shares (share)	Percentage (%)
1.	Shares subject to trading restrictions on sales	–	–	–	–	–
2.	Shares not subject to trading restrictions on sales	25,219,845,601	100.00	–	25,219,845,601	100.00
	(1) Ordinary shares in RMB (A Shares)	20,628,944,429	81.80	–	20,628,944,429	81.80
	(2) Foreign shares listed domestically	–	–	–	–	–
	(3) Foreign shares listed overseas (H Shares)	4,590,901,172	18.20	–	4,590,901,172	18.20
	(4) Others	–	–	–	–	–
3.	Total shares	25,219,845,601	100.00	–	25,219,845,601	100.00

As at the end of the reporting period, the Company had a total of 572,923 ordinary shareholders, including 543,291 holders of A Shares and 29,632 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to trading restrictions on sales.

Based on the publicly available information and to the knowledge of the Directors, as at the end of the reporting period, the Company had maintained the public float in compliance with the requirement of the Hong Kong Listing Rules.

7.2 Top Ten Holders of Ordinary Shares and Top Ten Holders of Ordinary Shares Whose Shareholdings Are Not Subject to Trading Restrictions on Sales

Serial No.	Name of shareholders	Type of shareholders	Shares held at the end of the period (share)	Percentage of the total share capital (%)	Type of shares	Changes during the reporting period (share)	Number of shares subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
1	HKSCC Nominees Ltd.	Overseas legal person	4,552,888,656	18.05	H Shares not subject to trading restrictions on sales	482,341	–	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to trading restrictions on sales	–	–	–
3	Hong Kong Securities Clearing Company Limited	Overseas legal person	1,652,065,692	6.55	A Shares not subject to trading restrictions on sales	134,609,913	–	–
4	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to trading restrictions on sales	–	–	–
5	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to trading restrictions on sales	–	–	–
6	China Merchants Finance Investment Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to trading restrictions on sales	–	–	–
7	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,991,537	4.48	A Shares not subject to trading restrictions on sales	–	–	–
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to trading restrictions on sales	–	–	–
9	Dajia Life Insurance Co., Ltd. – Universal products	Domestic legal person	815,030,635	3.23	A Shares not subject to trading restrictions on sales	–	–	–
10	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	A Shares not subject to trading restrictions on sales	–	–	–

Notes:

(1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of China Merchants Bank trading on the transaction platform of HKSCC Nominees Ltd.. Hong Kong Securities Clearing Company Limited is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the shares of China Merchants Bank acquired by investors through Shanghai-Hong Kong Stock Connect.

(2) As at the end of the reporting period, of the aforesaid top ten shareholders, HKSCC Nominees Ltd. is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Finance Investment Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd.; and China Ocean Shipping Company Limited and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited. The Company is not aware of any affiliated relationship or action in concert among other shareholders.

(3) The above holders of A Shares did not hold the shares of the Company through credit securities accounts, neither were there cases of proxy, trustee nor waiver of voting rights.

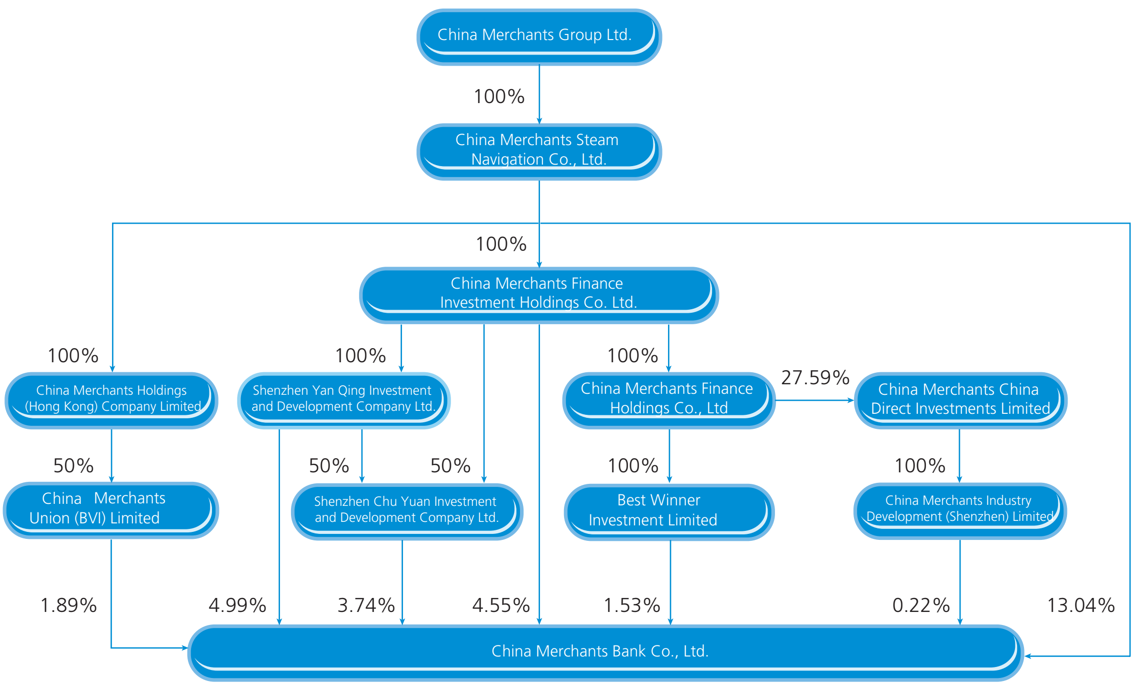
7.3 Information on Substantial Ordinary Shareholders

7.3.1 Information on the Company's largest Shareholder

As at the end of the reporting period, China Merchants Group Ltd., through its subsidiaries, namely China Merchants Steam Navigation Co., Ltd., China Merchants Finance Investment Holdings Co. Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., Shenzhen Chu Yuan Investment and Development Company Ltd., China Merchants Union (BVI) Limited, Best Winner Investment Limited and China Merchants Industry Development (Shenzhen) Limited, indirectly held an aggregate of 29.97% shares in the Company. There was no pledge of the shares of the Company. Specifically, China Merchants Steam Navigation Co., Ltd. directly held 13.04% shares in the Company, and is the largest shareholder of the Company with a registered capital of RMB17.0 billion, and its legal representative is Miao Jianmin. It mainly engages in investment and management of passenger and cargo shipping, dockyard, warehouse and vehicle transportation, and tugboat and barge transportation; repair, construction and trading of ships and offshore oil drilling equipment; sale, purchase and supply of various transportation equipment, spare parts and materials; ship, passenger and cargo shipping agency; construction of water and land-based construction projects; and businesses such as investment and management of finance, insurance, trust, securities and futures industries.

As at the end of the reporting period, China Merchants Group Ltd. directly holds 100% equity interests in China Merchants Steam Navigation Co., Ltd. and is the controlling shareholder of the Company's largest shareholder, with a registered capital of RMB16.9 billion. Its legal representative is Miao Jianmin. China Merchants Group Ltd. is a state-owned enterprise under the direct control of State-owned Assets Supervision and Administration Commission of the State Council. Its predecessor, China Merchants Steam Navigation Company, was founded in 1872, when China was in its late Qing Dynasty and was undergoing the Westernisation Movement. It was one of the enterprises which played a significant role in promoting the modernisation of China's national industries and commerce at that time. Nowadays, it has developed into a diversified conglomerate, with its businesses focusing on three core industries, namely integrated transportation, featured finance and comprehensive development of cities and industrial zones. It is realising the transformation from three main businesses to three major platforms of industrial operation, financial services, investment and capital operation.

The Company did not have any controlling shareholder and de facto controller. As at the end of the reporting period, the equity relationship among the Company, its largest shareholder and the controlling shareholder of its largest shareholder is illustrated as follows (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding):



7.3.2 Information on other shareholders holding more than 5% shares of the Company

As at the end of the reporting period, China COSCO Shipping Corporation Limited indirectly held an aggregate of 9.97% shares in the Company through its subsidiaries, namely China Ocean Shipping Company Limited, COSCO Shipping (Guangzhou) Co., Ltd., Guangzhou Haining Maritime Technology Consulting Co., Ltd. (廣州海寧海務技術諮詢有限公司), COSCO Shipping (Shanghai) Co., Ltd. (中遠海運(上海)有限公司), COSCO Shipping Investment Holdings Co., Limited (中遠海運投資控股有限公司) and Guangzhou Tri-Dynas Oil & Shipping Co., Ltd. (廣州市三鼎油品運輸有限公司). There was no pledge of the shares of the Company. Specifically, China Ocean Shipping Company Limited held 6.24% shares in the Company. China Ocean Shipping (Group) Company (the predecessor of China Ocean Shipping Company Limited) was established on 22 October 1983, with a registered capital of RMB16.191 billion. Its legal representative is Wan Min. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; acceptance of space booking, voyage charter and time charter from cargo owners at home and abroad; leasing, construction, trading and maintenance of vessels and containers and manufacture of related spare parts; ship escrowing business; provision of ship materials, spare parts and communications services relating to shipping business at home and abroad; management of enterprises engaging in vessel and cargo agency business and seafarer assignment business.

China COSCO Shipping Corporation Limited held 100% equity interests in China Ocean Shipping Company Limited and is its controlling shareholder. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council. China COSCO Shipping Corporation Limited was established on 5 February 2016, with a registered capital of RMB11.0 billion. Its legal representative is Wan Min. The scope of its businesses includes: international shipping, ancillary business in international maritime transportation; imports and exports of goods and technology; marine, land, aviation international freight forwarding business; charter of owned ships; sales of ships, containers and steel products; offshore engineering equipment design; terminal and port investment; communication equipment sales, information and technical services; warehousing (except hazardous chemicals); technology development, technology transfer, technical consulting, technical services and equity investment funds in the field of shipping and spare parts.

7.3.3 Other substantial shareholders under the regulatory calibre

1. As at the end of the reporting period, Dajia Life Insurance Co., Ltd. held 3.23% shares in the Company, and is a shareholder which has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. The controlling shareholder of Dajia Life Insurance Co., Ltd. is Dajia Insurance Group Co., Ltd.. Dajia Insurance Group Co., Ltd. was established on 25 June 2019, with a registered capital of RMB20.36 billion, and its legal representative is He Xiaofeng. Its controlling shareholder and de facto controller is China Insurance Security Fund Co., Ltd..

2. As at the end of the reporting period, China Communications Construction Group (Limited) through its subsidiaries, namely China Communications Construction Company Limited, CCCC Guangzhou Dredging Co., Ltd., CCCC Fourth Harbor Engineering Co., Ltd., CCCC Shanghai Dredging Co., Ltd., Zhen Hua (Shenzhen) Engineering Co., Ltd. and CCCC Third Harbor Consultants Co., Ltd. indirectly held an aggregate of 1.68% shares in the Company. There was no pledge of the shares of the Company. Among them, China Communications Construction Company Limited is a shareholder which has appointed a Supervisor in the Company. China Communications Construction Group (Limited) was established on 8 December 2005, with a registered capital of RMB7.274 billion, and its legal representative is Wang Tongzhou. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council.

3. As at the end of the reporting period, SAIC Motor Corporation Limited held 1.23% shares in the Company and is a shareholder which has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. SAIC Motor Corporation Limited was established on 16 April 1984, with a registered capital of RMB11.683 billion, and its legal representative is Chen Hong. Its de facto controller is the State-owned Assets Supervision and Administration Commission of Shanghai City.

7.3.4 Substantial shareholders' interests and short positions in the Company under Hong Kong laws and regulations

As at 30 June 2022, substantial shareholders had interests and short positions in the shares of the Company under Hong Kong laws and regulations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as follows (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding):

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (share)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Merchants Group Ltd.	A	Long	Interest of controlled corporation	6,697,550,412			
		Long	Others	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Steam Navigation Co., Ltd.	A	Long	Beneficial owner	3,289,470,337			
		Long	Interest of controlled corporation	3,408,080,075			
		Long	Others	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Finance Investment Holdings Co., Ltd.	A	Long	Beneficial owner	1,147,377,415			
		Long	Interest of controlled corporation	2,260,702,660			
		Long	Others	55,196,540			
				3,463,276,615	1	16.79	13.73
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
CMF Holdings Limited	A	Long	Interest of controlled corporation	58,147,140	1	0.28	0.23
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
Best Winner Investment Limited	A	Long	Beneficial owner	58,147,140	1	0.28	0.23
	H	Long	Beneficial owner	328,776,923	1	7.16	1.30
Shenzhen Yan Qing Investment and Development Company Ltd.	A	Long	Beneficial owner	1,258,542,349			
		Long	Interest of controlled corporation	944,013,171			
				2,202,555,520	1	10.68	8.73

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (share)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Ocean Shipping Company Limited	A	Long	Beneficial owner	1,574,729,111		7.63	6.24
Hexie Health Insurance Co. Ltd.	A	Long	Beneficial owner	1,130,991,537	2	5.48	4.48
Pagoda Tree Investment Company Limited (中國華馨投資有限公司)	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Compass Investment Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
CNIC Corporation Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Verise Holdings Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
China Merchants Union (BVI) Limited	H	Long	Beneficial owner	477,903,500	3	10.41	1.89
JPMorgan Chase & Co.	H	Long	Interest of controlled corporation	79,197,777			
		Long	Investment manager	157,831,188			
		Long	Person having a security interest in shares	2,115,726			
		Long	Trustee	12,335			
		Long	Approved lending agent	101,040,077			
				340,197,103	4	7.41	1.35
		Short	Interest of controlled corporation	74,074,162	4	1.61	0.29
UBS Group AG	H	Long	Interest of controlled corporation	279,714,317	5	6.09	1.11
BlackRock, Inc.	H	Long	Interest of controlled corporation	251,630,077	6	5.48	1.00
		Short	Interest of controlled corporation	157,000	6	0.00	0.00

Notes：

(1) For details of China Merchants Group Ltd. and its subsidiaries' interests in the Company, please refer to section 7.3.1 "Information on the Company's largest Shareholder".

(2) New China Asset Management Co., Ltd. was the trustee of all the A Shares in the Company held by Hexie Health Insurance Co., Ltd.. Therefore, New China Asset Management Co., Ltd. was deemed to hold interests in all the A Shares in the Company held by Hexie Health Insurance Co., Ltd..

(3) Pagoda Tree Investment Company Limited was deemed to hold interests in the 477,903,500 H Shares in the Company held by China Merchants Union (BVI) Limited by virtue of its wholly-owned subsidiary of Compass Investment Company Limited:

(3.1) China Merchants Union (BVI) Limited held 477,903,500 H Shares (long position) in the Company. Verise Holdings Company Limited was deemed to hold interests in the 477,903,500 H Shares in the Company held by China Merchants Union (BVI) Limited by virtue of holding the 50% interests in China Merchants Union (BVI) Limited.

(3.2) Verise Holdings Company Limited was wholly-owned by CNIC Corporation Limited. Therefore, CNIC Corporation Limited was deemed to hold interests in the 477,903,500 H Shares in the Company which were deemed to be held by Verise Holdings Company Limited.

(3.3) Compass Investment Company Limited was deemed to hold interests in the 477,903,500 H Shares in the Company which were deemed to be held by CNIC Corporation Limited by virtue of holding the 98.9% interests in CNIC Corporation Limited.

The 477,903,500 H Shares referred to in (3) and (3.1) to (3.3) above represented the same shares.

(4) JPMorgan Chase & Co. was deemed to hold a total of 340,197,103 H Shares (long position) and 74,074,162 H Shares (short position) in the Company by virtue of its control over a number of companies. The equity interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 101,040,077 H Shares. Besides, 41,834,151 H Shares (long position) and 24,406,973 H Shares (short position) were held through derivatives as follows:

1,079,500 H Shares (long position) and 793,000 H Shares (short position)	– through physically settled listed derivatives
15,950 H Shares (long position) and 1,509,650 H Shares (short position)	– through cash settled listed derivatives
8,759,652 H Shares (short position)	– through physically settled unlisted derivatives
40,738,700 H Shares (long position) and 13,344,670 H Shares (short position)	– through cash settled unlisted derivatives
1 H Share (long position) and 1 H Share (short position)	– through convertible instruments listed derivatives

(5) UBS Group AG was deemed to hold a total of 279,714,317 H Shares (long position) in the Company by virtue of its control over a number of companies. The equity interests of UBS Group AG in the Company included 12,111,766 H Shares (long position) which were held through derivatives as follows:

1,829,114 H Shares (long position)	– through physically settled listed derivatives
10,223,662 H Shares (long position)	– through cash settled unlisted derivatives
55,292 H Shares (long position)	– through physically settled unlisted derivatives
3,698 H Shares (long position)	– through cash settled listed derivatives

(6) BlackRock, Inc. was deemed to hold a total of 251,630,077 H Shares (long position) and 157,000 H Shares (short position) in the Company by virtue of its control over a number of companies. The equity interests of BlackRock, Inc. in the Company included 753,000 H Shares (long position) and 157,000 H Shares (short position) which were held through derivatives as follows:

735,000 H Shares (long position) and 157,000 H Shares (short position)	– through cash settled unlisted derivatives

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Company) who has any interests or short positions in the shares of the Company as at 30 June 2022 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

7.4 Issuance and Listing of Securities

During the reporting period, the Company did not issue any new ordinary shares. The Company did not have any internal staff shares. Except for the disclosure related to "Preference Shares" in this chapter, no equity-linked agreements of the Company were entered into during the reporting period or subsisted at the end of the reporting period.

For issuance of bonds of the Company and its subsidiaries, please refer to Note 32 to the financial statements.

7.5 Preference Shares

7.5.1 Issuance and listing of preference shares

Pursuant to the approvals by the regulatory authorities, the Company made a non-public issuance of 50,000,000 non-cumulative perpetual offshore preference shares on 25 October 2017. The issuance price is USD20 each and the coupon dividend rate per annum is 4.40% (excluding tax, i.e., the actual dividend yield to be received by the holders of the preference shares is 4.40%). The offshore preference shares of the issuance were listed on Hong Kong Stock Exchange on 26 October 2017 (abbreviated name of shares: "CMB 17USDPREF"; stock code: 04614; number of listed shares: 50,000,000). The total proceeds from the issuance of the offshore preference shares amounted to USD1.0 billion and, after deduction of the expenses relating to the issuance, has fully been used to replenish the Company's additional Tier 1 Capital.

Pursuant to the approvals by the regulatory authorities, the Company made a non-public issuance of 275,000,000 domestic preference shares on 22 December 2017. The issuance price is RMB100 each and the coupon dividend rate per annum is 4.81% (including tax). The domestic preference shares of the issuance have been listed and traded on the integrated business platform of Shanghai Stock Exchange since 12 January 2018 (abbreviated name of shares: "Zhao Yin You 1 (招銀優1)"; stock code: 360028; number of listed shares: 275,000,000). The total proceeds from the issuance of the domestic preference shares amounted to RMB27.5 billion. The net proceeds after deduction of the expenses relating to the issuance, has fully been used to replenish the Company's additional Tier 1 Capital.

For details, please refer to the relevant announcement(s) published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company, respectively.

7.5.2 Number of shareholders of preference shares and their shareholdings

As at the end of the reporting period, the Company had a total of 19 holders of preference shares (or their nominees), including 1 holder of offshore preference shares (or its nominee) and 18 holders of domestic preference shares.

As at the end of the reporting period, the shareholdings of the Company's top ten holders of offshore preference shares (or their nominees) were as follows:

No.	Name of shareholders	Type of shareholders	Type of shares	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Changes (share)	Number of shares subject to trading restrictions on sales (share)	Shares pledged, marked or frozen (share)
1	The Bank of New York Depository (Nominees) Limited	Overseas legal person	Offshore preference share	50,000,000	100	–	–	Unknown

Notes:

(1) The shareholdings of holders of preference shares are calculated based on the information listed in the register of holders of preference shares maintained by the Company.

(2) As the issuance is an offshore non-public issuance, the information listed in the register of holders of preference shares is the information on the nominees of the placees.

(3) The Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares and the top ten holders of ordinary shares.

(4) "Percentage of shareholdings" represents the percentage of the number of offshore preference shares held by the holders of preference shares to the total number of offshore preference shares.

As at the end of the reporting period, the shareholdings of the Company's top ten holders of domestic preference shares were as follows:

No.	Name of shareholders	Type of shareholders	Type of shares	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Changes (share)	Number of shares subject to trading restrictions on sales (share)	Shares pledged, marked or frozen (share)
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference share	106,000,000	38.55	–	–	–
2	CCB Capital – "Qianyuan – Private" (乾元－私享), an open private banking RMB wealth management product (daily calculated) of China Construction Bank – Anxin Private (安鑫私享) No.2 Special Asset Management Scheme of CCB Capital	Others	Domestic preference share	40,000,000	14.55	–	–	–
3	BOC Asset – Bank of China – Bank of China Limited, Shenzhen Branch	Others	Domestic preference share	25,000,000	9.09	–	–	–
4	China National Tobacco (Henan Province) Company	State-owned legal person	Domestic preference share	20,000,000	7.27	–	–	–
	Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Others	Domestic preference share	20,000,000	7.27	–	–	–
6	China National Tobacco (Anhui Province) Company	State-owned legal person	Domestic preference share	15,000,000	5.45	–	–	–
	China National Tobacco (Sichuan Province) Company	State-owned legal person	Domestic preference share	15,000,000	5.45	–	–	–
8	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	9,000,000	3.27	–	–	–
9	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	7,200,000	2.62	-800,000	–	–
10	Changjiang Pension Insurance – Bank of China – China Pacific Life Insurance Co., Ltd.	Others	Domestic preference share	5,000,000	1.82	–	–	–
	China National Tobacco (Liaoning Province) Company	State-owned legal person	Domestic preference share	5,000,000	1.82	–	–	–

Notes:

(1) The shareholdings of holders of domestic preference share are presented under separate account according to the register of members of preference share of the Company.

(2) China National Tobacco (Henan Province) Company, China National Tobacco (Anhui Province) Company, China National Tobacco (Sichuan Province) Company and China National Tobacco (Liaoning Province) Company are all wholly-owned subsidiaries of China National Tobacco Corporation; "Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management" and "Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management" are all managed by Everbright Securities Asset Management Co., Ltd. Save for the above, the Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares or between the above holders of preference shares and the Company's top ten holders of ordinary shares.

(3) "Percentage of shareholdings" represents the percentage of the number of domestic preference shares held by the holders of preference shares to the total number of domestic preference shares.

7.5.3 Dividend distribution of preference shares

During the reporting period, no distribution of dividend for preference shares was made by the Company.

7.5.4 Repurchase or conversion of preference shares

During the reporting period, there had been no repurchase or conversion of preference shares.

On 20 May 2022, the Company convened the 41st meeting of the Eleventh Session of the Board of Directors, at which the "Resolution on the Full Redemption of USD1.0 Billion Offshore Preference Shares of China Merchants Bank Co., Ltd." was considered and approved, and it is agreed that: upon satisfying the prerequisites for the full redemption of the offshore preference shares, the Company can fully redeem the offshore preference shares of the Company and pay the undistributed dividends at the same time. The Company has received a no-objection letter from the CBIRC on the redemption of USD1.0 billion Offshore Preference Shares. The Company intends to redeem all Offshore Preference Shares on 25 October 2022. The Company will, in accordance with the requirements of relevant laws, regulations and the issuance documents of offshore preference shares, handle other application procedures with the relevant regulatory authorities and perform the corresponding information disclosure obligations.

7.5.5 Restored voting rights of preference shares

During the reporting period, the voting rights of the Company's domestic and offshore preference shares in issue had not been restored.

7.5.6 Accounting policies for preference shares and the reason of adoption

The Company made accounting judgements over its preference shares then issued and outstanding in accordance with the requirements of the relevant accounting principles, including the "International Financial Reporting Standard 9 – Financial Instruments" and the "International Accounting Standard 32 – Financial Instruments: Presentation" promulgated by International Accounting Standards Board. As the preference shares issued and outstanding of the Company carry no obligation to deliver cash and cash equivalents, nor have they any contractual obligations to deliver a variable number of its own equity instruments for settlement, they were therefore measured as equity instruments.

Financial Statements

Report on Review of Interim Consolidated Financial Statements

Deloitte. 德勤

To the board of directors of China Merchants Bank Co., Ltd.
(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim consolidated financial statements of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 103 to 186 which comprise the consolidated statement of financial position as of 30 June 2022 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of these interim consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim consolidated financial statements 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" issued by the International Auditing and Assurance Standards Board. A review of these interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

19 August 2022

Unaudited Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2022	2021
Interest income	3	**172,861**	159,243
Interest expense	4	**(65,169)**	(59,902)
Net interest income		**107,692**	99,341
Fee and commission income	5	**57,614**	56,005
Fee and commission expense		**(4,209)**	(3,751)
Net fee and commission income		**53,405**	52,254
Other net income	6	**16,524**	15,050
– Disposal of financial instruments at amortised cost		**158**	1
Operating income		**177,621**	166,645
Operating expenses	7	**(53,976)**	(50,612)
Operating profit before impairment losses and taxation		**123,645**	116,033
Expected credit losses	8	**(41,477)**	(41,895)
Share of profits of joint ventures		**1,034**	1,668
Share of profits of associates		**422**	517
Profit before taxation		**83,624**	76,323
Income tax	9	**(13,622)**	(14,675)
Profit for the period		**70,002**	61,648
Attributable to:			
Equity holders of the Bank		**69,420**	61,150
Non-controlling interests		**582**	498
Earnings per share			
Basic and diluted (RMB Yuan)	11	**2.67**	2.35

The notes on pages 111 to 186 form part of this interim consolidated financial statements.

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June 2022	2021
Profit for the period		**70,002**	61,648
Other comprehensive income for the period after tax			
Items that may be reclassified subsequently to profit or loss		**1,860**	2,429
– Net fair value change on debt instruments measured at fair value through other comprehensive income		**(3,736)**	(210)
– Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		**3,560**	3,478
– Net movement in cash flow hedge reserve		**103**	47
– Share of other comprehensive expenses from equity-accounted investees		**(325)**	(142)
– Exchange difference on translation of financial statements of foreign operations		**2,258**	(744)
Items that will not be reclassified to profit or loss		**(11)**	1,071
– Fair value change on equity instruments designated at fair value through other comprehensive income		**(9)**	1,045
– Remeasurement of defined benefit scheme		**(2)**	26
Other comprehensive income for the period, net of tax	10	**1,849**	3,500
Attributable to:			
Equity holders of the Bank		**1,716**	3,551
Non-controlling interests		**133**	(51)
Total comprehensive income for the period		**71,851**	65,148
Attributable to:			
Equity holders of the Bank		**71,136**	64,701
Non-controlling interests		**715**	447

The notes on pages 111 to 186 form part of this interim consolidated financial statements.

Unaudited Consolidated Statement of Financial Position

At 30 June 2022

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	30 June 2022	31 December 2021
Assets			
Cash		**11,768**	13,310
Precious metals		**2,677**	4,639
Balances with central banks	12	**573,334**	553,898
Balances with banks and other financial institutions	13	**101,254**	80,350
Placements with banks and other financial institutions	14	**275,349**	194,421
Amounts held under resale agreements	15	**211,755**	524,601
Loans and advances to customers	16	**5,687,676**	5,335,391
Financial investments at fair value through profit or loss	17(a)	**423,669**	348,123
Derivative financial assets	41(f)	**20,252**	23,390
Debt investments at amortised cost	17(b)	**1,346,150**	1,185,841
Debt investments at fair value through other comprehensive income	17(c)	**729,245**	636,038
Equity investments designated at fair value through other comprehensive income	17(d)	**11,395**	6,995
Interests in joint ventures	18	**15,165**	14,779
Interests in associates	19	**9,038**	8,875
Investment properties	20	**1,362**	1,372
Property and equipment	21	**94,928**	80,415
Right-of-use assets	22	**17,902**	18,403
Intangible assets	23	**3,686**	4,066
Goodwill	24	**9,954**	9,954
Deferred tax assets	25	**88,316**	81,639
Other assets		**90,121**	122,521
Total assets		**9,724,996**	9,249,021

The notes on pages 111 to 186 form part of this interim consolidated financial statements.

	Notes	30 June 2022	31 December 2021
Liabilities			
Borrowing from central bank		**142,751**	159,987
Deposits from banks and other financial institutions	26	**641,676**	753,018
Placements from banks and other financial institutions	27	**196,775**	170,650
Financial liabilities at fair value through profit or loss	28	**68,069**	63,761
Derivative financial liabilities	41(f)	**23,245**	27,282
Amounts sold under repurchase agreements	29	**103,466**	157,660
Deposits from customers	30	**7,084,597**	6,385,154
Salaries and welfare payable		**23,782**	19,761
Tax payable		**21,314**	22,491
Contract liabilities		**8,083**	7,536
Lease liabilities		**13,410**	13,812
Provisions	31	**23,940**	14,660
Debt securities issued	32	**338,152**	446,645
Deferred tax liabilities	25	**1,365**	1,353
Other liabilities		**138,705**	139,570
Total liabilities		**8,829,330**	8,383,340
Equity			
Share capital	33	**25,220**	25,220
Other equity instruments		**127,043**	127,043
– Preference shares	34(a)	**34,065**	34,065
– Perpetual bonds	34(b)	**92,978**	92,978
Capital reserve		**66,034**	67,523
Investment revaluation reserve	35	**14,514**	15,047
Hedging reserve		**142**	39
Surplus reserve		**82,137**	82,137
General reserve		**116,309**	115,288
Retained earnings		**456,657**	390,207
Proposed profit appropriations		**–**	38,385
Exchange reserve		**(24)**	(2,144)
Total equity attributable to equity holders of the Bank		**888,032**	858,745
Non-controlling interests		**7,634**	6,936
– Non-controlling interest		**4,966**	3,300
– Perpetual debt capital	43(a)	**2,668**	3,636
Total equity		**895,666**	865,681
Total equity and liabilities		**9,724,996**	9,249,021

The notes on pages 111 to 186 form part of this interim consolidated financial statements.

Approved and authorised for issue by the board of directors on 19 August 2022.

Miao Jianmin
Director

Wang Liang
Director

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

(Expressed in millions of Renminbi unless otherwise stated)

		Six months ended 30 June 2022														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Note	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriations	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2022		25,220	34,065	92,978	67,523	15,047	39	82,137	115,288	390,207	38,385	(2,144)	858,745	3,300	3,636	865,681
Changes in equity for the period		–	–	–	(1,489)	(533)	103	–	1,021	66,450	(38,385)	2,120	29,287	1,666	(968)	29,985
(a) Net profit for the period		–	–	–	–	–	–	–	–	69,420	–	–	69,420	468	114	70,002
(b) Other comprehensive income for the period		–	–	–	–	(507)	103	–	–	–	–	2,120	1,716	(3)	136	1,849
Total comprehensive income for the period		–	–	–	–	(507)	103	–	–	69,420	–	2,120	71,136	465	250	71,851
(c) Capital contribution from equity holders		–	–	–	(1,489)	–	–	–	–	–	–	–	(1,489)	1,480	(1,104)	(1,113)
(i) Capital invested by non-controlling shareholders		–	–	–	(1,489)	–	–	–	–	–	–	–	(1,489)	1,489	–	–
(ii) Decrease in non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	(9)	–	(9)
(iii) Redemption of perpetual debt capital		–	–	–	–	–	–	–	–	–	–	–	–	–	(1,104)	(1,104)
(d) Profit appropriations		–	–	–	–	–	–	–	1,021	(2,996)	(38,385)	–	(40,360)	(279)	(114)	(40,753)
(i) Appropriations to general reserve		–	–	–	–	–	–	–	1,021	(1,021)	–	–	–	–	–	–
(ii) Dividends appropriations for the year 2021		–	–	–	–	–	–	–	–	–	(38,385)	–	(38,385)	(279)	–	(38,664)
(iii) Distribution of perpetual bonds		–	–	–	–	–	–	–	–	(1,975)	–	–	(1,975)	–	–	(1,975)
(iv) Distribution of perpetual debt capital	43(a)	–	–	–	–	–	–	–	–	–	–	–	–	–	(114)	(114)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		–	–	–	–	(26)	–	–	–	26	–	–	–	–	–	–
At 30 June 2022		25,220	34,065	92,978	66,034	14,514	142	82,137	116,309	456,657	–	(24)	888,032	4,966	2,668	895,666

The notes on pages 111 to 186 form part of this interim consolidated financial statements.

	Six months ended 30 June 2021															
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Note	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriations	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2021		25,220	34,065	49,989	67,523	8,207	(66)	71,158	98,082	338,664	31,601	(693)	723,750	2,851	3,753	730,354
Changes in equity for the period		–	–	–	–	2,840	47	–	370	60,161	(31,601)	(692)	31,125	141	(52)	31,214
(a) Net profit for the period		–	–	–	–	–	–	–	–	61,150	–	–	61,150	384	114	61,648
(b) Other comprehensive income for the period		–	–	–	–	4,196	47	–	–	–	–	(692)	3,551	1	(52)	3,500
Total comprehensive income for the period		–	–	–	–	4,196	47	–	–	61,150	–	(692)	64,701	385	62	65,148
(c) Profit appropriations		–	–	–	–	–	–	–	370	(2,345)	(31,601)	–	(33,576)	(244)	(114)	(33,934)
(i) Appropriations to general reserve		–	–	–	–	–	–	–	370	(370)	–	–	–	–	–	–
(ii) Dividends appropriations for the year 2020		–	–	–	–	–	–	–	–	–	(31,601)	–	(31,601)	(244)	–	(31,845)
(iii) Distribution of perpetual bonds		–	–	–	–	–	–	–	–	(1,975)	–	–	(1,975)	–	–	(1,975)
(iv) Distribution of perpetual debt capital		–	–	–	–	–	–	–	–	–	–	–	–	–	(114)	(114)
(d) Transfers within equity upon disposal of equity instruments designated at FVTOCI		–	–	–	–	(1,356)	–	–	–	1,356	–	–	–	–	–	–
At 30 June 2021		25,220	34,065	49,989	67,523	11,047	(19)	71,158	98,452	398,825	–	(1,385)	754,875	2,992	3,701	761,568

The notes on pages 111 to 186 form part of this interim consolidated financial statements.

Unaudited 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
Operating activities		
Profit before tax	**83,624**	76,323
Adjustments for:		
– Impairment losses on loans and advances	**22,795**	14,457
– Impairment losses on investments and other	**18,682**	27,438
– Unwinding of discount on the allowances of loans and advances	**(120)**	(141)
– Depreciation of property and equipment and investment properties	**4,936**	4,253
– Depreciation of right-of-use assets	**2,098**	2,162
– Amortisation of other assets	**611**	670
– Net gains on debt securities and equity investments	**(8,556)**	(7,403)
– Interest income on investments	**(31,022)**	(26,800)
– Interest expense on issued debt securities	**5,645**	6,047
– Share of profits of associates	**(422)**	(517)
– Share of profits of joint ventures	**(1,034)**	(1,668)
– Net gain on disposal of property and equipment and other assets	**(182)**	(23)
– Interest expense on lease liabilities	**275**	291
Changes in:		
Balances with central bank	**(16,997)**	(19,230)
Loans and advances to customers	**(376,686)**	(364,614)
Other assets	**29,500**	14,262
Deposits from customers	**690,107**	351,829
Amounts due to banks and other financial institutions	**(138,651)**	49,096
Amounts due from banks and other financial institutions with original maturity over 3 months	**(34,510)**	(40,918)
Borrowing from central bank	**(17,543)**	(29,751)
Other liabilities	**(80,176)**	(28,870)
Cash generated from operating activities before income tax payment	**152,374**	26,893
Income tax paid	**(21,750)**	(20,571)
Net cash generated from operating activities	**130,624**	6,322
Investing activities		
Payment for the purchases of investments	**(744,802)**	(644,655)
Payment for the purchases of property and equipment and other assets	**(22,139)**	(11,686)
Payment for investments in associates or joint ventures	**(154)**	(4,935)
Proceeds from disposals of investments	**471,106**	584,181
Proceeds from investments income	**40,243**	34,625
Proceeds from disposals of associates or joint ventures	**233**	264
Proceeds from disposals of property and equipment and other assets	**4,426**	286
Net cash used in investing activities	**(251,087)**	(41,920)

The notes on pages 111 to 186 form part of this interim consolidated financial statements.

	Note	Six months ended 30 June 2022	2021
Financing activities			
Proceeds from the issuance of debt securities		9,828	43,994
Proceeds from the issuance of negotiable interbank certificates of deposit		19,778	187,385
Proceeds from the issuance of certificates of deposit and other		6,223	16,492
Proceeds from the non-controlling shareholders of subsidiaries		2,667	–
Proceeds from other financing activities		92	6,496
Repayment of debt securities		(16,278)	(10,830)
Repayment of negotiable interbank certificates of deposit		(128,189)	(140,240)
Repayment of certificates of deposit		(7,870)	(18,958)
Redemption of non-controlling interest		(9)	–
Redemption of perpetual debt capital		(1,104)	–
Repayment of lease liabilities		(2,420)	(2,460)
Distribution paid on perpetual debt capital		(114)	(114)
Distribution paid on ordinary shares		(279)	(244)
Interest paid on financing activities		(6,247)	(3,195)
Repayments for other financing activities		(3,478)	(126)
Net cash (used in)/generated from financing activities		(127,400)	78,200
Net (decrease)/increase in cash and cash equivalents		(247,863)	42,602
Cash and cash equivalents as at 1 January		801,754	552,790
Effect of foreign exchange rate changes		5,482	(1,627)
Cash and cash equivalents as at 30 June	37(a)	559,373	593,765
Cash flows from operating activities include:			
Interest received		140,967	131,395
Interest paid		50,365	49,047

The notes on pages 111 to 186 form part of this interim consolidated financial statements.

Notes to the Unaudited Interim Consolidated Financial Statements

For the six months ended 30 June 2022

(Expressed in millions of Renminbi unless otherwise stated)

1. General information

China Merchants Bank Co., Ltd. (the "Bank") is a commercial bank incorporated in Shenzhen, the People's Republic of China (the "PRC"). With the approval of the China Securities Regulatory Commission (the "CSRC") of the PRC, the A-Shares of the Bank were listed on Shanghai Stock Exchange on 9 April 2002. On 22 September 2006, the Bank's H-Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Bank and its subsidiaries (the "Group") are the provision of corporate and personal banking services, conducting treasury business, and the provision of asset management and other financial services.

As at 30 June 2022, apart from the Head Office, the Bank had 51 branches in Mainland China, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has two representative offices in New York and Taipei.

The particulars of the Group's major subsidiaries as at 30 June 2022 are set out below.

Name of company	Place of incorporation and operation	Particulars of the issued and paid up capital (in millions)	% of ownership held by the Bank	Principal activities	Economic nature	Legal representative
CMB International Capital Holdings Corporation Limited ("CMBIC")	Hong Kong	HKD4,129	100%	Investment bank and investment management	Limited liability	Wang Liang
CMB Financial Leasing Company Limited ("CMBFL")	Shanghai	RMB12,000	100%	Finance leasing	Limited liability	Shi Shunhua
CMB Wing Lung Bank Limited ("CMB WLB")	Hong Kong	HKD1,161	100%	Banking	Limited liability	Zhu Qi
China Merchants Fund Management Co., Ltd ("CMFM")	Shenzhen	RMB1,310	55%	Fund management	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd ("CMBWM") (note (i))	Shenzhen	RMB5,556	90%	Asset management	Limited liability	Chen Yisong
China Merchants Europe S.A. ("CMB Europe S.A.")	Luxembourg	EUR50	100%	Banking	Limited liability	Li Biao
Cigna & CMB Asset Management Company Limited ("CIGNA & CMAM")	Beijing	RMB500	(note (ii))	Asset management	Limited liability	Wang Xiaoqing

Notes:

(i) JPMorgan Asset Management (Asia Pacific) Limited ("JPMorgan Asset Management") contributed RMB2,667 million to subscribe for 10% of the equity interest of CMBWM in the current period upon the approval of the China Banking and Insurance Regulatory Commission ("CBIRC") Yinbao Jianfu [2021] No. 920. After the completion of the transaction, the capital of CMBWM increased from RMB5,000 million to RMB5,556 million. The Bank and JPMorgan Asset Management hold 90% and 10% equity interest of CMBWM respectively.

(ii) CIGNA & CMAM is an indirectly controlled subsidiary of the Bank, with 87.3458% held by CIGNA & CMB Life Insurance Co., Ltd., a joint venture of the Bank, and 12.6542% held by CMBIC, a subsidiary of the Bank.

2. Basis of preparation, principal accounting policies, accounting estimates and judgements

(a) Basis of preparation and principal accounting policies

This unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited interim consolidated financial statements do not include all of the information required for full set of financial statement prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the 2021 annual consolidated financial statements.

Other than the application of the following amendments to IFRSs, the Group's accounting policies and methods of computation applied in preparing this unaudited interim consolidated financial statements are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 31 December 2021.

In the current interim period, the Group has applied the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's unaudited interim consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited interim consolidated financial statements.

(b) Accounting estimates and judgements

The preparation of the unaudited interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The Group's significant accounting estimates and judgements applied in preparing this unaudited interim financial report are consistent with those applied in preparing the consolidated financial statements for the year ended 31 December 2021.

3. Interest income

	Six months ended 30 June 2022	2021
Loans and advances to customers	**131,204**	122,537
– Corporate loans and advances	**42,223**	39,925
– Retail loans and advances	**83,254**	77,542
– Discounted bills	**5,727**	5,070
Balances with central banks	**4,023**	3,894
Balances with banks and other financial institutions	**431**	346
Placements with banks and other financial institutions	**3,379**	2,693
Amounts held under resale agreements	**2,802**	2,973
Financial investments	**31,022**	26,800
– Debt investments at FVTOCI	**9,146**	7,667
– Debt investments at amortised cost	**21,876**	19,133
Total	**172,861**	159,243

Note: For the six months ended 30 June 2022, included in the above is the interest income of RMB6,646 million accrued on loans and advances to customers at fair value through other comprehensive income (six months ended 30 June 2021: RMB5,729 million).

4. Interest expense

	Six months ended 30 June	
	2022	2021
Deposits from customers	**49,791**	40,383
Borrowing from central bank	**1,498**	4,187
Deposits from banks and other financial institutions	**5,119**	5,374
Placements from banks and other financial institutions	**1,805**	2,271
Amounts sold under repurchase agreements	**1,036**	1,349
Debt securities issued	**5,645**	6,047
Lease liabilities	**275**	291
Total	**65,169**	59,902

5. Fee and commission income

	Six months ended 30 June	
	2022	2021
Fees and commissions from wealth management	**18,873**	20,544
Fees and commissions from asset management	**6,339**	4,772
Bank cards fees	**10,706**	9,396
Settlement and clearing fees	**7,819**	7,277
Commissions from credit commitment and lending business	**3,515**	3,852
Commissions from custody business	**3,045**	2,857
Other	**7,317**	7,307
Total	**57,614**	56,005

Since the 2021 Annual Report, the Group re-presented the disclosure of fee and commission income by regrouping the components that were previously included in "Agent service fees", "Commissions on trust and fiduciary activities" and "Other", and present them under the category of wealth management, asset management, custody business and other. The comparative figures in the unaudited interim consolidated financial report were re-presented accordingly. After the re-presentation, fees and commissions from wealth management contain agency funds income, agency insurance income, agency trust schemes income, agency wealth management income, agency securities transaction income and agency precious metal income; fees and commissions from asset management contain income from issuance and management of various asset management products such as funds, wealth management products, asset management schemes, etc.; commissions from custody business contain income obtained from providing basic services and value-added services of custody assets; other items contain bond and equity underwriting income, credit asset securitisation service fee income, consulting income and other intermediary business income.

6. Other net income

	Six months ended 30 June 2022	2021
Net (losses)/gains from fair value change	**(1,558)**	696
– financial instruments at fair value through profit or loss("FVTPL")	**(1,486)**	253
– derivative instruments	**64**	810
– precious metals	**(136)**	(367)
Net investment income	**11,002**	8,922
– financial instruments at FVTPL	**6,977**	6,644
– gain on disposal of financial assets at amortised cost	**158**	1
– gain on disposal of debt instruments at FVTOCI	**3,780**	2,267
– of which: gain on disposal of bills	**2,446**	1,519
– dividend income from equity investments designated at FVTOCI	**41**	33
– other	**46**	(23)
Foreign exchange gain	**1,718**	1,925
Other income	**4,873**	3,131
– income on operating leases	**4,611**	2,903
– insurance income	**262**	228
Other	**489**	376
Total	**16,524**	15,050

7. Operating expenses

	Six months ended 30 June 2022	2021
Staff costs	**34,257**	31,327
– Salaries and bonuses	**26,195**	23,419
– Social insurance and corporate supplementary insurance	**4,913**	4,533
– Other	**3,149**	3,375
Tax and surcharges	**1,569**	1,426
Property, equipment and investment properties depreciation	**4,936**	4,253
Intangible assets amortisation	**543**	582
Right-of-use assets depreciation	**2,098**	2,162
Short-term rent and low-value asset rent	**117**	154
Charge for insurance claims	**174**	154
Other general and administrative expenses	**10,282**	10,554
Total	**53,976**	50,612

8. Expected credit losses

	Six months ended 30 June 2022	2021
Loans and advances to customers	**22,795**	14,457
– Loans and advances at amortised cost	**22,878**	13,586
– Loans and advances at FVTOCI	**(83)**	871
Amounts due from banks and other financial institutions	**(2,594)**	4,419
Financial investments	**9,704**	9,092
– Debt investments at amortised cost	**4,950**	5,352
– Debt investments at FVTOCI	**4,754**	3,740
Expected credit losses relating to financial guarantees and loan commitments	**8,250**	13,662
Other	**3,322**	265
Total	**41,477**	41,895

9. Income tax

(a) Income tax expense in the unaudited consolidated statement of profit or loss represents:

	Six months ended 30 June 2022	2021
Current income tax expense	**20,278**	23,075
– Mainland China	**19,706**	22,495
– Hong Kong	**426**	459
– Overseas	**146**	121
Deferred taxation	**(6,656)**	(8,400)
Total	**13,622**	14,675

(b) A reconciliation of income tax expense in the unaudited consolidated statement of profit or loss and that calculated at the applicable statutory tax rate is as follows:

	Six months ended 30 June 2022	2021
Profit before taxation	**83,624**	76,323
Tax at the PRC statutory income tax rate of 25% (Six months ended 30 June 2021: 25%)	**20,906**	19,080
Tax effects of the following items:		
– Effects of non-deductible expenses	**593**	792
– Effects of non-taxable income	**(8,443)**	(5,570)
– Effects of different applicable rates in other jurisdictions	**(166)**	(212)
– Transfer out of previously recognised deferred tax assets	**732**	585
Income tax expense	**13,622**	14,675

Note:

(i) Taxation for Hong Kong and overseas operations are charged at the applicable rates of tax prevailing in relevant regions.

10. Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	Six months ended 30 June					
	2022			2021		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Items that may be reclassified subsequently to profit or loss						
– Net fair value change on debt instruments measured at FVTOCI	(4,912)	1,176	(3,736)	(138)	(72)	(210)
– Net changes in expected credit losses of debt instruments measured at FVTOCI	4,742	(1,182)	3,560	4,650	(1,172)	3,478
– Net movement in cash flow hedge reserve	123	(20)	103	38	9	47
– Share of other comprehensive expenses from equity-accounted investees	(325)	–	(325)	(142)	–	(142)
– Exchange difference on translation of financial statements of foreign operations	2,258	–	2,258	(744)	–	(744)
Items that will not be reclassified to profit or loss						
– Net fair value change on equity instruments designated at FVTOCI	(14)	5	(9)	1,392	(347)	1,045
– Remeasurement of defined benefit scheme	(2)	–	(2)	31	(5)	26
Other comprehensive income	1,870	(21)	1,849	5,087	(1,587)	3,500

(b) Fair value change on the components of other comprehensive income

	Six months ended 30 June	
	2022	2021
Net fair value change on debt instruments measured at FVTOCI		
Changes in fair value recognised during the period	(901)	1,490
Reclassification adjustments for amounts transferred to profit or loss upon disposal	(2,835)	(1,700)
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	(3,736)	(210)
Net changes in expected credit losses of debt instruments measured at FVTOCI		
Changes in expected credit losses recognised during the period	3,560	3,478
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	3,560	3,478
Net movement in cash flow hedge reserve		
Effective portion of changes in fair value of hedging instruments	104	(21)
Reclassification adjustment for realised (gain)/loss to profit or loss	(1)	68
Net movement in the hedging reserve during the period recognised in other comprehensive income	103	47
Net fair value change on equity instruments designated at FVTOCI		
Changes in fair value recognised during the period	(9)	1,045
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	(9)	1,045

11. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2022 and 2021 is based on the net profit attributable to shareholders of the Bank and the weighted average number of shares in issue. There was no difference between basic and diluted earnings per share as there were no impact of potentially dilutive shares outstanding during the six months ended 30 June 2022 and 2021.

	Six months ended 30 June	
	2022	2021
Net profit attributable to equity holders of the Bank	**69,420**	61,150
Net profit attributable to investors of preference shares	**–**	–
Net profit attributable to investors of perpetual bonds	**(1,975)**	(1,975)
Net profit attributable to ordinary shareholders of the Bank	**67,445**	59,175
Weighted average number of shares in issue (in million shares)	**25,220**	25,220
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB Yuan)	**2.67**	2.35

Note:

The Bank issued non-cumulative preference shares in 2017 and non-cumulative perpetual bonds in 2020 and 2021. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares and interests on non-cumulative perpetual bonds should be deducted from the amounts attributable to equity holders of the Bank. There were no dividends on non-cumulative preference shares during the six months ended 30 June 2022 and 2021, and there were interests on perpetual bonds amounting to RMB1,975 million during the six months ended 30 June 2022 and 2021.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as of 30 June 2022 and 2021. Therefore the conversion feature of preference shares has no impact on the diluted earnings per share calculation.

12. Balances with central banks

	30 June 2022	31 December 2021
Statutory deposit reserve (note (i))	**502,053**	484,878
Surplus deposit reserve (note (ii))	**68,274**	65,819
Fiscal deposits	**2,780**	2,958
Interest receivable	**227**	243
Total	**573,334**	553,898

Notes:

(i) Statutory deposit reserve funds are deposited with The People's Bank of China ("PBOC") and other central banks outside Mainland China as required and are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in Mainland China are calculated at 7.75% and 8% of the eligible RMB deposits and foreign currency deposits respectively as at 30 June 2022 (31 December 2021: 8% and 9% of the eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organisations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by financial institutions outside Mainland China in the Bank. The reserve of overseas branches of the Group shall be deposited in accordance with the provisions of local regulators.

(ii) Surplus deposit reserve maintained with the PBOC and central banks outside Mainland China is mainly for clearing purpose.

13. Balances with banks and other financial institutions

	30 June 2022	31 December 2021
Principal (a)	101,499	80,664
Loss allowances (a) (b)	(280)	(378)
Subtotal	101,219	80,286
Interest receivable	35	64
Total	101,254	80,350

(a) Analysed by nature of counterparties

	30 June 2022	31 December 2021
Balances in Mainland China	57,462	37,453
– Banks	44,387	35,620
– Other financial institutions	13,075	1,833
Balances outside Mainland China	44,037	43,211
– Banks	43,307	41,430
– Other financial institutions	730	1,781
Total	101,499	80,664
Less: Loss allowances	(280)	(378)
– Banks	(197)	(329)
– Other financial institutions	(83)	(49)
Net carrying amount	101,219	80,286

(b) Movements of allowances for impairment losses are as follows:

	2022	2021
Balance as at 1 January	378	277
(Release)/charge for the period/year	(103)	109
Exchange difference	5	(8)
Balance as at 30 June/31 December	280	378

14. Placements with banks and other financial institutions

	30 June 2022	31 December 2021
Principal (a)	277,070	196,351
Loss allowances (a) (c)	(3,141)	(2,860)
Subtotal	273,929	193,491
Interest receivable	1,420	930
Total	275,349	194,421

(a) Analysed by nature of counterparties

	30 June 2022	31 December 2021
Placements in Mainland China	184,795	127,959
– Banks	18,116	19,213
– Other financial institutions	166,679	108,746
Placements outside Mainland China	92,275	68,392
– Banks	91,941	68,102
– Other financial institutions	334	290
Total	277,070	196,351
Less: Loss allowances	(3,141)	(2,860)
– Banks	(221)	(136)
– Other financial institutions	(2,920)	(2,724)
Net carrying amount	273,929	193,491

(b) Analysed by contractual remaining maturity

	30 June 2022	31 December 2021
Maturing		
– Within one month (inclusive)	110,195	66,842
– Between one month and one year (inclusive)	145,312	115,906
– Over one year	18,422	10,743
Total	273,929	193,491

(c) Movements of allowances for impairment losses are as follows:

	2022	2021
Balance as at 1 January	2,860	376
Charge for the period/year	270	2,481
Exchange difference	11	3
Balance as at 30 June/31 December	3,141	2,860

15. Amounts held under resale agreements

	30 June 2022	31 December 2021
Principal (a)	**213,186**	528,564
Loss allowances (a) (d)	**(1,502)**	(4,263)
Subtotal	**211,684**	524,301
Interest receivable	**71**	300
Total	**211,755**	524,601

(a) Analysed by nature of counterparties

	30 June 2022	31 December 2021
Amounts held under resale agreements in Mainland China	**213,025**	528,447
– Banks	**14,684**	60,323
– Other financial institutions	**198,341**	468,124
Amounts held under resale agreements outside Mainland China	**161**	117
– Other financial institutions	**161**	117
Total	**213,186**	528,564
Less: Loss allowances	**(1,502)**	(4,263)
– Banks	**(148)**	(175)
– Other financial institutions	**(1,354)**	(4,088)
Net carrying amount	**211,684**	524,301

(b) Analysed by contractual remaining maturity

	30 June 2022	31 December 2021
Maturing		
– Within one month (inclusive)	**201,121**	524,301
– Between one month and one year (inclusive)	**10,563**	–
Total	**211,684**	524,301

(c) Analysed by asset types

	30 June 2022	31 December 2021
Bonds	**198,554**	522,202
Bills	**13,130**	2,099
Total	**211,684**	524,301

(d) Movements of allowances for impairment losses are as follows:

	2022	2021
Balance as at 1 January	**4,263**	743
(Release)/charge for the period/year	**(2,761)**	3,520
Balance as at 30 June/31 December	**1,502**	4,263

16. Loans and advances to customers

(a) Loans and advances to customers

	30 June 2022	31 December 2021
Gross loans and advances to customers at amortised cost (i)	5,308,115	5,075,052
Interest receivable	10,909	10,548
Subtotal	5,319,024	5,085,600
Loss allowances of loans and advances to customers at amortised cost (i)	(254,530)	(244,523)
Loss allowances of interest receivable	(735)	(971)
Subtotal	(255,265)	(245,494)
Loans and advances to customers at amortised cost	5,063,759	4,840,106
Loans and advances to customers at FVTOCI (ii)	617,993	488,004
Loans and advances to customers at FVTPL (iii)	5,924	7,281
Total	5,687,676	5,335,391

(i) Loans and advances to customers at amortised cost

	30 June 2022	31 December 2021
Corporate loans and advances	2,217,741	2,087,247
Retail loans and advances	3,090,374	2,987,791
Discounted bills	–	14
Gross loans and advances to customers at amortised cost	5,308,115	5,075,052
Less: loss allowances	(254,530)	(244,523)
– Stage 1 (12-month ECL)	(170,907)	(169,347)
– Stage 2 (Lifetime ECL-not credit-impaired)	(36,843)	(32,007)
– Stage 3 (Lifetime ECL-credit-impaired)	(46,780)	(43,169)
Net loans and advances to customers at amortised cost	5,053,585	4,830,529

(ii) Loans and advances to customers at FVTOCI

	30 June 2022	31 December 2021
Corporate loans and advances	77,642	56,713
Discounted bills	540,351	431,291
Loans and advances to customers at FVTOCI	617,993	488,004
Loss allowances	(1,497)	(1,581)
– Stage 1 (12-month ECL)	(1,159)	(1,289)
– Stage 2 (Lifetime ECL-not credit-impaired)	(338)	(292)
– Stage 3 (Lifetime ECL-credit-impaired)	–	–

No loss allowance is recognised in the carrying amount of loans and advances to customers at FVTOCI as it is at fair value.

(iii) Loans and advances to customers at FVTPL

	30 June 2022	31 December 2021
Corporate loans and advances	5,699	6,978
Interest receivable	225	303
Total	5,924	7,281

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector and category:

Operations in Mainland China

	30 June 2022	31 December 2021
Transportation, storage and postal services	443,647	412,417
Property development	368,177	367,642
Manufacturing	360,130	309,635
Production and supply of electric power, heat, gas and water	189,682	187,611
Leasing and commercial services	175,646	170,009
Wholesale and retail	157,742	138,352
Construction	122,252	117,453
Telecommunications, software and IT services	79,760	58,267
Financing	71,448	57,988
Water, environment and public utilities management	64,637	64,427
Mining	30,378	28,854
Other	73,591	66,364
Corporate loans and advances subtotal	2,137,090	1,979,019
Discounted bills	540,351	431,305
Residential mortgage	1,378,300	1,364,534
Credit cards	854,458	840,254
Micro-finance loans	608,582	560,657
Other	197,609	173,527
Retail loans and advances subtotal	3,038,949	2,938,972
Gross loans and advances to customers	5,716,390	5,349,296

Operations outside Mainland China

	30 June 2022	31 December 2021
Finance	35,376	37,345
Transportation, storage and postal services	29,110	33,186
Property development	29,066	34,062
Manufacturing	22,353	23,763
Telecommunications, software and IT services	9,642	7,727
Wholesale and retail	9,306	8,920
Production and supply of electric power, heat, gas and water	6,337	7,077
Mining	5,606	5,651
Leasing and commercial services	5,539	4,749
Construction	4,260	3,481
Water, environment and public utilities management	398	821
Other	6,999	5,137
Corporate loans and advances subtotal	163,992	171,919
Discounted bills	–	–
Residential mortgage	9,677	9,872
Credit cards	104	117
Micro-finance loans	1,230	1,214
Other	40,414	37,616
Retail loans and advances subtotal	51,425	48,819
Gross loans and advances to customers	215,417	220,738

As at 30 June 2022, over 90% of the Group's loans and advances to customers are originated in Mainland China (31 December 2021: over 90%).

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(ii) Analysed by type of guarantees:

	30 June 2022	31 December 2021
Credit loans	**2,119,534**	1,977,014
Guaranteed loans	**795,452**	752,744
Collateralised loans	**2,119,427**	2,075,639
Pledged loans	**357,043**	333,332
Subtotal	**5,391,456**	5,138,729
Discounted bills	**540,351**	431,305
Gross amount of loans and advances to customers	**5,931,807**	5,570,034

(iii) Analysed by overdue term:

	30 June 2022				
	Overdue within 3 months (inclusive)	Overdue from 3 months up to 1 year (inclusive)	Overdue from 1 year up to 3 years (inclusive)	Overdue more than 3 years	Total overdue loans
Credit loans	**19,337**	**11,878**	**2,529**	**1,078**	**34,822**
Guaranteed loans	**3,334**	**2,706**	**3,999**	**1,276**	**11,315**
Collateralised loans	**7,012**	**3,547**	**2,786**	**2,064**	**15,409**
Pledged loans	**2,251**	**718**	**749**	**3,547**	**7,265**
Gross amount of loans and advances to customers	**31,934**	**18,849**	**10,063**	**7,965**	**68,811**

	31 December 2021				
	Overdue within 3 months (inclusive)	Overdue from 3 months up to 1 year (inclusive)	Overdue from 1 year up to 3 years (inclusive)	Overdue more than 3 years	Total overdue loans
Credit loans	18,097	10,269	2,972	944	32,282
Guaranteed loans	1,141	2,650	3,476	1,403	8,670
Collateralised loans	2,616	2,733	3,610	2,142	11,101
Pledged loans	473	687	791	3,422	5,373
Gross amount of loans and advances to customers	22,327	16,339	10,849	7,911	57,426

Note: Loans are classified as overdue when the principal or interest is overdue more than one day.

Among the above-mentioned overdue loans and advances to customers, collateralised loans and pledged loans that are overdue but not impaired at the end of the reporting period are as follows:

	30 June 2022	31 December 2021
Collateralised loans that are overdue but not impaired	**6,002**	1,517
Pledged loans that are overdue but not impaired	**2,211**	473
Total	**8,213**	1,990

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(iv) Analysed by ECL:

	30 June 2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL-not credit-impaired)	– Stage 3 (Lifetime ECL-credit-impaired)	Total
Gross loans and advances measured at amortised cost	**5,144,317**	**107,412**	**56,386**	**5,308,115**
Less: Loss allowances of loans and advances to customers at amortised cost	**(170,907)**	**(36,843)**	**(46,780)**	**(254,530)**
Net loans and advances to customers at amortised cost	**4,973,410**	**70,569**	**9,606**	**5,053,585**
Loans and advances to customers at FVTOCI	**616,405**	**1,588**	**–**	**617,993**
Loss allowances of loans and advances to customers at FVTOCI	**(1,159)**	**(338)**	**–**	**(1,497)**

	31 December 2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL-not credit-impaired)	– Stage 3 (Lifetime ECL-credit-impaired)	Total
Gross loans and advances measured at amortised cost	4,912,836	111,354	50,862	5,075,052
Less: Loss allowances of loans and advances to customers at amortised cost	(169,347)	(32,007)	(43,169)	(244,523)
Net loans and advances to customers at amortised cost	4,743,489	79,347	7,693	4,830,529
Loans and advances to customers at FVTOCI	485,735	2,269	–	488,004
Loss allowances of loans and advances to customers at FVTOCI	(1,289)	(292)	–	(1,581)

16. Loans and advances to customers *(continued)*

(c) Movements of allowances for impairment losses

(i) Movements of allowances for impairment losses on loans and advances measured at amortised cost:

	Six months ended 30 June 2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL-not credit-impaired)	– Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at 1 January 2022	**169,347**	**32,007**	**43,169**	**244,523**
Transfer to				
– Stage 1	**2,796**	**(2,741)**	**(55)**	**–**
– Stage 2	**(4,551)**	**4,744**	**(193)**	**–**
– Stage 3	**(2,366)**	**(5,397)**	**7,763**	**–**
Charge for the period	**5,356**	**8,118**	**9,404**	**22,878**
Write-offs/disposals	**–**	**–**	**(18,448)**	**(18,448)**
Unwinding of discount on allowances	**–**	**–**	**(120)**	**(120)**
Recoveries of loans and advances written off	**–**	**–**	**5,153**	**5,153**
Exchange difference	**325**	**112**	**107**	**544**
Balance as at 30 June 2022	**170,907**	**36,843**	**46,780**	**254,530**

	Year ended 31 December 2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL-not credit-impaired)	– Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at 1 January 2021	159,918	27,401	47,107	234,426
Transfer to				
– Stage 1	5,848	(5,743)	(105)	–
– Stage 2	(1,137)	1,592	(455)	–
– Stage 3	(1,001)	(4,972)	5,973	–
Charge for the year	5,766	13,763	16,149	35,678
Write-offs/disposals	–	–	(35,105)	(35,105)
Unwinding of discount on allowances	–	–	(247)	(247)
Recoveries of loans and advances written off	–	–	9,893	9,893
Exchange difference	(47)	(34)	(41)	(122)
Balance as at 31 December 2021	169,347	32,007	43,169	244,523

(ii) Movements of allowances for impairment losses on loans and advances measured at FVTOCI:

	2022	2021
Balance as at 1 January	**1,581**	238
(Release)/charge for the period/year	**(83)**	1,342
Exchange difference	**(1)**	1
Balance as at 30 June/31 December	**1,497**	1,581

17. Financial investments

	Notes	30 June 2022	31 December 2021
Financial investments at fair value through profit or loss	17(a)	**423,669**	348,123
Debt investments at amortised cost	17(b)	**1,346,150**	1,185,841
Debt investments at FVTOCI	17(c)	**729,245**	636,038
Equity investments designated at FVTOCI	17(d)	**11,395**	6,995
Total		**2,510,459**	2,176,997

(a) Financial investments at fair value through profit or loss

	Notes	30 June 2022	31 December 2021
Financial investments measured at FVTPL	(i)	**394,787**	318,245
Financial investments designated at FVTPL	(ii)	**28,882**	29,878
Total		**423,669**	348,123

(i) **Financial investments measured at FVTPL:**

Financial investments held for trading

	30 June 2022	31 December 2021
Bonds:		
Classified by issuer	**193,654**	129,792
– Government bonds	**89,405**	46,721
– Bonds issued by policy banks	**11,131**	9,861
– Bonds issued by commercial banks and other financial institutions	**30,390**	21,245
– Other debt securities	**62,728**	51,965
Classified by listing	**193,654**	129,792
– Listed in Mainland China	**178,482**	113,762
– Listed outside Mainland China	**15,044**	15,796
– Unlisted	**128**	234
Other investments:		
Classified by underlying assets	**5,026**	5,205
– Fund investments	**4,500**	4,067
– Wealth management products	**466**	1,036
– Long position in precious metal contracts	**60**	102
Classified by listing	**5,026**	5,205
– Listed outside Mainland China	**82**	111
– Unlisted	**4,944**	5,094
Total financial investments held for trading	**198,680**	134,997

17. Financial investments *(continued)*

(a) Financial investments at fair value through profit or loss *(continued)*

(i) Financial investments measured at FVTPL: *(continued)*

Other financial investments measured at FVTPL

	30 June 2022	31 December 2021
Bonds:		
Classified by issuer	**15,722**	17,094
– Bonds issued by commercial banks and other financial institutions	**8,644**	9,784
– Other debt securities	**7,078**	7,310
Classified by listing	**15,722**	17,094
– Listed in Mainland China	**13,176**	15,388
– Listed outside Mainland China	**2,187**	1,333
– Unlisted	**359**	373
Other investments:		
Classified by underlying assets	**180,385**	166,154
– Equity investments	**4,568**	4,909
– Fund investments	**173,278**	158,703
– Wealth management products	**1,477**	1,360
– Other	**1,062**	1,182
Classified by listing	**180,385**	166,154
– Listed in Mainland China	**9**	62
– Listed outside Mainland China	**1,196**	1,118
– Unlisted	**179,180**	164,974
Total other financial investments measured at FVTPL	**196,107**	183,248
Total financial investments measured at FVTPL	**394,787**	318,245

(ii) Financial investments designated at FVTPL:

	30 June 2022	31 December 2021
Bonds:		
Classified by issuer		
– Government bonds	**41**	41
– Bonds issued by policy banks	**18,010**	17,970
– Bonds issued by commercial banks and other financial institutions	**10,792**	11,251
– Other debt securities	**39**	616
Total	**28,882**	29,878
Classified by listing		
– Listed in Mainland China	**28,563**	28,793
– Listed outside Mainland China	**319**	1,060
– Unlisted	**–**	25
Total	**28,882**	29,878

17. Financial investments *(continued)*

(b) Debt investments at amortised cost

	30 June 2022	31 December 2021
Debt investments at amortised cost (i)(ii)	**1,374,425**	1,209,359
Interest receivable	**16,171**	16,368
Subtotal	**1,390,596**	1,225,727
Loss allowances of principal (i)(ii)(iii)	**(44,166)**	(39,707)
Loss allowances of interest receivable	**(280)**	(179)
Subtotal	**(44,446)**	(39,886)
Total	**1,346,150**	1,185,841

(i) Debt investments at amortised cost:

	30 June 2022	31 December 2021
Bonds:		
Classified by issuer	**1,243,022**	1,078,888
– Government bonds	**911,375**	768,537
– Bonds issued by policy banks	**304,586**	280,129
– Bonds issued by commercial banks and other financial institutions	**23,199**	20,064
– Other debt securities	**3,862**	10,158
Classified by listing	**1,243,022**	1,078,888
– Listed in Mainland China	**1,220,504**	1,068,300
– Listed outside Mainland China	**18,933**	4,740
– Unlisted	**3,585**	5,848
Fair value of listed bonds	**1,263,129**	1,099,251
Other investments:		
Classified by underlying assets	**131,403**	130,471
– Non-standard assets -Loans	**109,624**	115,022
– Non-standard assets -Creditor’s beneficiary rights of other financial institutions	**8,600**	100
– Non-standard assets – Other	**12,543**	14,729
– Other	**636**	620
Classified by listing	**131,403**	130,471
– Unlisted	**131,403**	130,471
Total	**1,374,425**	1,209,359
Less: loss allowances	**(44,166)**	(39,707)
Stage 1 (12-month ECL)	**(20,278)**	(14,974)
Stage 2 (Lifetime ECL-not credit-impaired)	**(2,060)**	(712)
Stage 3 (Lifetime ECL-credit-impaired)	**(21,828)**	(24,021)
Net debt investments at amortised cost	**1,330,259**	1,169,652

17. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(ii) Analysed by stage of ECL:

	30 June 2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL-not credit-impaired)	– Stage 3 (Lifetime ECL-credit-impaired)	Total
Debt investments at amortised cost	1,349,149	3,371	21,905	1,374,425
Less: Loss allowances of debt investments at amortised cost	(20,278)	(2,060)	(21,828)	(44,166)
Net debt investments at amortised cost	1,328,871	1,311	77	1,330,259

	31 December 2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL-not credit-impaired)	– Stage 3 (Lifetime ECL-credit-impaired)	Total
Debt investments at amortised cost	1,183,320	1,962	24,077	1,209,359
Less: Loss allowances of debt investments at amortised cost	(14,974)	(712)	(24,021)	(39,707)
Net debt investments at amortised cost	1,168,346	1,250	56	1,169,652

(iii) Movements of allowances for impairment losses are as follows:

	Six months ended 30 June 2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL-not credit-impaired)	– Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at 1 January 2022	14,974	712	24,021	39,707
Transfer to：				
– Stage 1	–	–	–	–
– Stage 2	(91)	91	–	–
– Stage 3	(80)	(264)	344	–
Charge/(release) for the period	5,467	1,520	(2,037)	4,950
Write-offs/disposals	–	–	(531)	(531)
Recoveries of debt previously written off	–	–	17	17
Exchange difference	8	1	14	23
Balance as at 30 June 2022	20,278	2,060	21,828	44,166

17. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(iii) Movements of allowances for impairment losses are as follows: *(continued)*

	Year ended 31 December 2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL-not credit-impaired)	– Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at 1 January 2021	11,832	326	13,960	26,118
Transfer to :				
– Stage 1	–	–	–	–
– Stage 2	(5)	5	–	–
– Stage 3	–	–	–	–
Charge for the year	3,156	381	9,664	13,201
Write-offs/disposals	–	–	(10)	(10)
Recoveries of debt previously written off	–	–	419	419
Exchange difference	(9)	–	(12)	(21)
Balance as at 31 December 2021	14,974	712	24,021	39,707

(c) Debt investments at FVTOCI

	30 June 2022	31 December 2021
Debt investments at FVTOCI(i)	**720,851**	628,355
Interest receivable	**8,394**	7,683
Total	**729,245**	636,038
Loss allowances of debt investments at FVTOCI (ii)	**(11,524)**	(6,622)
Loss allowances of interest receivable	**(150)**	(84)
Total	**(11,674)**	(6,706)

No loss allowance is recognised in the carrying amount of debt investments at FVTOCI as it is at fair value.

(i) Debt investments at FVTOCI:

	30 June 2022	31 December 2021
Bonds:		
Classified by issuer		
– Government bonds	**446,481**	390,419
– Bonds issued by policy banks	**80,053**	82,427
– Bonds issued by commercial banks and other financial institutions	**142,678**	106,139
– Other debt securities	**51,639**	49,370
Total	**720,851**	628,355
Classified by listing		
– Listed in Mainland China	**597,685**	522,889
– Listed outside Mainland China	**77,157**	65,439
– Unlisted	**46,009**	40,027
Total	**720,851**	628,355

17. Financial investments *(continued)*

(c) Debt investments at FVTOCI *(continued)*

(ii) Movements of allowances for impairment losses are as follows:

	2022	2021
Balance as at 1 January	**6,622**	4,014
Charge for the period/year	**4,754**	2,647
Exchange difference	**148**	(39)
Balance as at 30 June/31 December	**11,524**	6,622

(d) Equity investments designated at FVTOCI

	30 June 2022	31 December 2021
Repossessed equity instruments	**1,480**	901
Other	**9,915**	6,094
Total	**11,395**	6,995
Classified by listing		
– Listed in Mainland China	**1,895**	65
– Listed outside Mainland China	**2,146**	2,204
– Unlisted	**7,354**	4,726
Total	**11,395**	6,995

During the six months ended 30 June 2022, the fair value of equity investments designated at FVTOCI at the date of derecognition was RMB2,093 million (year ended 31 December 2021: RMB2,186 million), the cumulative profit of RMB26 million previously recognised in investment revaluation reserve was then transferred to retained earnings (year ended 31 December 2021: the cumulative profit of RMB 1,804 million).

18. Interests in joint ventures

	30 June 2022	31 December 2021
Share of net assets	**15,165**	14,779
Share of profits for the period/year	**1,034**	2,877
Share of other comprehensive (expenses)/income for the period/year	**(291)**	133

Details of the Group's interests in major joint ventures are as follows:

Name of joint ventures	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
CIGNA & CMB Life Insurance Co., Ltd. (note(i))	Limited liability	Shenzhen	RMB 2,800	50.00%	50.00%	Life insurance business
Merchants Union Consumer Finance Company Limited (note(ii))	Limited liability	Shenzhen	RMB 10,000	50.00%	50.00%	Consumer finance

Notes:

(i) The Bank holds 50.00% equity interests in CIGNA & CMB Life Insurance Co., Ltd. ("CIGNA & CMB Life"), and Cigna Health and Life Insurance Company ("CHLI") holds the other 50.00% equity interests. The Bank and CHLI share the joint venture's risk, profits and losses based on their shareholding proportionally. The Bank's investment in CIGNA & CMB Life is accounted for as an investment in joint venture.

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries, and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"). CBIRC approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each held 50.00% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Bank made a capital contribution of RMB600 million in MUCFC, and other shareholders injected capital proportionally. After the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage becoming 15%, CMB WLB's shareholding percentage becoming 35%, and the Group's total shareholding percentage remained at 50%. In December 2018, the Bank made another capital contribution of RMB1,000 million in MUCFC, and CUNC made the same amount of capital injection. After the capital injection, the capital of MUCFC increased to RMB 3,869 million, the Bank holds 24.15% and CMB WLB holds 25.85% of equity interest of MUCFC, respectively, and the Group's total shareholding percentage remains at 50%.

In July 2021, CMB WLB transferred all its shares of MUCFC to the Bank. After the transfer, the Bank and CUNC each held 50% of equity interests in MUCFC, and the Group's total shareholding percentage remained unchanged. In October 2021, MUCFC converted RMB1,331 million of its the capital reserve and RMB4,800 million of its retained earnings into share capital, and the share capital of MUCFC increased to RMB10,000 million after the conversion.

19. Interests in associates

	30 June 2022	30 December 2021
Share of net assets	**9,038**	8,875
Share of profits for the period/year	**422**	1,153
Share of other comprehensive expenses for the period/year	**(34)**	–

Details of the Group's interests in major associate are as follows:

	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
Bank of Taizhou Co., Ltd.	Limited liability	Taizhou	RMB 1,800	24.8559%	24.8559%	Commercial Bank

Note: The Bank, which originally held a 10% stake in Bank of Taizhou, acquired a total of 14.8559% stake from Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. at a total consideration of RMB 3,121 million on 31 May 2021. Upon the completion of the transaction, the Bank held 24.8559% stake of Bank of Taizhou. The Bank can exercise significant influence on Bank of Taizhou and therefore this investment is transferred from equity investments designated at FVTOCI to interests in associates.

20. Investment properties

	2022	2021
Cost:		
At 1 January	**3,135**	3,276
Transfers in/(out) for the period/year	**77**	(86)
Exchange difference	**79**	(55)
At 30 June/31 December	**3,291**	3,135
Accumulated depreciation:		
At 1 January	**1,763**	1,653
Depreciation for the period/year	**69**	155
Transfers in/(out) for the period/year	**44**	(7)
Exchange difference	**53**	(38)
At 30 June/31 December	**1,929**	1,763
Net carrying amount:		
At 30 June/31 December	**1,362**	1,372
At 1 January	**1,372**	1,623

The Group's total future minimum leases receivable under non-cancellable operating leases are as follows:

	30 June 2022	31 December 2021
Within 1 year (inclusive)	**315**	313
1 year to 2 years (inclusive)	**214**	170
2 years to 3 years (inclusive)	**174**	127
3 years to 4 years (inclusive)	**144**	106
4 years to 5 years (inclusive)	**129**	105
Over 5 years	**309**	359
Total	**1,285**	1,180

21. Property and equipment

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Motor vehicles and other	Total
Cost:							
At 1 January 2022	28,876	3,502	16,860	10,925	61,327	5,909	127,399
Additions	13	1,061	660	224	18,613	103	20,674
Reclassification and transfers	(77)	–	120	–	–	(120)	(77)
Disposals	(145)	–	(157)	(63)	(5,078)	(296)	(5,739)
Exchange difference	126	–	52	(21)	3,260	7	3,424
At 30 June 2022	28,793	4,563	17,535	11,065	78,122	5,603	145,681
Accumulated depreciation:							
At 1 January 2022	12,998	–	12,924	7,028	9,051	4,465	46,466
Depreciation for the period	619	–	1,059	541	2,363	285	4,867
Reclassification and transfers	(44)	–	113	–	–	(113)	(44)
Disposals	(87)	–	(145)	(37)	(990)	(280)	(1,539)
Exchange difference	86	–	35	(20)	487	7	595
At 30 June 2022	13,572	–	13,986	7,512	10,911	4,364	50,345
Impairment loss:							
At 1 January 2022	20	–	–	–	498	–	518
Disposals	–	–	–	–	(133)	–	(133)
Exchange difference	–	–	–	–	23	–	23
At 30 June 2022	20	–	–	–	388	–	408
Net book value:							
At 30 June 2022	15,201	4,563	3,549	3,553	66,823	1,239	94,928
At 1 January 2022	15,858	3,502	3,936	3,897	51,778	1,444	80,415

21. Property and equipment *(continued)*

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Motor vehicles and other	Total
Cost:							
At 1 January 2021	28,279	3,107	15,149	9,661	48,124	6,299	110,619
Additions	539	743	2,420	1,106	17,879	563	23,250
Reclassification and transfers	169	(348)	20	223	–	22	86
Disposals	(19)	–	(698)	(18)	(3,415)	(971)	(5,121)
Exchange difference	(92)	–	(31)	(47)	(1,261)	(4)	(1,435)
At 31 December 2021	28,876	3,502	16,860	10,925	61,327	5,909	127,399
Accumulated depreciation:							
At 1 January 2021	11,750	–	11,489	6,132	6,729	4,813	40,913
Depreciation for the year	1,314	–	2,097	950	3,822	519	8,702
Reclassification and transfers	6	–	17	–	–	(16)	7
Disposals	(14)	–	(661)	(15)	(1,290)	(848)	(2,828)
Exchange difference	(58)	–	(18)	(39)	(210)	(3)	(328)
At 31 December 2021	12,998	–	12,924	7,028	9,051	4,465	46,466
Impairment loss:							
At 1 January 2021	–	–	–	–	236	–	236
Charge	20	–	–	–	267	–	287
Exchange difference	–	–	–	–	(5)	–	(5)
At 31 December 2021	20	–	–	–	498	–	518
Net book value:							
At 31 December 2021	15,858	3,502	3,936	3,897	51,778	1,444	80,415
At 1 January 2021	16,529	3,107	3,660	3,529	41,159	1,486	69,470

(a) As at 30 June 2022, the Group had no significant unused property and equipment (31 December 2021: nil).

(b) The Group's total future minimum leases receivable under non-cancellable operating leases relating to its assets under operating leases are as follows:

	30 June 2022	31 December 2021
Within 1 year (inclusive)	**9,973**	7,765
1 year to 2 years (inclusive)	**8,751**	7,148
2 years to 3 years (inclusive)	**7,382**	5,796
3 years to 4 years (inclusive)	**6,213**	4,862
4 years to 5 years (inclusive)	**5,403**	4,253
Over 5 years	**18,074**	13,357
Total	**55,796**	43,181

22. Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2022	5,985	23,070	7	16	29,078
Additions for the period	5	1,697	2	3	1,707
Disposals for the period	–	(1,315)	–	(1)	(1,316)
At 30 June 2022	5,990	23,452	9	18	29,469
Accumulated depreciation:					
At 1 January 2022	1,190	9,414	3	9	10,616
Depreciation for the period (note 7)	91	2,004	1	2	2,098
Disposals for the period	–	(1,205)	–	(1)	(1,206)
At 30 June 2022	1,281	10,213	4	10	11,508
Impairment loss:					
At 1 January 2022	59	–	–	–	59
At 30 June 2022	59	–	–	–	59
Net carrying amount:					
At 30 June 2022	4,650	13,239	5	8	17,902
At 1 January 2022	4,736	13,656	4	7	18,403

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2021	5,957	21,122	4	16	27,099
Additions for the year	33	4,071	5	1	4,110
Disposals for the year	(5)	(2,123)	(2)	(1)	(2,131)
At 31 December 2021	5,985	23,070	7	16	29,078
Accumulated depreciation:					
At 1 January 2021	1,009	6,978	2	6	7,995
Depreciation for the year	182	4,070	3	4	4,259
Disposals for the year	(1)	(1,634)	(2)	(1)	(1,638)
At 31 December 2021	1,190	9,414	3	9	10,616
Impairment loss:					
At 1 January 2021	–	–	–	–	–
Charge for the year	59	–	–	–	59
At 31 December 2021	59	–	–	–	59
Net carrying amount:					
At 31 December 2021	4,736	13,656	4	7	18,403
At 1 January 2021	4,948	14,144	2	10	19,104

23. Intangible assets

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2022	10,045	1,083	11,128
Additions for the period	139	–	139
Exchange difference	2	48	50
At 30 June 2022	10,186	1,131	11,317
Accumulated amortisation:			
At 1 January 2022	6,550	512	7,062
Charge for the period (Note 7)	524	19	543
Exchange difference	3	23	26
At 30 June 2022	7,077	554	7,631
Net carrying amount:			
At 30 June 2022	3,109	577	3,686
At 1 January 2022	3,495	571	4,066

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2021	9,576	1,118	10,694
Additions for the year	479	–	479
Exchange difference	(10)	(35)	(45)
At 31 December 2021	10,045	1,083	11,128
Accumulated amortisation:			
At 1 January 2021	5,442	489	5,931
Charge for the year	1,114	39	1,153
Exchange difference	(6)	(16)	(22)
At 31 December 2021	6,550	512	7,062
Net carrying amount:			
At 31 December 2021	3,495	571	4,066
At 1 January 2021	4,134	629	4,763

24. Goodwill

	As at 1 January 2022	Addition in the period	Release in the period	As at 30 June 2022	Impairment loss at 1 January 2022 and 30 June 2022	Net value at 1 January 2022 and 30 June 2022
CMB WLB (note (i))	10,177	–	–	10,177	(579)	9,598
CMFM (note (ii))	355	–	–	355	–	355
Zhaoyin Internet (note (iii))	1	–	–	1	–	1
Total	10,533	–	–	10,533	(579)	9,954

Notes:

(i) On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. On the acquisition date, the fair value of CMB WLB's identifiable net assets was RMB12,898 million, of which the Bank accounted for RMB6,851 million. A sum of RMB10,177 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

(ii) On 28 November 2013, the Bank acquired a 55.00% equity interests in CMFM. On the acquisition date, the fair value of CMFM's identifiable net assets was RMB752 million, of which the Bank accounted for RMB414 million. A sum of RMB355 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

(iii) On 1 April 2015, CMBIC, acquired the 100% equity interests in Zhaoyin Internet Technology (Shenzhen) Corporation Limited ("Zhaoyin Internet"). On the acquisition date, the fair value of Zhaoyin Internet's identifiable net assets was RMB3 million. A sum of RMB1 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

25. Deferred tax assets and liabilities

	30 June 2022	31 December 2021
Deferred tax assets	**88,316**	81,639
Deferred tax liabilities	**(1,365)**	(1,353)
Net amount	**86,951**	80,286

(a) Analysed by nature of deferred tax assets and liabilities

The components of deferred tax assets/liabilities are as follows:

	30 June 2022		31 December 2021	
	Deductible/ (taxable) temporary difference	Deferred tax	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets				
Loss allowances on loans and advances to customers and other assets at amortised cost	**301,298**	**75,528**	284,360	71,191
Financial assets at FVTOCI	**(8,272)**	**(1,568)**	(11,092)	(2,763)
Financial instruments at FVTPL	**1,306**	**337**	92	23
Salaries and welfare payable and other	**56,914**	**14,019**	53,510	13,188
Total	**351,246**	**88,316**	326,870	81,639
Deferred tax liabilities				
Financial assets at FVTOCI	**(194)**	**(20)**	(5)	(1)
Financial instruments at FVTPL	**(89)**	**(13)**	(144)	(27)
Other	**(7,932)**	**(1,332)**	(7,755)	(1,325)
Total	**(8,215)**	**(1,365)**	(7,904)	(1,353)

25. Deferred tax assets and liabilities *(continued)*

(b) Movements of deferred tax are as follows:

	Loss allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable and other	Total
At 1 January 2022	71,191	(2,764)	(4)	11,863	80,286
Recognised in profit or loss	4,304	1,167	328	857	6,656
Recognised in other comprehensive income	–	8	–	(20)	(12)
Exchange difference	33	1	–	(13)	21
At 30 June 2022	75,528	(1,588)	324	12,687	86,951

	Loss allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable and other	Total
At 1 January 2021	61,340	(1,404)	1,579	10,305	71,820
Recognised in profit or loss	9,850	1,020	(1,584)	1,516	10,802
Recognised in other comprehensive income	–	(2,383)	–	14	(2,369)
Exchange difference	1	3	1	28	33
At 31 December 2021	71,191	(2,764)	(4)	11,863	80,286

Note: No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

26. Deposits from banks and other financial institutions

	30 June 2022	31 December 2021
Principal (a)	**640,628**	751,254
Interest payable	**1,048**	1,764
Total	**641,676**	753,018

(a) Analysed by nature of counterparties

	30 June 2022	31 December 2021
In Mainland China	**637,778**	701,085
– Banks	**50,828**	77,788
– Other financial institutions	**586,950**	623,297
Outside Mainland China	**2,850**	50,169
– Banks	**2,532**	48,301
– Other financial institutions	**318**	1,868
Total	**640,628**	751,254

27. Placements from banks and other financial institutions

	30 June 2022	31 December 2021
Principal (a)	196,383	170,257
Interest payable	392	393
Total	196,775	170,650

(a) Analysed by nature of counterparties

	30 June 2022	31 December 2021
In Mainland China	133,455	114,496
– Banks	131,251	107,214
– Other financial institutions	2,204	7,282
Outside Mainland China	62,928	55,761
– Banks	62,727	55,570
– Other financial institutions	201	191
Total	196,383	170,257

28. Financial liabilities at fair value through profit or loss

	30 June 2022	31 December 2021
Financial liabilities held for trading (a)	15,902	17,017
Financial liabilities designated at FVTPL (b)	52,167	46,744
Total	68,069	63,761

(a) Financial liabilities held for trading

	30 June 2022	31 December 2021
Financial liabilities related to precious metal	14,908	16,406
Short position on bonds	994	611
Total	15,902	17,017

(b) Financial liabilities designated at FVTPL

	30 June 2022	31 December 2021
In Mainland China	42,653	34,677
– Placements of precious metal from financial institutions	14,299	11,596
– Other	28,354	23,081
Outside Mainland China	9,514	12,067
– Certificates of deposit issued	377	377
– Debt securities issued	7,572	7,600
– Other	1,565	4,090
Total	52,167	46,744

As at 30 June 2022 and 31 December 2021, the difference between the fair values of the Group's financial liabilities designated at FVTPL and the contractual amount payable at maturity is not material. The amounts of changes in the fair value that are attributable to changes in credit risk of these liabilities are not significant during the six months ended 30 June 2022 and the year ended 31 December 2021 and as at 30 June 2022 and 31 December 2021.

29. Amounts sold under repurchase agreements

	30 June 2022	31 December 2021
Principal (a) (b)	**103,421**	157,572
Interest payable	**45**	88
Total	**103,466**	157,660

(a) Analysed by nature of counterparties

	30 June 2022	31 December 2021
In Mainland China	**101,531**	155,322
– Banks	**98,074**	147,410
– Other financial institutions	**3,457**	7,912
Outside Mainland China	**1,890**	2,250
– Banks	**1,797**	1,854
– Other financial institutions	**93**	396
Total	**103,421**	157,572

(b) Analysed by asset types

	30 June 2022	31 December 2021
Bonds	**98,813**	152,071
– Government bonds	**75,063**	90,956
– Bonds issued by policy banks	**11,728**	48,833
– Bonds issued by commercial banks and other financial institutions	**1,865**	2,774
– Other	**10,157**	9,508
Bills	**4,608**	5,501
Total	**103,421**	157,572

30. Deposits from customers

	30 June 2022	31 December 2021
Principal (a)	**7,037,185**	6,347,078
Interest payable	**47,412**	38,076
Total	**7,084,597**	6,385,154

(a) Analysed by category

	30 June 2022	31 December 2021
Corporate customers	**4,448,985**	4,058,924
– Demand deposits	**2,804,113**	2,652,817
– Time deposits	**1,644,872**	1,406,107
Retail customers	**2,588,200**	2,288,154
– Demand deposits	**1,670,011**	1,557,861
– Time deposits	**918,189**	730,293
Total	**7,037,185**	6,347,078

31. Provisions

	30 June 2022	31 December 2021
Expected credit loss provisions	**21,148**	12,790
Other	**2,792**	1,870
Total	**23,940**	14,660

Expected credit loss provisions for loan commitments and financial guarantee contracts are as follows:

	30 June 2022	31 December 2021
Expected credit loss provisions	**21,148**	12,790
– Stage 1 (12-month ECL)	**15,792**	8,210
– Stage 2 (Lifetime ECL-not credit-impaired)	**4,766**	3,724
– Stage 3 (Lifetime ECL-credit-impaired)	**590**	856

32. Debt securities issued

	Notes	30 June 2022	31 December 2021
Subordinated bonds issued	(a)	**34,358**	34,236
Long-term debt securities issued	(b)	**160,723**	159,306
Negotiable interbank certificates of deposit issued		**129,814**	240,284
Certificates of deposit and other debt securities issued (note)		**9,737**	10,715
Interest payable		**3,520**	2,104
Total		**338,152**	446,645

Note: Other debt securities issued are notes issued by overseas subsidiaries of the Bank.

(a) Subordinated bonds issued

At the end of the reporting period, subordinated bonds issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Discount or premium amortisation (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	180 months	28 Dec 2012	5.20	RMB11,700	11,696	(4)	11,692
Fixed rate bond	120 months	15 Nov 2018	4.65	RMB20,000	19,994	(3)	19,991
Total					31,690	(7)	31,683

At the end of the reporting period, subordinated note issued by CMB WLB was as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Ending balance (RMB in million)
Fixed to floating rate notes	120 months	22 Nov 2017	3.75 (for the first 5 years); T*+1.75% (from the 6th year onwards, if the notes are not called by CMBWLB)	USD400	2,546	–	129	2,675
Total					2,546	–	129	2,675

* T represents 5-year US Treasury bond yield.

32. Debt securities issued *(continued)*

(b) Long-term debt securities issued

At the end of reporting period, long-term debt securities issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the period (RMB in million)	Ending balance (RMB in million)
Medium term note	36 months	19 Jun 2019	0.25	EUR300	2,164	–	(1)	(34)	(2,129)	–
Medium term note	36 months	19 Jun 2019	3M Libor*+0.74	USD600	3,823	–	–	97	(3,920)	–
Fixed rate bond	36 months	5 Jul 2019	3.45	RMB30,000	29,990	–	4	–	–	29,994
Fixed rate bond	36 months	24 Sep 2019	3.33	RMB20,000	19,997	–	1	–	–	19,998
Medium term note	33 months	27 Sep 2019	3M Libor+0.74	USD60	382	–	–	10	(392)	–
Medium term note	36 months	25 Sep 2020	1.10	USD400	2,546	–	(1)	131	–	2,676
Medium term note	36 months	25 Sep 2020	0.95	USD300	1,908	–	(2)	98	–	2,004
Fixed rate bond	36 months	6 Nov 2020	3.48	RMB10,000	9,998	–	–	–	–	9,998
Fixed rate bond	36 months	11 Mar 2021	3.40	RMB10,000	9,998	–	–	–	–	9,998
Fixed rate bond	36 months	3 Jun 2021	3.18	RMB20,000	19,995	–	2	–	–	19,997
Fixed rate bond	36 months	24 Aug 2021	2.90	RMB10,000	9,998	–	–	–		9,998
Medium term note	24 months	1 Sep 2021	SOFR*+0.50	USD300	1,912	–	–	89	–	2,001
Medium term note	60 months	1 Sep 2021	1.25	USD300	1,912	–	–	96	–	2,008
Medium term note	36 months	2 Mar 2022	2.00	USD400	–	2,534	11	134	–	2,679
Fixed rate bond	36 months	11 May 2022	2.65	RMB5,000	–	4,999	(1)	–	–	4,998
Total					114,623	7,533	13	621	(6,441)	116,349

* Libor represents London InterBank Offered Rate. SOFR represents Secured Overnight Financing Rate.

Note: Financial bonds issued by the Bank that were held by CMB WLB amounted to a total of 736 million RMB equivalent as of 30 June 2022 (31 December 2021: 1,142 million RMB equivalent).

At the end of the reporting period, long-term debt security issued by CMBIC was as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	2 Jun 2021	1.38	USD600	3,816	–	2	192	4,010
Total					**3,816**	**–**	**2**	**192**	**4,010**

Note: Financial bond issued by CMBIC that was held by CMB WLB amounted to a total of 71 million RMB equivalent as of 30 June 2022 (31 December 2021: 68 million RMB equivalent).

32. Debt securities issued *(continued)*

(b) Long-term debt securities issued *(continued)*

At the end of the reporting period, long-term debt securities issued by CMBFL were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the period (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	13 Mar 2019	3.50	RMB1,500	1,500	–	–	–	(1,500)	–
Fixed rate bond	60 months	13 Mar 2019	4.00	RMB500	499	–	–	–	–	499
Fixed rate bond	36 months	27 May 2019	3.68	RMB3,000	2,999	–	–	–	(2,999)	–
Fixed rate bond	60 months	3 Jul 2019	3.00	USD900	5,705	–	5	309	–	6,019
Fixed rate bond	120 months	3 Jul 2019	3.63	USD100	633	–	–	34	–	667
Fixed rate bond	36 months	17 Jul 2019	3.60	RMB3,000	2,998	–	2	–	–	3,000
Fixed rate bond	120 months	14 Jul 2020	4.25	RMB2,000	1,993	–	–	–	–	1,993
Fixed rate bond	60 months	12 Aug 2020	1.88	USD800	5,078	–	2	275	–	5,355
Fixed rate bond	120 months	12 Aug 2020	2.75	USD400	2,526	–	1	137	–	2,664
Fixed rate bond	36 months	17 Nov 2020	3.85	RMB4,000	3,993	–	2	–	–	3,995
Fixed rate bond	36 months	28 Jan 2021	3.60	RMB4,000	3,992	–	2	–	–	3,994
Fixed rate bond	60 months	4 Feb 2021	2.00	USD400	2,539	–	1	137	–	2,677
Fixed rate bond	120 months	5 Feb 2021	2.88	USD400	2,520	–	2	136	–	2,658
Fixed rate bond	18 months	19 Mar 2021	1.16	USD50	318	–	–	18	–	336
Fixed rate bond	36 months	24 Mar 2021	3.58	RMB2,000	1,996	–	1	–	–	1,997
Fixed rate bond	60 months	24 Mar 2021	2.00	USD20	126	–	–	7	–	133
Fixed rate bond	36 months	16 Sep 2021	1.25	USD600	3,805	–	5	206	–	4,016
Fixed rate bond	60 months	16 Sep 2021	1.75	USD300	1,893	–	4	102	–	1,999
Fixed rate bond	36 months	16 Sep 2021	0.50	EUR100	721	–	–	(21)	–	700
Floating rate bond	12 months	13 Dec 2021	3M Libor+0.55	USD60	382	–	–	21	–	403
Fixed rate bond	24 months	22 Dec 2021	0.50	EUR30	216	–	–	(6)	–	210
Floating rate bond	12 months	2 Mar 2022	SOFR+0.80	USD115	–	728	–	42	–	770
Floating rate bond	12 months	6 May 2022	SOFR+0.85	USD45	–	298	–	4	–	302
Floating rate bond	12 months	6 May 2022	SOFR+1.00	USD75	–	497	–	5	–	502
Floating rate bond	12 months	13 Jun 2022	SOFR+0.95	USD120	–	805	–	–	–	805
Total					46,432	2,328	27	1,406	(4,499)	45,694

Note: Financial bonds issued by CMBFL that were held by the Bank amounted to a total of 1,370 million RMB equivalent as of 30 June 2022 (31 December 2021: 1,370 million RMB equivalent). Financial bonds issued by CMB International Leasing Management Limited (CMBILM), a wholly-owned subsidiary of CMBFL, that were held by the Bank amounted to a total of 2,186 million RMB equivalent as of 30 June 2022 (31 December 2021: 2,085 million RMB equivalent). Financial bonds issued by CMBILM that were held by CMB WLB amounted to a total of 967 million RMB equivalent as of 30 June 2022 (31 December 2021: 900 million RMB equivalent).

33. Share capital

By type of shares:

	30 June 2022 No. of shares (in million)	31 December 2021 No. of shares (in million)
Listed shares		
– A-Shares	**20,629**	20,629
– H-Shares	**4,591**	4,591
Total	**25,220**	25,220

All H-Shares are ordinary shares and rank pari passu with the A-Shares. There is no restriction condition on these shares.

	Share Capital	
	No. of shares (in million)	Amount
At 31 December 2021 and at 30 June 2022	25,220	25,220

34. Other equity instruments

(a) Preference Shares

	Issuance date	Accounting classification	Dividend rate	Issue price	No. (millions of shares)	Amount (RMB in million)	Due date	Conversion conditions	Con-version
Offshore Preference Shares (note (i))	25 Oct 2017	Equity instruments	4.40%	USD20/ Share	50	6,597	Perpetual existence	Note (iii)	None
Domestic Preference Shares (note (ii))	22 Dec 2017	Equity instruments	4.81%	RMB100/ Share	275	27,468	Perpetual existence	Note (iii)	None
Total					325	34,065			

The changes of Preference Shares issued were as follows:

		1 January 2022		Increase/decrease		30 June 2022	
	Issuance date	No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)	**No. (millions of shares)**	**Amount (RMB in million)**
Offshore Preference Shares (note (i))	25 Oct 2017	50	6,597	–	–	**50**	**6,597**
Domestic Preference Shares (note (ii))	22 Dec 2017	275	27,468	–	–	**275**	**27,468**
Total		325	34,065	–	–	**325**	**34,065**

34. Other equity instruments *(continued)*

(a) Preference Shares *(continued)*

Notes:

(i) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued US Dollar traded and settled non-cumulative Offshore Preference Shares in the aggregate nominal value of USD1,000 million on 25 October 2017. Each Offshore Preference Share has a nominal value of USD20 and 50 million Offshore Preference Shares were issued in total. The dividend rate is initially at 4.40% and subject to reset per agreement subsequently, but not exceeds 16.68%.

(ii) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares in the aggregate nominal value of RMB27,500 million on 22 December 2017. Each Domestic Preference Share has a nominal value of RMB100 and 275 million Domestic Preference Shares were issued in total. The dividend rate is initially at 4.81% and subject to reset per agreement subsequently, but not exceeds 16.68%.

(iii) Both Domestic and Offshore Preference Shares have clauses that state certain events would trigger mandatory conversion, those clauses are as follows:

(1) Upon the occurrence of any additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares (Domestic Preference Shares) or Ordinary H Shares (Offshore Preference Shares) based on the total nominal value of the Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.

(2) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares (Domestic Preference Shares) or Ordinary H Shares (Offshore Preference Shares) based on the total nominal value of the Preference Shares. A Tier-2 Capital Trigger Event refers the earlier of the following events: 1) CBIRC having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the CBIRC for review and determination. The Bank shall fulfil the relevant information disclosure requirements of the Securities Law, the CSRC and Hong Kong's relevant laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

Dividends on the Offshore and Domestic Preference Shares shall be paid in cash. Save for such dividend at the agreed dividend rate, the holders of the above Preference Shares are not entitled to share the remaining profits of the Bank with the ordinary shareholders. Dividend is non-cumulative. The Bank has the right to cancel any dividend on Preference Shares, and such cancellation shall not be deemed as a default. After the cancellation of all or part of the dividend to preference shareholders, the Bank shall not make any ordinary shares distribution, until the Preference Shares dividend is resumed in full. As the dividends on the Offshore and Domestic Preference Shares are non-cumulative, the Bank will not distribute the dividends that were cancelled in prior years to Preference Shares holders.

The Offshore and Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Offshore and Domestic Preference Shares may be redeemed in whole or in part at the discretion of the Bank, but the Bank does not have the obligation to redeem the Preference Shares. The holders of Preference Shares do not have the right to demand the Bank to redeem the Preference Shares and shall not expect that Preference Shares will be redeemed.

After deducting the issuance expenses of the Domestic Preference Shares and Offshore Preference Shares above, the total net funds raised amounted to RMB34,065 million, which has been included in additional Tier 1 capital of the Bank.

34. Other equity instruments *(continued)*

(b) Perpetual Bonds

	Issuance date	Accounting classification	Interest rate	Issue price	No. (millions of units)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Perpetual Bonds (note (i))	9 Jul 2020	Equity instruments	3.95%	RMB 100/Unit	500	49,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	Equity instruments	3.69%	RMB 100/Unit	430	42,989	Perpetual existence	None	None
Total					930	92,978			

The changes of Perpetual Bonds issued were as follows:

		1 January 2022		Increase/decrease		30 June 2022	
	Issuance date	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)	**No. (millions of units)**	**Amount (RMB in million)**
Domestic Perpetual Bonds (note (i))	9 Jul 2020	500	49,989	–	–	**500**	**49,989**
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	430	42,989	–	–	**430**	**42,989**
Total		930	92,978	–	–	**930**	**92,978**

Notes:

(i) With the approval of the relevant regulatory authorities in China, the Bank issued RMB50,000 million of 2020 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (Series 1) (the "Perpetual Bonds 2020") in the national inter-bank bond market on 9 July 2020. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2020. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2020 will continue to be outstanding so long as the Bank continues to operate.

(ii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB43,000 million of 2021 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2021, together with Perpetual Bonds 2020, Perpetual Bonds") in the national inter-bank bond market on 7 December 2021. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2021. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2021 will continue to be outstanding so long as the Bank continues to operate.

From the fifth anniversary since the issuance of the Perpetual Bonds, the Bank has the right to redeem in whole or in part the Perpetual Bonds on the annual interest payment date (including the interest payment date on the fifth year since the issuance date) subject to the approval of the CBIRC and the satisfaction of the redemption preconditions. If, after the issuance, the Perpetual Bonds no longer qualify as additional Tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulation, the Bank has the right to redeem the whole but not part of the Perpetual Bonds. The investors do not have the right to sell back the Perpetual Bonds to the Bank.

The claims in respect of the Perpetual Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Perpetual Bonds, and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional Tier-1 capital instruments of the Bank that rank pari passu with the Perpetual Bonds.

The coupon rate will be reset on each benchmark rate reset date (i.e. the date of every five years from the issuance date). The adjusted coupon rate will be determined based on the benchmark interest rate at adjustment date plus the fixed spread as determined at the time of issuance. The Perpetual Bonds do not contain interest rate step-up mechanism or any other redemption incentives. The Bank has the right to cancel, in whole or in part, distributions on the Perpetual Bonds and any such cancellation will not constitute an event of default. The bond interests are non-cumulative, and any cancelled distribution is not carried to the following year. The Bank will fully consider the interests of bondholders when exercising this right. The Bank can use the cancelled bond interest for the current period at its discretion to repay other due debts. Cancellation of any distributions of the Perpetual Bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write off in whole or in part, without the need for the consent of the bond holders, the principal amount of the Perpetual Bonds. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having concluded that without a write-off, the Bank would become non-viable; (ii) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write-off will not be restored.

After deducting the issuance expenses, the funds raised by the bonds have been used to supplement additional Tier 1 capital of the Bank in accordance with applicable laws and the approval of the relevant authorities.

34. Other equity instruments *(continued)*

(c) Relative information attributed to equity instrument holders

	30 June 2022	31 December 2021
Equity attributed to shareholders of the Bank	**888,032**	858,745
– Equity attributed to ordinary shareholders of the Bank	**760,989**	731,702
– Equity attributed to other equity instrument holders of the Bank	**127,043**	127,043
Including: Net profit	**1,975**	3,613
Total comprehensive income	**1,975**	3,613
Distributions in current period/year	**(1,975)**	(3,613)
Cumulative undistributed dividends	**–**	–
Equity attributed to non-controlling interests	**7,634**	6,936
– Equity attributed to non-controlling holders of ordinary shares	**4,966**	3,300
– Equity attributed to non-controlling holders of perpetual debt capital (Note 43)	**2,668**	3,636

35. Investment revaluation reserve

	30 June 2022	31 December 2021
Debt instruments measured at FVTOCI: investment revaluation reserve	**11,288**	11,459
Fair value change on equity instruments designated at FVTOCI	**2,543**	2,578
Remeasurement of defined benefit liability	**86**	88
Share of other comprehensive income from equity-accounted investees	**597**	922
Total	**14,514**	15,047

36. Profit appropriations

(a) Dividends declared/distributed to shareholders

	Six months ended 30 June 2022	Year ended 31 December 2021
Dividends in 2021, approved and declared (RMB1.522 per share)	**38,385**	–
Dividends in 2020, approved and distributed (RMB1.253 per share)	**–**	31,601

(b) Proposed profit appropriations

	Six months ended 30 June 2022	Year ended 31 December 2021
Statutory surplus reserve	**–**	10,979
General reserve	**1,021**	17,206
Dividends		
– cash dividend: nil (2021: RMB1.522 per share)	**–**	38,385
Total	**1,021**	66,570

The profit appropriation for the year ended 31 December 2021 was proposed in accordance with the resolution passed at the meeting of the board of directors held on 18 March 2022 and approved by the 2021 annual general meeting held on 29 June 2022.

37. Notes to unaudited consolidated statement of cash flows

(a) Analysis of the balances of cash and cash equivalents (with original maturity within 3 months):

	30 June 2022	30 June 2021
Cash and balances with central banks	**80,042**	50,119
Balances with banks and other financial institutions	**93,385**	119,637
Placements with banks and other financial institutions	**116,083**	82,838
Amounts held under resale agreements	**211,355**	333,164
Debt securities investments	**58,508**	8,007
Total	**559,373**	593,765

(b) Significant non-cash transactions

There were no significant non-cash transactions during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

38. Operating segments

The Group's principal business is the provision of deposit and loan business, treasury business, asset management and other financial services for retail and wholesale customers.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geographies. The reportable segment information is as follows:

(1) Wholesale finance business

The financial services for the corporate clients, government agencies and financial institutions include loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business on lending and repo, asset custody business, financial market business, and other services.

(2) Retail finance business

The financial services to retail customers include lending and deposit taking activities, bank card business, wealth management services, private banking and other services.

(3) Other business

Other business covers investment properties, subsidiaries except for CMB WLB and CMBFL, associates and joint ventures, and other relevant businesses. None of these components meets any of the quantitative thresholds so far for determining reportable segments.

During the first half of 2022, the Group reallocated CMBFL from the other business segment to the wholesale financial business segment. The comparative figures were re-presented accordingly.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss through the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and allocation of the remaining amount.

The accounting policies of the operating segments are the same as the Group's accounting policies. Operating segment income represents income generated from external customers. Inter-segment transactions are eliminated. No customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2022 and 2021. Internal transactions are conducted on fair value basis.

38. Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	Six months ended 30 June							
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
External net interest income	**11,747**	11,181	**69,851**	66,112	**26,094**	22,048	**107,692**	99,341
Internal net interest income/(expense)	**32,194**	32,973	**(6,338)**	(8,905)	**(25,856)**	(24,068)	**–**	–
Net interest income/(expense)	**43,941**	44,154	**63,513**	57,207	**238**	(2,020)	**107,692**	99,341
Net fee and commission income	**15,283**	16,776	**32,643**	31,828	**5,479**	3,650	**53,405**	52,254
Other net income	**15,058**	13,680	**1,418**	1,180	**48**	190	**16,524**	15,050
Operating income	**74,282**	74,610	**97,574**	90,215	**5,765**	1,820	**177,621**	166,645
Operating expenses								
– Property, equipment and investment properties depreciation	**(3,379)**	(2,718)	**(1,529)**	(1,415)	**(28)**	(120)	**(4,936)**	(4,253)
– Right-of-use assets depreciation	**(834)**	(850)	**(1,199)**	(1,201)	**(65)**	(111)	**(2,098)**	(2,162)
– Other	**(17,897)**	(17,275)	**(25,654)**	(24,262)	**(3,391)**	(2,660)	**(46,942)**	(44,197)
Subtotal	**(22,110)**	(20,843)	**(28,382)**	(26,878)	**(3,484)**	(2,891)	**(53,976)**	(50,612)
Reportable segment profit/(loss) before expected credit losses	**52,172**	53,767	**69,192**	63,337	**2,281**	(1,071)	**123,645**	116,033
Expected credit losses and impairment for other assets	**(18,687)**	(19,005)	**(22,789)**	(22,757)	**(1)**	(133)	**(41,477)**	(41,895)
Share of profit of associates and joint ventures	**–**	–	**–**	–	**1,456**	2,185	**1,456**	2,185
Reportable segment profit before tax	**33,485**	34,762	**46,403**	40,580	**3,736**	981	**83,624**	76,323
Capital expenditure (note)	**19,491**	10,625	**1,258**	971	**64**	116	**20,813**	11,712

	Wholesale finance business		Retail finance business		Other business		Total	
	30 June 2022	31 December 2021	**30 June 2022**	31 December 2021	**30 June 2022**	31 December 2021	**30 June 2022**	31 December 2021
Reportable segment assets	**5,569,109**	5,203,529	**3,001,134**	2,908,405	**1,044,137**	1,037,190	**9,614,380**	9,149,124
Of which: Interest in associates and joint ventures	**–**	–	**–**	–	**24,203**	23,654	**24,203**	23,654
Reportable segment liabilities	**5,579,512**	5,142,042	**2,633,165**	2,329,192	**482,292**	811,434	**8,694,969**	8,282,668

Note: Capital expenditure represents the amount incurred for acquiring segment assets which are expected to be used for more than one year.

38. Operating segments *(continued)*

(b) Reconciliations of reportable segments operating income, profit or loss, assets, liabilities and other material items

	Six months ended 30 June	
	2022	2021
Operating income for reportable segments	**177,621**	166,645
Total profit before income tax for reportable segments	**83,624**	76,323

	30 June 2022	31 December 2021
Assets		
Total assets for reportable segments	**9,614,380**	9,149,124
Goodwill	**9,954**	9,954
Intangible assets	**577**	571
Deferred tax assets	**88,316**	81,639
Other unallocated assets	**11,769**	7,733
Consolidated total assets	**9,724,996**	9,249,021
Liabilities		
Total liabilities for reportable segments	**8,694,969**	8,282,668
Tax payable	**21,314**	22,491
Deferred tax liabilities	**1,365**	1,353
Other unallocated liabilities	**111,682**	76,828
Consolidated total liabilities	**8,829,330**	8,383,340

(c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government in Mainland China. The Group also has branches operating in Hong Kong, New York, Singapore, Luxembourg, London and Sydney, subsidiaries operating in Hong Kong, Shenzhen, Shanghai, Beijing and Luxembourg and representative offices in New York and Taipei.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the geographical location of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

– "Headquarters" refers to the Group headquarter, credit card centres and fund operation centres;

– "Yangtze River Delta region" refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;

– "Bohai Rim region" refers to branches in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;

– "Pearl River Delta and West side of Taiwan Strait region" refers to branches in Guangdong province and Fujian province;

– "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;

– "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;

– "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;

– "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative offices in New York and Taipei; and

– "Subsidiaries" refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CMB Europe S.A., and CIGNA & CMAM etc.

38. Operating segments *(continued)*

(c) Geographical segments *(continued)*

Geographical information	Total assets 30 June 2022	Total assets 31 December 2021	Total liabilities 30 June 2022	Total liabilities 31 December 2021	Non-current assets 30 June 2022	Non-current assets 31 December 2021	Operating income Six months ended 30 June 2022	Operating income Six months ended 30 June 2021	Profit before tax Six months ended 30 June 2022	Profit before tax Six months ended 30 June 2021
Headquarter	4,196,426	4,155,509	3,488,219	3,492,876	51,593	51,220	72,689	73,701	26,584	19,135
Yangtze River Delta region	1,302,569	1,199,329	1,289,875	1,177,342	5,983	6,198	24,084	21,249	10,095	13,429
Bohai Rim region	794,540	725,595	784,765	711,389	4,230	4,319	18,728	15,998	11,812	9,718
Pearl River Delta and West side of Taiwan Strait region	1,099,249	997,986	1,087,346	979,018	4,186	4,432	19,903	18,654	12,894	11,929
Northeast region	177,306	169,282	175,825	166,933	1,578	1,617	3,355	3,083	1,860	1,406
Central region	616,353	567,191	612,252	559,499	3,800	3,958	11,039	10,211	5,051	5,268
Western region	627,974	590,272	622,983	580,623	3,650	3,877	10,703	10,276	5,911	6,620
Overseas	209,178	210,633	207,430	208,569	805	861	1,433	1,354	810	844
Subsidiaries	701,401	633,224	560,635	507,091	76,210	61,382	15,687	12,119	8,607	7,974
Total	9,724,996	9,249,021	8,829,330	8,383,340	152,035	137,864	177,621	166,645	83,624	76,323

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, intangible assets, right-of-use assets, goodwill and etc.

39. Contingent liabilities and commitments

(a) Credit commitments

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

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Bills of acceptance represent undertakings by the Group to pay bills of exchange drawn by customers. The Group expects most bills of acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of loan commitments and financial guarantees by category are set out in the following tables. The amounts reflected in the tables for commitments assume that amounts are fully advanced. The amounts reflected in the tables for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	30 June 2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL-credit-impaired)	Total
Irrevocable guarantees	216,455	8,060	280	224,795
– Financial guarantees	45,509	6,160	3	51,672
– Non-financial guarantees	170,946	1,900	277	173,123
Irrevocable letters of credit	185,078	857	–	185,935
Bills of acceptances	497,523	7,551	502	505,576
Irrevocable loan commitments	160,589	1,014	–	161,603
– with an original maturity within 1 year (inclusive)	28,903	1	–	28,904
– with an original maturity over 1 year	131,686	1,013	–	132,699
Credit card commitments	1,332,042	6,644	81	1,338,767
Other	108,073	543	21	108,637
Total	2,499,760	24,669	884	2,525,313

39. Contingent liabilities and commitments *(continued)*

(a) Credit commitments *(continued)*

	31 December 2021			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL-credit-impaired)	Total
Irrevocable guarantees	197,208	7,353	254	204,815
– Financial guarantees	52,198	6,337	3	58,538
– Non-financial guarantees	145,010	1,016	251	146,277
Irrevocable letters of credit	162,320	1,711	188	164,219
Bills of acceptances	339,155	5,684	790	345,629
Irrevocable loan commitments	141,727	4,896	2	146,625
– with an original maturity within 1 year (inclusive)	26,611	–	2	26,613
– with an original maturity over 1 year	115,116	4,896	–	120,012
Credit card commitments	1,231,831	7,903	122	1,239,856
Other	126,995	1,555	–	128,550
Total	2,199,236	29,102	1,356	2,229,694

As at 30 June 2022, the Group's irrevocable letters of credit includes sight letters of credit of RMB24,363 million (31 December 2021: RMB16,974 million), usance letters of credit of RMB16,293 million (31 December 2021: RMB9,552 million), and other commitments of RMB145,279 million (31 December 2021: RMB137,693 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches and subsidiaries, and onshore and offshore syndicated loans.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB3,962,212 million at 30 June 2022 (31 December 2021: RMB4,441,835 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group does not assume any risks on the unused credit limits for these loan commitments. As a result, such balances are not included in the loan commitments and financial guarantees disclosed above.

	30 June 2022	31 December 2021
Credit risk weighted amounts of loan commitments and financial guarantees	**686,425**	593,062

The Group calculated the credit risk weighted amount of its contingent liabilities and commitments in accordance with the requirements of the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the CBIRC. The amount within the scope approved by the CBIRC in April 2014 is calculated using the Internal Ratings-Based Approach, and the Weighted Approach are used to cover those amounts not eligible for the Internal Ratings-Based Approach.

(b) Capital commitments

Authorised capital commitments were as follows:

	30 June 2022	31 December 2021
Contracted for	**413**	480
Authorised but not contracted for	**192**	234
Total	**605**	714

(c) Outstanding litigations

At 30 June 2022, the Bank or other group entities was a defendant in certain outstanding litigations with total gross claims of RMB2,036 million (31 December 2021: RMB1,678 million) arising from their operating activities. The Group considers that no material losses would be incurred by the Group as a result of these outstanding litigations and therefore no provision has been made in the interim consolidated financial statements.

39. Contingent liabilities and commitments *(continued)*

(d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back bonds underwritten by itself if the bond holders decide to redeem the bonds before maturity. The redemption prices for the bonds at any time before their maturity date are based on the face value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules issued by the Ministry of Finance and the PBOC. The redemption prices may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	30 June 2022	31 December 2021
Redemption obligations	**27,712**	30,020

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be significant.

(e) Lease commitments

Operating lease commitments and financial lease commitments where the Group is a lessor at the end of the reporting period are as follows:

	30 June 2022	31 December 2021
Operating lease commitments	**14,894**	13,750
Financial lease commitments	**8,688**	7,421
Total	**23,582**	21,171

40. Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital, and instruct the Group to lend it to the specified targets on their behalf in accordance with specific terms and conditions, and the Group is contracted to disburse the loan, monitor its usage and seek loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted loans are not assets of the Group and therefore not recognised in the unaudited consolidated statement of financial position. Income received and receivable for providing these services are recognised in the unaudited consolidated statement of profit or loss as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	30 June 2022	31 December 2021
Entrusted loans	**256,854**	263,589
Entrusted funds	**(256,854)**	(263,589)

40. Transactions on behalf of customers *(continued)*

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers by the Bank and CMBWM. The funds obtained from wealth management services are invested in investment products, including government bonds, policy bank bonds, short term corporate debt instruments and trust loans. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns fee and commission which represents the charges on customers in relation to the provision of custody, sales and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the consolidated statement of financial position. The funds received from customer for wealth management business that have yet to be invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated non-principal-guaranteed wealth management services were as follows:

	30 June 2022	31 December 2021
Funds received from customers under wealth management services	**2,780,517**	2,683,636

Note: Funds received from customers under wealth management services are the funds received from customers under unconsolidated non-principal-guaranteed wealth management services.

(c) Entrusted management of insurance funds

The entrusted management of insurance funds mainly refers to the business that the Group carries out investment activities on funds entrusted by insurance companies according to the regulatory policies and the investment guidelines from insurance companies, and charges fees for providing such services.

At the end of the reporting period, the balance of entrusted funds was as follows:

	30 June 2022	31 December 2021
Entrusted management of insurance funds	**99,020**	86,098

41. Risk management

(a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group designs its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the board of directors is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee, participates in, coordinates and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring.

With respect to the credit risk management of wholesale finance business, the Group formulates credit policy guidelines, enhances the standards on credit acceptance and management requirements for corporate, interbank and institutional clients, and implements limits in key risk areas to improve the quality of credit exposure.

With respect to credit risk management of retail finance business, the Group mainly relies on the credit assessment of applicants as the basis for loan approval, which takes into consideration the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loans collection procedures.

41. Risk management *(continued)*

(a) Credit risk *(continued)*

To mitigate risks, the Group requests customers to provide collateral and guarantees when necessary. Certain guidelines have been set for the acceptability of specific types of collateral or risks migrating measures. Collateral portfolio and legal covenants are reviewed regularly to ensure that they remain sufficient for the given risks and be consistent with market practices.

In respect of loan classification, the Group adopts a risk based loan classification methodology. Currently, the Group categorises its loans on a ten-grade loan classification basis in order to refine internal risk classification management (normal (grades 1-5), special-mention (grades 1-2), substandard, doubtful and loss).

The risks involved in contingent liabilities and commitments are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers carry out the same business activities, locate in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic factors. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated a limit management policy to monitor and analyse its loan portfolio.

Analysis of loans and advances by industry and loan portfolio are presented in Note 16.

(i) Internal credit risk rating

The Group classifies credit risk based on probability of default. The internal credit risk rating is based on the forecasted default risk, taking into consideration qualitative and quantitative factors. For customers of wholesale business, such factors include net profit growth rate, sales growth rate, industry, etc. For customers of retail business, such factors include maturity, ageing, collateral ratio, etc.

(ii) Significant increase in credit risk

The Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument and other items at the reporting date with that at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating, as well as internal early warning signal, the result of 5-tier classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special-mention; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has been downgraded to certain level; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group.

For retail and credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special-mention; more than 30 days (inclusive) overdue; the customer or the debt has credit risk early warning signal; or the customer has other significant risk signals identified by the Group.

The Group has made deferred repayment and interest payment arrangements for some debtors affected by the COVID-19. However, the deferred repayment and interest payment arrangements will not directly lead to the conclusion that the debtors' credit risk has increased significantly. Instead, the Group will make a comprehensive judgment based on the risk indicators.

A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capability to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitment and financial guarantee, the date when the commitment becomes irrevocable is considered as the initial recognition date.

The Group considers that a debt instrument is impaired when the debt instrument with more than 90 days overdue or the 5-tier classification of this debt instrument is substandard, doubtful or loss (these three categories including debt instruments with more than 90 days overdue).

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is the risk exposure on a debt.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

(iv) Incorporation of forward-looking information

The Group divides financial assets into different asset groups based on their different risk characteristics. According to the risk characteristics of the asset group, the Group collects external data released by authoritative institutions and internal risk data without undue cost or effort for modelling, except the common economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index ("PPI") and Broad Money Supply ("M2"), various categories of indicators such as industry index, interest and exchange rate, and survey index are also included. Based on statistical analysis and expert judgements, the Group sets up multiple forward-looking scenarios to predict macroeconomic indicators and risk parameters. The Group will firstly refer to the forecasts issued by external authoritative institutions as the forecasts of economic indicators under the baseline scenario. If there is no external forecasts, the Group will refer to the forecasts issued by the professionals of the Bank and the outputs of the models. For the forecasts of economic indicators under the remaining scenarios, the Group will refer to the actual historical data for analysis and forecast. Taking GDP (year-on-year growth rate) and CPI (month-on-month increase) as an example, the forecasts adopted by the Group for 2022 under the baseline scenario are 5.34% (2021: 8.84%) and 2.43% (2021: 2.11%) respectively.

Combined with quantitative measurement and expert judgement, the Group sets the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the other scenarios as supplement. The weight of the baseline scenario of the Group as at 30 June 2022 is the highest. According to the sensitivity test results of the Group, when the weighting of the optimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 30 June 2022 will decrease by approximately 1.9% compared to the current result (at 31 December 2021: will decrease by approximately 3.4%). When the weighting of the pessimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 30 June 2022 will increase by approximately 1.2% compared to the current result (at 31 December 2021: will increase by approximately 1.5%).

The Group periodically forecasts macroeconomic indicators, and calculates the ECL based on a weighted 12-month expected credit loss (stage 1) or a weighted lifetime expected credit loss (stage 2 and stage 3).

As the COVID-19 is still evolving, the Group's expected credit loss model as at 30 June 2022 fully reflected the impact of the COVID-19 on the macroeconomic environment through continuous updating of internal and external data, extreme scene settings and other measures.

(v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The models are divided based on shared risk characteristics, and the reference indicators include the 5-tier classification, business type and collateral type.

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(vi) Maximum exposure

The Group's maximum exposure to credit risk without taking into account of any collateral held or other credit enhancements is the carrying amount of the relevant financial assets (including derivatives) as disclosed in the unaudited consolidated statement of financial position and the contract amount of the off balance sheet items disclosed in Note 39(a). At 30 June 2022, the amount of the Group's maximum credit risk exposure was RMB11,988,078 million (31 December 2021: RMB11,235,033 million).

(vii) Renegotiated loans and advances to customers

The carrying amount of loans and advances that were credit-impaired and the terms had been renegotiated was RMB15,428 million as at 30 June 2022 (31 December 2021: RMB16,517 million).

(viii) Non-performing loans

Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans. As at 30 June 2022, the Group had balance of non-performing loans of RMB56,386 million (31 December 2021: RMB50,862 million).

(ix) Credit quality of financial instruments

The staging analysis for loans and advances to customers and debt investments at amortised cost as at balance sheet date are disclosed in note 16 and note 17(b) respectively. The staging analysis for credit commitments and the expected credit loss allowances of financial guarantees and loan commitments are disclosed in note 39(a) and 31 respectively. The staging analysis for other financial instruments is as follows:

	30 June 2022							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL-credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL-credit-impaired)	Total
Balances with central banks	573,107	–	–	573,107	–	–	–	–
Balances with banks and other financial institutions	101,485	3	11	101,499	(267)	(2)	(11)	(280)
Placements with banks and other financial institutions	276,494	576	–	277,070	(3,138)	(3)	–	(3,141)
Amounts held under resale agreements	213,046	–	140	213,186	(1,362)	–	(140)	(1,502)
Debt investments at FVTOCI	718,188	2,596	67	720,851	(9,352)	(1,083)	(1,089)	(11,524)

	31 December 2021							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL-credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL-credit-impaired)	Total
Balances with central banks	553,655	–	–	553,655	–	–	–	–
Balances with banks and other financial institutions	80,653	–	11	80,664	(367)	–	(11)	(378)
Placements with banks and other financial institutions	196,245	106	–	196,351	(2,859)	(1)	–	(2,860)
Amounts held under resale agreements	528,424	–	140	528,564	(4,123)	–	(140)	(4,263)
Debt investments at FVTOCI	626,007	2,236	112	628,355	(4,700)	(875)	(1,047)	(6,622)

Note: The balances disclosed above do not include interest receivable.

41. Risk management *(continued)*

(b) Market risk

Market risk refers to the risk of loss due to changes in observable market factors such as interest rates, exchange rates, commodity prices and stock prices, resulting in changes in the fair value or future cash flows of the Group's financial instruments. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments and positions under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments can be traded without any restriction. The financial instruments under the banking book are assets and liabilities held by the Group for determinable return with relative stable market value or for the purposes of hedging the risks, which include both the Group's on-balance sheet and off-balance sheet exposure.

(i) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and decline in market value of financial instruments and positions held by the Group.

(1) Trading book

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control and reporting, covering interest rate risk, exchange rate risk, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the board of directors, the Group manages the trading book by clearly identifying, accurately measuring and effectively managing the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieve a reasonable balance of risk and return. The Group constantly improves the risk-adjusted return level to maximise the shareholders' value.

The trading book market risk governance organisation structure defines the responsibilities, division of labour and reporting lines of the board of directors, Risk and Capital Management Committee under the board of directors, senior management and relevant departments of the Bank, and safeguard the achievement of management objectives. The Market Risk Management Department is responsible for the Group's trading book market risk, and undertakes the task of risk policy formulation and management.

According to the business practices and market risk governance organisation structure, the Group establishes the trading book market risk limits management system. A top level limit is set based on the risk appetite determined by the board of directors, and is transmitted from top to bottom level by level. Within the scope of their authorisation, management departments at all levels allocate and set limits according to risk characteristics, product types and trading strategies, etc. The business departments carry out the business according to the authorisation and limits requirements, and the supervisory and administrative departments at all levels continuously monitor and report according to the limits management regulations.

The trading book market risk management adopts the scale index, stop loss index, sensitivity index, value at risk index, stress test index and other risk measurement indexes as the limits index, and sets the limit value by comprehensively considering the risk appetite, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The Group uses valuation, sensitivity analysis, value-at-risk analysis, stress test and other measurement methods to identify and quantify risk factors in the interest rate market. The Group applies the market risk measurement model in its daily risk management and takes market risk measurement as the basis for business planning, resource allocation, financial market business operation and risk management.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(2) Banking book

The Group has established the governance and management framework according to the interest rate risk management policy for the banking book, which specifies the roles, responsibilities and reporting lines of the board of directors, senior management, designated committees and relevant departments to ensure the effectiveness of interest rate risk management. Interest rate risk of the banking book is centrally managed by the Asset and Liability Management Department. Internal Audit Department is responsible for auditing this.

The Group has mainly adopted scenario simulation analysis, re-pricing gap analysis, duration analysis and stress testing for the measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in net interest income and economic value of equity indicators when there is an extreme fluctuation in interest rates. The Group conducts stress test on interest rate risk of banking book on a monthly basis. The results of stress test during the reporting period showed that the interest rate risk of banking book of the Bank was generally stable with various indicators staying within the set limits.

The preference of the Group in respect of the interest rate risk in the banking book is neutrally prudent. Based on the risk measurement and monitoring results, the Group will propose the corresponding risk management policy at the regular meetings and through the reporting mechanism of the Assets and Liabilities Management Committee. Assets and Liabilities Management Department is responsible for its implementation. The key measures for risk management include the adjustment in business volume, duration structure and interest rate structure of on-balance sheet asset and liability business and the utilisation of off-balance sheet derivative to offset risk exposure.

The Group measures and monitors interest rate risk of banking book through the asset and liability management system. Major models and parameter assumptions used in the measurement are verified independently by the Risk Management Department before official use and reviewed and verified regularly after official use.

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.

	30 June 2022					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	584,875	573,107	–	–	–	11,768
Amounts due from banks and other financial institutions	586,832	477,705	91,138	17,989	–	–
Loans and advances to customers (note (i))	5,677,277	1,873,618	3,350,382	391,840	61,437	–
Financial investments (including derivative financial assets)	2,506,426	257,167	286,457	917,499	1,000,076	45,227
Other assets (note (ii))	369,586	–	–	–	–	369,586
Total assets	9,724,996	3,181,597	3,727,977	1,327,328	1,061,513	426,581
Liabilities						
Amounts due to central bank, banks and other financial institutions	1,082,400	901,046	176,543	3,936	875	–
Deposits from customers	7,037,185	5,157,134	855,688	1,020,084	340	3,939
Financial liabilities at FVTPL (including derivative financial liabilities)	91,314	–	747	8,614	66	81,887
Lease liabilities	13,410	1,123	2,899	8,104	1,284	–
Debt securities issued	334,632	129,066	68,869	97,705	38,992	–
Other liabilities (note (ii))	270,389	426	–	–	–	269,963
Total liabilities	8,829,330	6,188,795	1,104,746	1,138,443	41,557	355,789
Asset-liability gap	895,666	(3,007,198)	2,623,231	188,885	1,019,956	70,792

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(3) ***The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.*** *(continued)*

	31 December 2021					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	566,965	553,655	–	–	–	13,310
Amounts due from banks and other financial institutions	798,078	723,941	63,581	10,507	49	–
Loans and advances to customers (note (i))	5,325,511	2,134,671	2,750,245	376,357	64,238	–
Financial investments (including derivative financial assets)	2,176,515	159,659	288,349	884,079	795,611	48,817
Other assets (note (ii))	381,952	–	–	–	–	381,952
Total assets	9,249,021	3,571,926	3,102,175	1,270,943	859,898	444,079
Liabilities						
Amounts due to central bank, banks and other financial institutions	1,238,594	1,081,661	149,900	6,311	722	–
Deposits from customers	6,347,078	4,820,271	718,509	804,755	348	3,195
Financial liabilities at FVTPL (including derivative financial liabilities)	91,043	1,428	2,075	8,177	158	79,205
Lease liabilities	13,812	1,042	2,989	8,153	1,628	–
Debt securities issued	444,541	96,239	220,608	88,974	38,720	–
Other liabilities (note (ii))	248,272	84	–	–	–	248,188
Total liabilities	8,383,340	6,000,725	1,094,081	916,370	41,576	330,588
Asset-liability gap	865,681	(2,428,799)	2,008,094	354,573	818,322	113,491

Notes:

(i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 30 June 2022 and 31 December 2021, net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interests were overdue.

(ii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

(4) *Sensitivity analysis*

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 30 June 2022 and 31 December 2021.

	30 June 2022		31 December 2021	
Change in interest rates (in basis points)	**Up by 25**	**Down by 25**	Up by 25	Down by 25
(Decrease)/increase in net interest income	**(4,392)**	**4,392**	(3,605)	3,605
(Decrease)/increase in equity	**(8,057)**	**8,111**	(6,830)	6,927

The above-mentioned interest rate sensitivity analysis shows the changes in net interest income and equity in the next 12 months under the assumption of changes in interest rates in the above table. As the actual situation and assumptions may be different, the actual changes in the Group's net interest income and equity caused by the increase or decrease in interest rates may be different from the results of this sensitivity analysis.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions, which expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly in USD and HKD. The Group operates the principle of segregation of policy setting, execution and supervision, and establishes a foreign currency risk management governance structure. This structure specifies the roles, responsibilities and reporting lines of the board of directors, the board of supervisors, senior management, designated committees and relevant departments of the Bank in the management of foreign exchange risk. The Group is prudent in its foreign exchange risk appetite, and would not voluntarily take foreign exchange risk, which suits the current development of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and the requirements of the Group.

(1) Trading book

The Group has established a market risk management structure for the trading book, which covers exchange rate risk, to quantify the exchange rate risk of the trading book to facilitate centralised management. The structure, process and method of exchange rate risk management of trading book are consistent with that for the interest rate risk on trading book.

The Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR, covers interest rate, foreign exchange rate, and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, cumulative loss index in its management of foreign exchange risk. The management methods include delegation, setting limits, daily monitoring and continuous reporting.

(2) Banking book

The Group's foreign exchange risk under the banking book is centrally managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The Internal Audit Department is responsible for auditing this. The treasurer is responsible to manage the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and manages the foreign exchange risk through approaches such as transaction limits and adjustment of budgets.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB financial assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control it within an acceptable range.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit control framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk on its banking book.

The Group continues to strengthen banking book exchange rate risk monitoring and authorisation management of limits to ensure that risks are controlled within a reasonable range.

41. Risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet its maturity obligations, or to perform other payment obligations.

According to the liquidity risk management policy, the Group operates the principle of segregation of policy setting, execution and supervising, and puts in place a governance framework which defines the roles, responsibilities and reporting lines of the board of directors, the board of supervisors, senior management, designated committees and relevant departments to ensure the effectiveness of the liquidity risk management. The board of directors takes the ultimate responsibility for liquidity risk management, ensures the Group can effectively identify, measure, monitor and control liquidity risk and is responsible for determining liquidity risk level which the Group can tolerate. The Risk and Capital Management Committee under the board of directors discharges responsibilities in liquidity risk management on behalf of the board of directors. The board of supervisors is responsible for the supervision and evaluation of the performance of the board of directors and senior management in the liquidity risk management and reports to the general meeting of shareholders. The senior management is responsible for the liquidity risk management work and develops a timely understanding of changes in liquidity risks, and reports the same to the board of directors. Assets and Liabilities Committee (ALCO), under the authority of the senior management, exercises the corresponding liquidity risk management functions. The Assets and Liabilities Management Department of the Head Office is a day-to-day working body of ALCO, and is responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Internal Audit Department of the Head Office conducts comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing its liquidity risk, which suits its current development stage. The Group's existing liquidity risk management policies and systems meet regulatory requirements and its own management needs.

The Group's liquidity risk management is coordinated by Head Office with branches acting in concert. The Asset and Liability Management Department acting as the treasurer of the Group is in charge of daily liquidity risk management. According to a prudent basis under regulatory requirements, the treasurer is conducting centralised liquidity management through limits management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as medium and long-term structures. It monitors the limit indicators closely at fixed intervals.

The Group regularly conducts stress testing to assess its liquidity risk resistance under extreme circumstances. Except for the annual stress testing required by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of local and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to continuously improve its capability to handle any liquidity crisis.

41. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities and gross loan commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	30 June 2022									
	Carrying amount	Total	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	584,875	584,875	80,042	–	–	–	–	–	504,833	–
Amounts due from banks and other financial institutions	586,832	590,286	85,235	314,686	77,751	93,138	19,476	–	–	–
Loans and advances to customers	5,677,277	7,076,333	832	554,574	411,707	1,725,185	1,921,970	2,439,269	–	22,796
Financial investments	2,486,174	2,935,073	2,728	130,583	119,600	343,275	1,100,562	1,219,529	18,516	280
– Financial investments at FVTPL	423,669	437,691	2,728	80,631	46,754	108,385	144,731	48,115	6,347	–
– Debt investments at amortised cost	1,330,259	1,669,213	–	32,440	29,137	119,996	548,179	939,055	131	275
– Debt investments at FVTOCI	720,851	816,774	–	17,512	43,709	114,894	407,652	232,359	643	5
– Equity investments designated at FVTOCI	11,395	11,395	–	–	–	–	–	–	11,395	–
Other assets	120,437	120,437	67,308	15,110	14,711	12,802	1,149	351	5,414	3,592
Total	9,455,595	11,307,004	236,145	1,014,953	623,769	2,174,400	3,043,157	3,659,149	528,763	26,668
Non-derivative financial liabilities and lease liabilities										
Borrowing from central bank and amounts due to banks and other financial institutions	1,082,400	1,088,180	565,225	215,540	101,688	186,863	14,509	4,355	–	–
Deposits from customers	7,037,185	7,270,622	4,563,705	323,960	364,324	892,543	1,124,169	1,921	–	–
Financial liabilities at FVTPL	68,069	68,712	11,814	8,402	8,440	4,012	11,488	24,556	–	–
Lease liabilities	13,410	14,524	–	478	649	2,955	8,884	1,558	–	–
Debt securities issued	334,632	354,209	–	56,080	71,699	74,192	107,763	44,475	–	–
Other liabilities	177,344	177,344	92,486	30,386	12,729	28,542	10,564	2,637	–	–
Total	8,713,040	8,973,591	5,233,230	634,846	559,529	1,189,107	1,277,377	79,502	–	–
Gross loan commitments	–	1,500,370	1,500,370	–	–	–	–	–	–	–

41. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities and gross loan commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis. *(continued)*

	31 December 2021									
	Carrying amount	Total	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	566,965	566,965	79,129	–	–	–	–	–	487,836	–
Amounts due from banks and other financial institutions	798,078	800,869	59,862	602,201	62,062	65,229	11,466	49	–	–
Loans and advances to customers	5,325,511	6,680,629	20,719	560,371	398,738	1,503,759	1,831,318	2,345,796	–	19,928
Financial investments	2,153,125	2,540,798	3,715	90,330	67,149	339,704	1,050,476	979,116	10,071	237
– Financial investments at FVTPL	348,123	355,501	3,715	64,405	28,852	90,837	127,527	37,089	3,076	–
– Debt investments at amortised cost	1,169,652	1,453,059	–	12,008	17,405	159,993	529,031	734,385	–	237
– Debt investments at FVTOCI	628,355	725,243	–	13,917	20,892	88,874	393,918	207,642	–	–
– Equity investments designated at FVTOCI	6,995	6,995	–	–	–	–	–	–	6,995	–
Other assets	154,308	154,308	102,918	9,891	13,745	13,795	1,848	528	7,670	3,913
Total	8,997,987	10,743,569	266,343	1,262,793	541,694	1,922,487	2,895,108	3,325,489	505,577	24,078
Non-derivative financial liabilities and lease liabilities										
Borrowing from central bank and amounts due to banks and other financial institutions	1,238,594	1,245,870	628,157	315,523	123,610	156,000	19,668	2,912	–	–
Deposits from customers	6,347,078	6,500,805	4,215,760	318,932	323,909	754,023	887,030	1,151	–	–
Financial liabilities at FVTPL	63,761	64,232	12,926	10,408	7,387	4,748	10,068	18,695	–	–
Lease liabilities	13,812	15,087	–	511	545	3,080	8,974	1,977	–	–
Debt securities issued	444,541	459,323	–	22,002	70,839	226,189	94,221	46,072	–	–
Other liabilities	158,091	158,091	74,533	36,128	15,454	23,052	8,406	518	–	–
Total	8,265,877	8,443,408	4,931,376	703,504	541,744	1,167,092	1,028,367	71,325	–	–
Gross loan commitments	–	1,386,481	1,386,481	–	–	–	–	–	–	–

Note: Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

(d) Operational risk

Operational risk arises from the direct and indirect loss due to deficiency in internal procedures, staffing or IT structure, as well as external events which have effect on operation, including legal risk but not strategy risk and reputation risk.

During the reporting period, through stepping up the identification, evaluation and monitoring of operational risk in key areas, and by focusing on process, policy, employee system, and existing problems of critical control segments, the Group further improves the risk management framework and method, appraisal and assessment mechanism, and strengthens economic capital allocation mechanism with the goal of enhancing the ability and effectiveness of operational risk's management of the Group. All major indexes meet the requirements of the Group's risk preference.

In view of the challenges from internal and external operations and management, the Group will, based on its risk appetite, continue to upgrade its risk management capabilities and strengthen operational risk monitoring and controls, in order to prevent and reduce operational risk losses.

41. Risk management *(continued)*

(e) Capital management

The objectives of the Group's capital management are to:

– Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base to support its business expansion, social responsibility and strategic planning implementation to achieve a comprehensive, coordinated and sustainable growth;

– Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;

– Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate customer pricing and decision-making, and increase capital deployment efficiency;

– Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns to shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier-1 capital instruments, eligible tier-2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under an approach stipulated by the CBIRC. The Group and the Bank submit required information to the CBIRC every quarter.

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all branches of the Bank. As at 30 June 2022, the Group's subsidiaries that were within the scope in respect of capital adequacy ratio calculation included: CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CIGNA & CMAM and CMB Europe S.A.

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) and other relevant regulations. On 18 April 2014, the CBIRC approved the Bank to adopt the Advanced Measurement Approach. Within the approved scope, the Bank could calculate corporation and financial institutions risk exposure using the Foundation Internal Ratings-Based Approach, retail risk exposure using the Advanced Internal Ratings-Based Approach, market risk using the Internal Model-Based Approach, and operational risk using the Standardised Measurement Approach. At the same time, the CBIRC implemented a parallel-run period for commercial banks that are approved for using the Advanced Measurement Approach. During the parallel-run period, commercial banks should use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios, and comply with the floor capital requirements.

The Group's capital management focuses on the capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resistance. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of its strategic development plan, business expansion status, and risk movement trends.

41. Risk management *(continued)*

(f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Group's derivatives can be divided into financial instruments that are held for cash flow hedging purpose and that are designated at fair value through profit or loss.

The Group formulates appropriate hedging strategies and uses proper tools in light of the risk profile of interest rates or foreign exchange rates associated with its assets and liabilities, as well as its analysis and judgement regarding future movements of interest rates or foreign exchange rates.

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from RMB loans and interbank assets portfolios.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturities at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period, and do not represent the amounts at risk.

	30 June 2022						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	262,888	333,682	1,093,071	4,965	1,694,606	9,405	(9,399)
Interest rate swaps	262,808	333,529	1,093,071	4,965	1,694,373	9,405	(9,398)
Bond futures	80	153	–	–	233	–	(1)
Currency derivatives	559,560	576,972	31,795	496	1,168,823	8,787	(11,715)
Forwards	61,858	8,993	120	496	71,467	484	(349)
Foreign exchange swaps	344,505	347,224	20,596	–	712,325	6,319	(6,546)
Futures	2	1,984	–	–	1,986	–	–
Options	153,195	218,771	11,079	–	383,045	1,984	(4,820)
Other derivatives	142,274	1,742	–	33	144,049	1,889	(1,906)
Equity options purchased	66,802	326	–	33	67,161	775	–
Equity options written	66,802	326	–	–	67,128	–	(635)
Commodity trading swaps	8,670	1,090	–	–	9,760	1,114	(1,271)
Cash flow hedge derivatives							
Interest rate derivatives	–	2,331	1,867	706	4,904	171	–
Interest rate swaps	–	2,331	1,867	706	4,904	171	–
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	–	462	489	–	951	–	(1)
Interest rate swaps	–	462	489	–	951	–	(1)
Currency derivatives	–	67	1,330	–	1,397	–	(224)
Foreign exchange swaps	–	67	1,330	–	1,397	–	(224)
Total	964,722	915,256	1,128,552	6,200	3,014,730	20,252	(23,245)

41. Risk management *(continued)*

(f) Use of derivatives *(continued)*

	31 December 2021						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	567,612	823,679	1,240,265	4,966	2,636,522	11,831	(11,974)
Interest rate swaps	565,833	823,679	1,240,265	4,966	2,634,743	11,831	(11,974)
Bond futures	391	–	–	–	391	–	–
Bond options	1,388	–	–	–	1,388	–	–
Currency derivatives	647,081	506,850	29,615	1,052	1,184,598	10,041	(13,966)
Forwards	26,577	14,373	1,517	1,052	43,519	985	(164)
Foreign exchange swaps	485,140	357,685	20,086	–	862,911	7,530	(7,048)
Futures	587	1,157	–	–	1,744	–	–
Options	134,777	133,635	8,012	–	276,424	1,526	(6,754)
Other derivatives	134,230	5,424	277	-	139,931	1,472	(1,237)
Equity options purchased	62,094	907	–	–	63,001	344	–
Equity options written	62,094	907	–	–	63,001	–	(265)
Commodity trading swaps	10,001	3,475	60	–	13,536	1,128	(751)
Equity swaps	41	135	217	–	393	–	(221)
Cash flow hedge derivatives							
Interest rate derivatives	–	–	2,883	702	3,585	46	–
Interest rate swaps	–	–	2,883	702	3,585	46	–
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	191	967	581	–	1,739	–	(17)
Interest rate swaps	191	967	581	–	1,739	–	(17)
Currency derivatives	–	72	1,360	–	1,432	–	(88)
Foreign exchange swaps	–	72	1,360	–	1,432	–	(88)
Total	1,349,114	1,336,992	1,274,981	6,720	3,967,807	23,390	(27,282)

There was no ineffective portion of cash flow hedges during the six months ended 30 June 2022 and 2021.

The credit risk weighted amounts in respect of these derivatives are as follows:

	30 June 2022	31 December 2021
Counterparties default risk weighted assets	**4,986**	3,627
Interest rate derivatives	**250**	139
Currency derivatives	**4,467**	3,048
Other derivatives	**269**	440
Credit valuation adjustment risk weighted assets	**2,188**	2,382
Total	**7,174**	6,009

The Group has calculated the exposure of derivatives according to the Notice of the Measures on Default Risk Weighted Assets of Counterparties in Respect of Derivatives and the related requirements issued by the CBIRC. These amounts have taken the effects of bilateral netting arrangements into account. The risk weighted amounts in respect of derivatives are calculated in accordance with the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the CBIRC. The amounts within the scope approved by the CBIRC in April 2014 are calculated using the Internal Ratings-Based Approach, and the Weighted Approach is adopted to calculate those that are not eligible for the Internal Ratings-Based approach.

41. Risk management *(continued)*

(g) Fair value information

(i) Methods of determining fair value of financial instruments

A number of the Group's accounting policies and disclosure requirements stipulate the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that takes the responsibility for overseeing all significant fair value measurements including the three levels of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRSs, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

– Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

– Level 2 inputs: other than quoted prices included in level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

– Level 3 inputs: inputs that are unobservable for assets or liabilities.

The Group recognises transfers among levels of the fair value hierarchy when they occur.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis

The following tables present the fair value information and the fair value hierarchy, at the end of the current interim reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date:

	30 June 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	19,407	370,711	4,669	394,787
– Debt securities	18,054	190,963	359	209,376
– Long position in precious metal contracts	60	–	–	60
– Equity investments	1,205	2	3,361	4,568
– Fund investments	88	176,749	941	177,778
– Wealth management products	–	1,943	–	1,943
– Other	–	1,054	8	1,062
Financial investments designated at FVTPL	285	28,597	–	28,882
– Debt securities	285	28,597	–	28,882
Derivative financial assets	–	20,252	–	20,252
Loans and advances to customers at FVTPL	–	–	5,924	5,924
Debt investments at FVTOCI	137,024	592,221	–	729,245
Loans and advances to customers at FVTOCI	–	540,351	77,642	617,993
Equity investments designated at FVTOCI	3,455	2,456	5,484	11,395
Total	160,171	1,554,588	93,719	1,808,478
Liabilities				
Financial liabilities held for trading	15,880	22	–	15,902
– Financial liabilities related to precious metal	14,908	–	–	14,908
– Short position on bonds	972	22	–	994
Financial liabilities designated at FVTPL	21,927	25,252	4,988	52,167
– Placement of precious metal from financial institutions	14,299	–	–	14,299
– Certificates of deposit issued	–	377	–	377
– Debt securities issued	7,572	–	–	7,572
– Other	56	24,875	4,988	29,919
Derivative financial liabilities	–	23,245	–	23,245
Total	37,807	48,519	4,988	91,314

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

The following tables present the fair value information and the fair value hierarchy, at the end of the current interim reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date: *(continued)*

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	20,517	292,849	4,879	318,245
– Debt securities	19,102	127,411	373	146,886
– Long position in precious metal contracts	102	–	–	102
– Equity investments	1,180	2	3,727	4,909
– Fund investments	133	161,865	772	162,770
– Wealth management products	–	2,396	–	2,396
– Other	–	1,175	7	1,182
Financial investments designated at FVTPL	1,022	28,856	–	29,878
– Debt securities	1,022	28,856	–	29,878
Derivative financial assets	–	23,390	–	23,390
Loans and advances to customers at FVTPL	–	–	7,281	7,281
Debt investments at FVTOCI	127,847	508,191	–	636,038
Loans and advances to customers at FVTOCI	–	431,291	56,713	488,004
Equity investments designated at FVTOCI	2,269	–	4,726	6,995
Total	151,655	1,284,577	73,599	1,509,831
Liabilities				
Financial liabilities held for trading	16,832	185	–	17,017
– Financial liabilities related to precious metal	16,406	–	–	16,406
– Short position on bonds	426	185	–	611
Financial liabilities designated at FVTPL	19,569	19,028	8,147	46,744
– Placement of precious metal from financial institutions	11,596	–	–	11,596
– Certificates of deposit issued	–	377	–	377
– Debt securities issued	7,600	–	–	7,600
– Other	373	18,651	8,147	27,171
Derivative financial liabilities	–	27,282	–	27,282
Total	36,401	46,495	8,147	91,043

During the six months ended 30 June 2022 and 2021, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(1) Basis of determining the market prices for recurring fair value measurements categorised as Level 1

Bloomberg and other reputable service providers are used for financial instruments with quoted prices in an active market.

(2) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised as Level 2

Fair value of RMB denominated bonds whose value is available on China Bond website on the valuation date is measured using the latest available valuation results.

Fair value of foreign currency bonds without quoted prices in an active market, is measured by using the comprehensive valuations issued by Bloomberg, etc.

Fair value of foreign exchange forwards contracts in derivative financial instruments are measured by discounting the differences between the contract prices and market future prices of the foreign exchange forwards contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of option contracts such as foreign exchange options, commodity options and equity options is measured by using the Black-Scholes model, using market data such as risk-free interest rate, underlying market prices and price volatility of foreign exchange, commodities, and equity contract. The above market data used are quoted price in an active market, provided by Bloomberg, Refinitiv, Wind and other market information providers.

Fair value of interest rate swaps, foreign exchange swaps, and non-option commodity contracts in derivative financial instruments are measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of reporting date. The discount rates used are the related currency denominated swap yield curve as at the end of reporting period.

Observable quoted price in market is used as the basis of determining the value of investment funds and wealth management products.

The fair value of loans and advances to customers at FVTOCI in Mainland China is measured based on the rate of rediscounted bills announced by the Shanghai Commercial Bill Exchange. The Group uses 10-day average discounted rate as the basis for calculating the value of discounted bills. The fair value of loans and advances to customers at FVTOCI outside Mainland China is measured by discounted cash flow approach. The discount rates used are determined by factors such as credit rating of the loan customer provided by S&P, Moody’s or Fitch, customer industry, term to maturity of the loan, loan currency and the issuer credit spread.

The fair value of equity investments designated at FVTOCI is measured based on the recent transaction price or by using the comprehensive valuations on Bloomberg.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations on Bloomberg.

The fair value of “Other” under financial investments measured at FVTPL is measured based on the net asset values.

The fair value of financial liabilities designated at FVTPL is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) *Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3*

	Fair value as at 30 June 2022	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	**804**	Market approach	Liquidity discount
Equity investments designated at FVTOCI	**4,680**	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	**5,924**	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	**77,642**	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	**3,096**	Market approach	Liquidity discount
– Equity investments	**241**	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	**24**	Net asset value approach	Net assets, liquidity discount
– Debt securities	**359**	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	**940**	Net fund value approach	Net assets
– Fund investments	**1**	Market approach	Liquidity discount
– Other	**8**	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	**405**	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	**4,583**	Net fund value approach	Net assets, liquidity discount

	Fair value as at 31 December 2021	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	873	Market approach	Liquidity discount, risk-adjusted discount rate
Equity investments designated at FVTOCI	3,853	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	7,281	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	56,713	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	3,491	Market approach	Liquidity discount
– Equity investments	12	Market approach (Price-to-Book Ratio)	Liquidity discount
– Equity investments	209	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	15	Net asset value approach	Net assets, liquidity discount
– Debt securities	373	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	767	Net fund value approach	Net assets
– Fund investments	5	Market approach	Liquidity discount
– Other	7	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	664	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	7,483	Net fund value approach	Net assets, liquidity discount

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3 (continued)

1) Valuation of financial instruments with significant unobservable inputs

The following tables show the movements from the beginning balances to the ending balances for Level 3 financial instruments:

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2022	4,879	7,281	56,713	4,726	73,599
Profit or loss					
– In profit or loss	(23)	(368)	744	–	353
– In other comprehensive income	–	–	2	18	20
Addition for the period	298	–	66,147	674	67,119
Disposals or settlement on maturity	(479)	(1,001)	(45,964)	(80)	(47,524)
Transfer out of the level 3	(150)	–	–	–	(150)
Exchange difference	144	12	–	146	302
At 30 June 2022	4,669	5,924	77,642	5,484	93,719
Total unrealised gains and losses included in the unaudited consolidated statement of profit or loss for assets held at the end of the reporting period	(23)	(368)	–	–	(391)

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2021	2,727	6,856	44,289	5,064	58,936
Profit or loss					
– In profit or loss	339	287	1,365	–	1,991
– In other comprehensive income	–	–	48	1,050	1,098
Addition for the year	1,832	143	118,229	721	120,925
Disposals or settlement on maturity	(68)	–	(107,218)	(2,158)	(109,444)
Exchange difference	49	(5)	–	49	93
At 31 December 2021	4,879	7,281	56,713	4,726	73,599
Total unrealised gains and losses included in the unaudited consolidated statement of profit or loss for assets held at the end of the reporting period	339	287	–	–	626

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3 (continued)

1) Valuation of financial instruments with significant unobservable inputs (continued)

Financial liabilities at fair value through profit or loss	2022	2021
Balance as at 1 January	**8,147**	5,649
In profit or loss	**(220)**	470
Addition for the period/year	**92**	3,105
Disposals and settlement on maturity	**(3,316)**	(860)
Exchange difference	**285**	(217)
Balance as at 30 June/31 December	**4,988**	8,147
Total unrealised gains and losses included in the unaudited consolidated statement of profit or loss for liabilities held at the end of the reporting period	**(64)**	419

2) Transfers among different levels occurred during the reporting period, the reasons for theses transfers and the principle of determining the dates of transfers for financial instruments measured at fair value on recurring basis

During the six months ended 30 June 2022 and 2021, there were no significant transfers among different levels for financial instruments which are measured at fair value on recurring basis.

3) Changes in valuation techniques and the reasons for the changes

During the six months ended 30 June 2022 and the 2021, the Group did not change the valuation techniques for the financial assets and liabilities disclosed above which are measured at fair value on recurring basis.

(iii) Financial assets and financial liabilities that are not measured at fair value

(1) Financial Assets

The Group's financial assets that are not measured at fair value mainly include balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortised cost and investments at amortised cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets mature within 1 year, and their carrying values approximate to their fair values. Loans and advances are stated at amortised costs less allowances for impairment loss (Note 16). Loans and advances at amortised cost are mostly priced at floating rates with reference to the PBOC benchmark interest rate or Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowances are made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances is close to their fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed investments is disclosed in Note 17(b).

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(iii) Financial assets and financial liabilities that are not measured at fair value *(continued)*

(1) Financial Assets (continued)

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed as below：

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets sourced from Bloomberg or other service providers. For Level 2, the latest valuation results released by China Bond website are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which are measured using the quoted comprehensive valuation from Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	30 June 2022					31 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	**1,330,259**	**1,369,877**	**22,168**	**1,246,296**	**101,413**	1,169,652	1,235,725	6,659	1,097,435	131,631

Note: The above financial assets do not include interest receivable.

(2) Financial Liabilities

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximate to their fair value at the end of the reporting period, except for the financial liabilities set out below:

	30 June 2022					31 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Subordinated bonds issued	**34,358**	**35,220**	**–**	**35,220**	**–**	34,236	35,173	–	35,173	–
Long-term debt securities issued	**160,723**	**159,515**	**–**	**159,515**	**–**	159,306	160,893	–	160,893	–
Total	**195,081**	**194,735**	**–**	**194,735**	**–**	193,542	196,066	–	196,066	–

Note: The above financial liabilities do not include interest payable.

42. Material related party transactions

(a) Material connected person information

Details of the Bank's major shareholders, and their group companies and subsidiaries of the Bank are as follows:

Company name	Registered location	Issued and fully paid capital (million)	No. of shares of the Bank held by the company	Proportion of the Bank held by the company	Proportion of the company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Merchants Group Ltd. (CMG)	Beijing	RMB16,900	7,559,427,375	29.97% (note (i)(vii))	–	Transportation, shipping agency, warehousing and storage, leasing, manufacturing building and facility, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited liability	Miao Jianmin
– China Merchants Steam Navigation Co., Ltd. (CMSN)	Beijing	RMB17,000	3,289,470,337	13.04% (note (ii))	–	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited liability	Miao Jianmin
– Shenzhen Yan Qing Investment and Development Co., Ltd.	Shenzhen	RMB600	1,258,542,349	4.99%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Xu Xin
– Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600	944,013,171	3.74%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Xu Xin
– China Merchants Finance Investment Holdings Co., Ltd.	Shenzhen	RMB7,778	1,147,377,415	4.55%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Hong Xiaoyuan
– Best Winner Investment Co., Ltd.	British Virgin Islands	USD0.05	386,924,063	1.53%	–	–	Shareholder	Joint stock limited company	–
– China Merchants Union (BVI) Ltd.	British Virgin Islands	USD0.06	477,903,500	1.89%	–	–	Shareholder	Limited liability	–
– China Merchants Industry Development (Shenzhen) Co., Ltd.	Shenzhen	USD10	55,196,540	0.22%	–	Invest and set up industries, enterprise management consulting and investment consulting, etc.	Shareholder	Limited liability	Wang Xiaoding
China COSCO Shipping Corporation Limited.	Beijing	RMB11,000	2,515,193,034	9.97% (note (iii))	–	International shipping business, supporting services to international shipping, imports and exports of goods and technology, international freight forwarding agent, etc.	Shareholder's parent company	Limited liability	Wan Min
– China Ocean Shipping Co., Ltd.	Beijing	RMB16,191	1,574,729,111	6.24%	–	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited liability	Wan Min

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders, and their group companies and subsidiaries of the Bank are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital (million)	No. of shares of the Bank held by the company	Proportion of the Bank held by the company	Proportion of the company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
– COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191	696,450,214	2.76%	–	Shipping business	Shareholder	Limited liability	Shou Jian
– Guangzhou Haining Maritime Technology Service Co., Ltd.	Guangzhou	RMB52	103,552,616	0.41%	–	Business services	Shareholder	Limited liability	Huang Biao
– COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399	75,617,340	0.30%	–	Shipping business, leasing business, ship repairing and building etc.	Shareholder	Limited liability	Zhao Bangtao
– COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500	54,721,930	0.22%	–	Leasing business, financing business, insurance business etc.	Shareholder	Limited liability	Wang Daxiong
– Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299	10,121,823	0.04%	–	Ship purchasing and marketing business, shipping agency, leasing business, shipping business etc.	Shareholder	Limited liability	Ren Zhaoping
China Insurance Security Fund Co., Ltd	Beijing	RMB100	815,030,635	3.23% (note (iv))	–	Collecting, managing and employing China Insurance Security Fund, monitoring risk in the insurance industry, participating in risk solution of insurance industry, taking over and disposing of liquidation assets, etc.	Shareholder's parent company	Limited liability	Ji Yuhua
– Dajia Life Insurance Co., Ltd	Beijing	RMB30,790	815,030,635	3.23%	–	Life insurance, health insurance, accident insurance, and other personal insurance services, etc.	Shareholder	Joint stock limited company	He Xiaofeng
China Communications Construction Group Limited.	Beijing	RMB7,274	422,770,418	1.68% (note (v))	–	General contraction for construction	Shareholder's parent company	Limited liability	Wang Tongzhou
– China Communications Construction Company Limited.	Beijing	RMB16,166	301,089,738	1.19%	–	General contraction for construction, leasing and repair, technical consulting service, imports and exports, investment and management business	Shareholder	Joint stock limited company	Wang Tongzhou
Shanghai Automotive Industry Corporation (Group)	Shanghai	RMB21,749	310,125,822	1.23% (note (vi))	–	Production and sale of vehicles, asset management business, domestic trade business, consulting service	Shareholder's parent company	Limited liability	Chen Hong
– SAIC Motor Corporation Limited	Shanghai	RMB11,683	310,125,822	1.23%	–	Production and sale of vehicles, consulting service, imports and exports	Shareholder	Joint stock limited company	Chen Hong

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders, and their group companies and subsidiaries of the Bank are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital (million)	No. of shares of the Bank held by the company	Proportion of the Bank held by the company	Proportion of the company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
CMB International Capital Holdings Corporation Limited (CMBIC)	Hong Kong	HKD4,129	–	–	100%	Investment bank and investment managements	Subsidiary	Limited liability	Wang Liang
CMB Financial Leasing Company Limited (CMBFL)	Shanghai	RMB12,000	–	–	100%	Finance lease	Subsidiary	Limited liability	Shi Shunhua
CMB Wing Lung Bank Limited (CMB WLB)	Hong Kong	HKD1,161	–	–	100%	Banking	Subsidiary	Limited liability	Zhu Qi
China Merchants Fund Management Co., Ltd. (CMFM)	Shenzhen	RMB1,310	–	–	55%	Fund Management	Subsidiary	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd (CMBWM)	Shenzhen	RMB5,556	–	–	90%	Asset management	Subsidiary	Limited liability	Chen Yisong
CMB Europe S.A	Luxembourg	EUR50	–	–	100%	Banking	Subsidiary	Limited liability	Li Biao
Cigna & CMB Asset Management Company Limited	Beijing	RMB500	–	–	Note 1 (ii)	Asset management	Subsidiary	Limited liability	Wang Xiaoqing

Notes:

(i) CMG holds 29.97% of the Bank (31 December 2021: 29.97%) through its subsidiaries.

(ii) As the largest direct shareholder, CMSN, a subsidiary of CMG, holds 13.04% of the Bank as at 30 June 2022 (31 December 2021: 13.04%).

(iii) China COSCO Shipping Corporation Ltd. holds 9.97% of the Bank (31 December 2021: 9.97%) through its subsidiaries.

(iv) China Insurance Security Fund Co., Ltd ("China Insurance Security Fund") holds 3.23% of the Bank indirectly (31 December 2021: 3.23%) through its 98.23% holding in Dajia Insurance Group Co., Ltd (31 December 2021: 98.23%).

(v) China Communications Construction Group Limited ("China Communications Construction Group") holds 1.68% of the Bank through its subsidiaries (31 December 2021: 1.68%).

(vi) Shanghai Automotive Industry Corporation (Group) ("Shanghai Automotive Industry Group") holds 1.23% of the Bank through its subsidiaries (SAIC Motor Corporation Limited) (31 December 2021：1.23%).

(vii) The sum of the direct holding percentage of CMG's shareholdings in the Bank and the sum of the above-mentioned relevant percentages may differ slightly due to rounding.

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The registered capital of the Group's related parties as at 30 June 2022 and 31 December 2021 were as follows:

Name of related party	30 June 2022		31 December 2021	
CMG	RMB	16,900,000,000	RMB	16,900,000,000
CMSN	RMB	17,000,000,000	RMB	7,000,000,000
Shenzhen Yan Qing Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
China Merchants Finance Investment Holdings Co., Ltd.	RMB	7,778,000,000	RMB	7,778,000,000
Best Winner Investment Co., Ltd.	USD	50,000	USD	50,000
China Merchants Union (BVI) Ltd.	USD	60,000	USD	60,000
China Merchants Industry Development (Shenzhen) Co., Ltd.	USD	10,000,000	USD	10,000,000
China Insurance Security Fund	RMB	100,000,000	RMB	100,000,000
Dajia Life Insurance Co., Ltd	RMB	30,790,000,000	RMB	30,790,000,000
China COSCO Shipping Corporation Limited.	RMB	11,000,000,000	RMB	11,000,000,000
China Ocean Shipping Co., Ltd.	RMB	16,191,351,300	RMB	16,191,351,300
COSCO Shipping (Guangzhou) Co., Ltd.	RMB	3,191,200,000	RMB	3,191,200,000
Guangzhou Haining Maritime Technology Service Co., Ltd.	RMB	52,000,000	RMB	52,000,000
COSCO Shipping (Shanghai) Co., Ltd.	RMB	1,398,941,000	RMB	1,398,941,000
COSCO Shipping Investment Holdings Co., Ltd.	HKD	500,000,000	HKD	500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	RMB	299,020,000	RMB	299,020,000
China Communications Construction Group	RMB	7,274,023,830	RMB	7,274,023,830
China Communications Construction Company Limited	RMB	16,165,711,425	RMB	16,165,711,425
Shanghai Automotive Industry Group	RMB	21,749,175,737	RMB	21,749,175,737
SAIC Motor Corporation Limited	RMB	11,683,461,365	RMB	11,683,461,365
CMBIC	HKD	4,129,000,000	HKD	4,129,000,000
CMBFL	RMB	12,000,000,000	RMB	12,000,000,000
CMB WLB	HKD	1,160,950,575	HKD	1,160,950,575
CMFM	RMB	1,310,000,000	RMB	1,310,000,000
CMBWM	RMB	5,555,555,555	RMB	5,000,000,000
CMB Europe S.A.	EUR	50,000,000	EUR	50,000,000
Cigna & CMB Asset Management Company Limited	RMB	500,000,000	RMB	500,000,000

42. Material related party transactions *(continued)*

(b) Terms and conditions for related-party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, deposit taking, securities trading, providing agency and trust services, and off-balance sheet transactions. In the opinion of the directors, the Group enters into such material related-party transactions under normal commercial terms. Interest rates on loans and deposits are set in accordance with such benchmark rates as PBOC rates and LPR:

	30 June 2022	31 December 2021
Short-term loans	**3.70% to 3.80%**	3.80% to 3.85%
Medium to long-term loans	**3.70% to 4.45%**	3.80% to 4.65%
Demand deposits	**0.35%**	0.35%
Time deposits	**1.10% to 2.75%**	1.10% to 2.75%

There were no loans and advances granted to related parties that were credit-impaired during the period (2021: None).

(c) Shareholders and their related companies

The Bank's largest shareholder CMSN and its related companies hold 29.97% (31 December 2021: 29.97%) of the Bank's shares as at 30 June 2022 (among them 13.04% of the shares are directly held by CMSN (31 December 2021: 13.04%)).

The Group's transactions and balances with CMSN and its related companies are disclosed as follows:

	30 June 2022	31 December 2021
On-balance sheet:		
– Amounts held under resale agreements	**–**	13,967
– Loans and advances to customers	**41,081**	42,645
– Financial investments	**7,030**	1,147
– Deposits from banks and other financial institutions	**39,308**	29,755
– Deposits from customers	**49,906**	45,708
– Lease liabilities	**169**	186
Off-balance sheet:		
– Irrevocable guarantees	**5,787**	3,645
– Irrevocable letters of credit	**516**	251
– Bills of acceptances	**237**	188

	Six months ended 30 June	
	2022	2021
Interest income	**971**	748
Interest expense	**(707)**	(630)
Net fee and commission income	**749**	472
Operating expenses	**(10)**	(23)
Other net income	**1**	2

42. Material related party transactions *(continued)*

(d) Companies that share common directors, supervisors or senior management with the Bank (other than those disclosed in Note 42 (c)) and they can control or exercise significant influence over the companies

	30 June 2022	31 December 2021
On-balance sheet:		
– Amounts held under resale agreements	–	285
– Loans and advances to customers	14,870	13,366
– Financial investments	2,400	595
– Deposits from banks and other financial institutions	17,284	21,356
– Deposits from customers	34,978	31,016
– Lease liabilities	69	73
Off-balance sheet:		
– Irrevocable guarantees	1,894	1,711
– Irrevocable letters of credit	6	46
– Bills of acceptances	22	225

	Six months ended 30 June	
	2022	2021
Interest income	321	604
Interest expense	(500)	(507)
Net fee and commission income	99	161
Operating expenses	(961)	(765)
Other net income	2	–

(e) Associates and joint ventures other than those disclosed in Note 42(c)

	30 June 2022	31 December 2021
On-balance sheet:		
– Placements with banks and other financial institutions	9,900	14,500
– Loans and advances to customers	6,701	6,044
– Deposits from banks and other financial institutions	240	1,251
– Deposits from customers	2,026	693
Off-balance sheet:		
– Irrevocable guarantees	–	8,700

	Six months ended 30 June	
	2022	2021
Interest income	167	209
Interest expense	(10)	(9)
Net Fee and commission income	2,044	1,014
Operating expenses	(8)	(7)

42. Material related party transactions *(continued)*

(f) Other major shareholders holding more than 5% shares of the Bank and exercising significant influence over the Bank

	30 June 2022	31 December 2021
On-balance sheet:		
– Amounts held under resale agreements	–	399
– Loans and advances to customers	**23,863**	17,654
– Financial investments	**3,875**	2,512
– Deposits from banks and other financial institutions	**3,833**	7,502
– Deposits from customers	**23,320**	19,704
– Lease liabilities	**40**	46
Off-balance sheet:		
– Irrevocable guarantees	**7,738**	7,895
– Irrevocable letters of credit	**1,018**	337
– Bills of acceptances	**7,893**	5,068

	Six months ended 30 June	
	2022	2021
Interest income	**452**	428
Interest expense	**(415)**	(968)
Net fee and commission income	**2,221**	964
Other net (expense)/income	**(1)**	1

(g) Subsidiaries

	30 June 2022	31 December 2021
On-balance sheet		
– Balances with banks and other financial institutions	**1,714**	1,950
– Placements with banks and other financial institutions	**41,454**	37,055
– Loans and advances to customers	**5,545**	–
– Financial investments	**3,557**	3,454
– Deposits from banks and other financial institutions	**7,687**	7,657
– Amounts sold under repurchase agreements	–	816
– Deposits from customers	**4,380**	3,546
Off-balance sheet		
– Irrevocable letters of credit	**837**	1,998
– Bills of acceptances	**103**	81

	Six months ended 30 June	
	2022	2021
Interest income	**492**	557
Interest expense	**(97)**	(196)
Net fee and commission expense	**(233)**	(1,100)
Operating expenses	**(4)**	(33)
Other net income	**60**	34

All significant balances and transactions between the Bank and its subsidiaries have been eliminated in the consolidated financial statements.

43. Non-controlling interests

Non-controlling interests represent the interests that the Group does not hold in the subsidiaries, the Group does not have any subsidiary with significant non-controlling interests during the reporting period.

(a) Perpetual debt capital

CMB WLB, the Group's subsidiary, issued perpetual debt of USD170 million on 27 April 2017 and another perpetual debt of USD400 million on 24 January 2019. CMB WLB redeemed the USD170 million perpetual debt issued in 2017 during the current period. Movements of these perpetual debt capital are as follows:

	Principal	Distributions/ Paid	Total
At 1 January 2022	**3,636**	**–**	**3,636**
Redemption in the period	**(1,104)**	**–**	**(1,104)**
Distributions in the period	**–**	**114**	**114**
Paid in the period	**–**	**(114)**	**(114)**
Exchange difference	**136**	**–**	**136**
At 30 June 2022	**2,668**	**–**	**2,668**

	Principal	Distributions/ Paid	Total
At 1 January 2021	3,753	–	3,753
Distributions in 2021	–	227	227
Paid in 2021	–	(227)	(227)
Exchange difference	(117)	–	(117)
At 31 December 2021	3,636	–	3,636

There is no maturity for the instruments and the payments of distribution can be cancelled at the discretion of the issuer. Cancelled interest is non-cumulative. There is no contractual obligation to deliver cash to other parties. During the six months ended 30 June 2022 and 2021, CMB WLB did not cancel the payment of distribution and the corresponding amount was paid to the perpetual debt holders accordingly.

44. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. In some cases, such transfers may give rise to full or partial derecognition of the financial assets concerned when derecognition criteria are met fully or partially, and in other cases the transfers may not qualify for derecognition as the Group retains substantially all the risks and rewards of these transferred assets. As a result, the Group continues to recognise these transferred assets.

44. Transfers of financial assets *(continued)*

Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire certain investments at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, the Group derecognises the transferred credit assets in their entirety. During the six months ended 30 June 2022, the Group has transferred loans amounted to RMB9,278 million (six months ended 30 June 2021: RMB8,388 million) in securitisation arrangements, as well as substantially all the risks and rewards associated with the loans. The full amount of such securitised loans were then derecognised.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the six months ended 30 June 2022, there were no new securitised credit assets in which the Group retained the continuing involvement (six months ended 30 June 2021: RMB9,980 million). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability, are recognised in other assets and other liabilities in the unaudited consolidated statement of financial position, amounting to RMB5,274 million as at 30 June 2022 (31 December 2021: RMB5,274 million).

Transfers of credit assets to third parties

During the six months ended 30 June 2022, in addition to securitisation transactions, the Group transferred credit assets amounting to RMB986 million (six months ended 30 June 2021: RMB727 million) to independent third parties directly. The Group determined that these transferred assets qualified for full derecognition, since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. Instead, it recognises a financial liability for cash received as collateral.

45. Interests in unconsolidated structured entities

The scope of the Group's consolidated financial statements is determined on a control basis. Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to affect the amount of its return.

The Group has the power over structured subjects, and the other investors have no substantive rights. In the meantime, the Group is entitled to variable returns, and will consolidate entities, in which the Group has the right to affect the amount of its return.

In addition to the above-mentioned structured entities that have been included in the Group's consolidated financial statements, the equity information on structured entities that are not consolidated by the Group is as follows:

45. Interests in unconsolidated structured entities *(continued)*

(a) Interests in the structured entities sponsored by third parties

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, assets backed securities and investments in funds, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following tables set out an analysis of the balance of interests held by the Group as at 30 June 2022 and 31 December 2021 in the structured entities sponsored by third parties and an analysis of the line items in the unaudited consolidated statement of financial positions as at 30 June 2022 and 31 December 2021 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2022				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	68,054	–	68,054	68,054
Trust beneficiary rights	–	37,519	–	37,519	37,519
Asset backed securities	1,042	303	502	1,847	1,847
Fund investments	170,614	–	–	170,614	170,614
Total	171,656	105,876	502	278,034	278,034

	31 December 2021				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	67,432	–	67,432	67,432
Trust beneficiary rights	–	34,112	–	34,112	34,112
Asset backed securities	2,537	307	1,205	4,049	4,049
Fund investments	156,112	–	–	156,112	156,112
Total	158,649	101,851	1,205	261,705	261,705

The maximum exposures of investments in funds, trust beneficiary rights, asset management schemes, wealth management products and asset backed securities are the balance of these assets.

45. Interests in unconsolidated structured entities *(continued)*

(b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and assets management schemes. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. Interest of the Group in these unconsolidated structured entities is limited to fees and commissions charged for management services provided.

As at 30 June 2022, the amount of the unconsolidated non-principal-guaranteed wealth management products sponsored by the Group was RMB2,881,828 million (31 December 2021: RMB2,777,537 million).

As at 30 June 2022, the amount of the unconsolidated funds sponsored by the Group was RMB1,219,417 million (31 December 2021: RMB1,085,813 million).

As at 30 June 2022, the amount of the unconsolidated asset management schemes sponsored by the Group was RMB184,888 million (31 December 2021: RMB174,555 million).

As at 30 June 2022, amounts held under resale agreements of the Group with non-principal-guaranteed wealth management products sponsored by the Group were RMB21,450 million (31 December 2021: RMB30,896 million). The above transactions were conducted in accordance with normal business terms and conditions.

As at 30 June 2022, the amount of the unconsolidated non-principal-guaranteed wealth management products held by the Group was RMB1,943 million (31 December 2021: RMB2,396 million).

As at 30 June 2022, the amount of unconsolidated fund products held by the Group was RMB6,865 million (31 December 2021: RMB6,658 million).

During the six months ended 30 June 2022, the amount of fee and commission income the Group received from such non-principal-guaranteed wealth management products was RMB9,603 million (six months ended 30 June of 2021: RMB5,876 million).

During the six months ended 30 June 2022, the amount of fee and commission income the Group received from such unconsolidated mutual funds was RMB2,854 million (six months ended 30 June 2021: RMB2,146 million).

During the six months ended 30 June 2022, the amount of fee and commission income the Group received from such unconsolidated asset management schemes was RMB241 million (six months ended 30 June of 2021: RMB309 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2022 with a maturity date before 30 June 2022 was RMB254,905 million (six months ended 30 June 2021: RMB654,616 million).

46. Subsequent event

At the 41st meeting of the Eleventh Session of the Board of Directors held on 20 May 2022, the Bank considered and passed the proposal on fully redeeming the USD 1,000 million Offshore Preference Shares of China Merchants Bank Co., Ltd., and agreed that "the Bank meets the preconditions for fully redeeming Offshore Preference Shares, and can redeem the Bank's Offshore Preference Shares in full and pay the dividends not yet distributed". On 1 August 2022, the Board of Directors of the Bank announced that it had received the reply from the CBIRC that CBIRC had no objection to the redemption of USD 1,000 million of Offshore Preference Shares.

47. Comparative figures

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

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(A) Capital adequacy ratio

The Group's capital adequacy ratio was prepared solely in accordance with the CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) issued in 2012 and effective on 1 January 2013. The bases used herein may differ from those adopted in Hong Kong or other countries and regions.

In accordance with the Advanced Measurement Approach approved by the CBIRC in April 2014, the Group calculates core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as follows:

	30 June 2022	31 December 2021
Core tier-1 capital adequacy ratio	12.32%	12.66%
Tier-1 capital adequacy ratio	14.46%	14.94%
Capital adequacy ratio	16.80%	17.48%
Components of capital base		
Core tier-1 capital:		
Qualifying portion of share capital	25,220	25,220
Qualifying portion of capital reserve	65,997	67,491
Surplus reserves	82,102	82,104
General reserve	116,309	115,288
Retained profits	452,392	424,768
Qualifying portion of non-controlling interests	–	–
Other (note (i))	14,786	12,788
Total core tier-1 capital	756,806	727,659
Regulatory deductions from core tier-1 capital	26,725	23,322
Net core tier-1 capital	730,081	704,337
Additional tier-1 capital (note (ii))	127,043	127,043
Net tier-1 capital	857,124	831,380
Tier-2 capital:		
Qualifying portion of tier-2 capital instruments and their premium	20,000	24,170
Surplus provision for loans impairment	116,964	115,472
Qualifying portion of non-controlling interests	1,647	1,584
Total tier-2 capital	138,611	141,226
Regulatory deductions from core tier-2 capital	–	–
Net tier-2 capital	138,611	141,226
Net capital	995,735	972,606
Total risk-weighted assets	5,926,077	5,563,724

Notes:

(i): Under CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional), other includes exchange reserve in the unaudited consolidated financial statements, etc.

(ii): The Group's additional tier-1 capital includes preference shares, qualifying portion of non-controlling interests, etc.

As at 30 June 2022, the Group's core tier-1 capital adequacy ratio was 10.73%, tier-1 capital adequacy ratio was 12.60%, capital adequacy ratio was 14.03%, net capital was RMB954,937 million and total risk-weighted assets was RMB6,804,202 million, using the Weighted Approach for credit risk, Standardised Measurement Approach for market risk and Basic Indicator Approach for operational risk in the calculations.

(B) Leverage ratio

In accordance with the CBIRC's Administrative Measures on Leverage Ratio of Commercial Banks (Revision) issued in 2015 and effective on 1 April 2015, the Group's leverage ratio is as follows. The basis used herein may differ from those adopted in Hong Kong or other countries and regions.

The difference between regulatory items and accounting items:

	30 June 2022	31 December 2021
Total consolidated assets as per published financial statements	**9,724,996**	9,249,021
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(59,301)**	(54,231)
Adjustments for fiduciary assets	**–**	–
Adjustments for derivative financial instruments	**(6,458)**	(8,526)
Adjustment for securities financing transactions	**12,582**	27,776
Adjustment for off-balance sheet items	**1,568,269**	1,204,181
Other adjustments	**(26,725)**	(23,322)
Balance of adjusted on-balance sheet and off-balance sheet assets	**11,213,363**	10,394,899

Leverage ratio, net tier-1 capital, adjusted on-balance sheet and off-balance sheet assets and other information:

	30 June 2022	31 December 2021
On-balance sheet items (excluding derivatives and securities financing transactions (SFT))	**9,434,137**	8,647,884
Less: Asset amounts deducted in determining Basel III Tier 1 capital	**(26,725)**	(23,322)
Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	**9,407,412**	8,624,562
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	**6,064**	5,374
Add-on amounts for potential future exposure associated with all derivatives transactions	**7,601**	9,489
Gross-up for derivatives collateral provided where deducted from the balance sheet assets	**–**	–
Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	**–**	–
Less: Exempted central counterparty leg of client-cleared trade exposures	**–**	–
Effective notional amount of written credit derivatives	**–**	–
Less: Adjusted effective notional deductions for written credit derivatives	**–**	–
Total derivative exposures	**13,665**	14,863
Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**211,435**	523,517
Less: Netted amounts of cash payables and cash receivables of gross SFT assets	**–**	–
Counterparty credit risk exposure for SFT assets	**12,582**	27,776
Agent transaction exposures	**–**	–
Total securities financing transaction exposures	**224,017**	551,293
Off-balance sheet exposure at gross notional amount	**3,057,958**	2,576,292
Less: Adjustments for conversion to credit equivalent amounts	**(1,489,689)**	(1,372,111)
Balance of adjusted off-balance sheet assets	**1,568,269**	1,204,181
Net tier-1 capital	**857,124**	831,380
Balance of adjusted on-balance sheet and off-balance sheet assets	**11,213,363**	10,394,899
Leverage ratio	**7.64%**	8.00%

(C) Liquidity coverage ratio

The Group prepares and discloses information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other regions. The average liquidity coverage ratio of the Group was 167.65% in the second quarter of 2022, a decrease of 7.67 percentage points over the previous quarter, which was mainly caused by the increase in cash outflows from financial institutions greater than the increase in total stock of high quality liquid assets. The Group's liquidity coverage ratio at the end of the second quarter of 2022 was 139.73%, which was in line with the 2022 regulatory requirements of the CBIRC. The breakdown of the Group's average value of each item of liquidity coverage ratio in the second quarter of 2022 is set out below:

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount (average value)	Weighted amount (average value)
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**		**1,579,678**
2	Retail and small business customers deposits, of which:	2,695,887	236,252
3	Stable deposits	666,742	33,337
4	Less stable deposits	2,029,145	202,915
5	Unsecured wholesale funding, of which:	4,299,050	1,419,109
6	Operational deposits (excluding correspondent banks)	2,686,244	667,077
7	Non-operational deposits (including all counterparties)	1,587,394	726,620
8	Unsecured debt issuance	25,412	25,412
9	Secured funding		3,165
10	Additional requirements, of which:	1,826,528	400,592
11	Cash outflows arising from derivative contract and other transactions arising from related collateral requirements	313,798	313,798
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,512,730	86,794
14	Other contractual obligations to extend funds	74,747	74,747
15	Other contingent funding obligations	2,855,738	99,921
16	**Total cash outflows**		**2,233,786**
17	Secured lending (including reverse repo and securities borrowing)	280,442	280,297
18	Contractual inflows from fully performing loans	1,086,158	695,287
19	Other cash inflows	325,522	315,950
20	**Total cash inflows**	**1,692,122**	**1,291,534**

		Adjusted value
21	**Total stock of high quality liquid assets**	**1,579,678**
22	**Net cash outflows**	**942,252**
23	**Liquidity coverage ratio (%)**	**167.65%**

Notes:

(i) Data from domestic operation is a simple arithmetic average of the 91-day value in the latest quarter and the monthly average in the latest quarter is used for the subsidiaries.

(ii) The high quality liquid assets in the above table comprise cash, central bank reserve available under stress conditions, as well as the bonds that meet the definition of Tier 1 and Tier 2 assets set out by the CBIRC on the "Measures for the Liquidity Risk Management of Commercial Banks".

(D) Net stable funding ratio

The Group prepares and discloses information on net stable funding ratio in accordance with the "Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other regions. The Group's net stable funding ratio at the end of the second quarter of 2022 was 124.12%, representing a decrease of 0.58 percentage points as compared with the previous quarter. The breakdown of the Group's net stable fund ratio in the last two quarters is set out below:

30 June 2022

(Expressed in millions of Renminbi except percentage)

		Unweighted amount				Weighted amount
Serial No.		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Available stable funding (ASF) item						
1	Capital	883,769	–	–	20,000	903,769
2	Regulatory capital	872,069	–	–	20,000	892,069
3	Other capital instruments	11,700	–	–	–	11,700
4	Retail deposits and deposits from small business customers	1,963,040	942,043	49,972	5,889	2,699,999
5	Stable deposits	684,601	6,077	536	1,575	658,228
6	Less stable deposits	1,278,439	935,966	49,436	4,314	2,041,771
7	Wholesale funding	2,934,070	2,021,479	202,771	287,544	2,565,150
8	Operational deposits	2,659,606	–	–	–	1,329,803
9	Other wholesale funding	274,464	2,021,479	202,771	287,544	1,235,347
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	4,402	160,628	70,066	139,042	139,735
12	NSFR derivative liabilities				34,340	
13	All other liabilities and equity not included in the above categories	4,402	160,628	70,066	104,702	139,735
14	Total ASF					6,308,653
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					263,876
16	Deposits held at other financial institutions for operational purposes	37,180	37,015	–	–	37,097
17	Performing loans and securities	13	2,265,888	1,219,511	3,481,947	4,392,500
18	Performing loans to financial institutions secured by Level 1 HQLA	–	167,547	–	–	24,132
19	Performing loans to financial institutions secured by non-Level 1 HQLA or unsecured performing loans to financial institutions	13	632,343	225,418	46,971	255,535
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,203,695	890,831	1,934,323	2,656,076

(D) Net stable funding ratio *(continued)*

30 June 2022 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Required stable funding (RSF) item *(continued)*						
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	185,600	112,397	176,810	263,925
22	Performing residential mortgages, of which:	–	37,594	28,643	1,327,435	1,159,801
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	224,709	74,619	173,218	296,956
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	10,178	83,517	38,680	73,167	179,060
27	Physical traded commodities, including gold	2,677				2,275
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				175	148
29	NSFR derivative assets				32,489	–
30	NSFR derivative liabilities before deduction of variation margin posted				7,136	7,136
31	All other assets not included in the above categories	7,501	83,517	38,680	40,503	169,501
32	Off-balance sheet items				5,158,930	210,328
33	Total RSF					5,082,861
34	Net Stable Funding Ratio (%)					124.12%

(D) Net stable funding ratio *(continued)*

31 March 2022

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Available stable funding (ASF) item						
1	Capital	889,504	–	–	20,000	909,504
2	Regulatory capital	877,804	–	–	20,000	897,804
3	Other capital instruments	11,700	–	–	–	11,700
4	Retail deposits and deposits from Small business customer	1,854,155	864,984	55,820	5,101	2,535,669
5	Stable deposits	656,093	5,742	266	1,507	630,503
6	Less stable deposits	1,198,062	859,242	55,554	3,594	1,905,166
7	Wholesale funding	2,779,081	2,047,576	224,644	266,101	2,520,726
8	Operational deposits	2,605,396	–	–	–	1,302,698
9	Other wholesale funding	173,685	2,047,576	224,644	266,101	1,218,028
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	20,555	118,159	53,120	176,511	162,937
12	NSFR derivative liabilities				40,133	
13	All other liabilities and equity not included in the above categories	20,555	118,159	53,120	136,378	162,937
14	**Total ASF**					6,128,836
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					249,457
16	Deposits held at other financial institutions for operational purposes	56,589	40,800	–	–	48,694
17	Performing loans and securities	43	2,114,696	1,232,323	3,418,630	4,282,257
18	Performing loans to financial institutions secured by Level 1 HQLA	–	147,862	–	–	22,179
19	Performing loans to financial institutions secured by non-Level 1 HQLA or unsecured performing loans to financial institutions	43	606,439	295,854	34,521	273,432
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,120,447	841,536	1,882,907	2,544,671

(D) Net stable funding ratio *(continued)*

31 March 2022 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Required stable funding (RSF) item *(continued)*						
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	133,413	93,858	183,957	233,208
22	Performing residential mortgages, of which:	–	37,855	29,835	1,321,948	1,155,869
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	202,093	65,098	179,254	286,106
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	13,433	55,105	23,910	69,276	130,746
27	Physical traded commodities, including gold	4,677				3,976
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				172	146
29	NSFR derivative assets				37,469	–
30	NSFR derivative liabilities before deduction of variation margin posted				8,689	8,689
31	All other assets not included in the above categories	8,756	55,105	23,910	31,635	117,935
32	Off-balance sheet items				4,981,084	203,899
33	**Total RSF**					**4,915,053**
34	**Net Stable Funding Ratio (%)**					**124.70%**

Notes:

(i) The Group calculates net stable funding ratio in accordance with the "Measures for the Liquidity Risk Management of Commercial Banks" and relevant statistical regulations.

(ii) Items to be reported in the "no maturity" bucket include, but not limited to, items such as capital with perpetual maturity, no maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

(iii) The item 26 "Other assets" unweighted amount in the above table does not include the item 30 "NSFR derivative liabilities before deduction of variation margin posted".

(E) International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China and claims in foreign currencies on third parties within the Mainland China as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

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

	30 June 2022			
	Banks and other financial institutions	**Public sector entities**	**Other**	**Total**
Foreign currencies transactions in Mainland China	**78,233**	**4,539**	**167,896**	**250,668**
Asia Pacific excluding Mainland China	**91,685**	**16,496**	**166,023**	**274,204**
– of which attributed to Hong Kong	**65,766**	**14,837**	**147,753**	**228,356**
Europe	**10,229**	**1,159**	**20,042**	**31,430**
North and South America	**88,319**	**77,548**	**17,116**	**182,983**
Total	**268,466**	**99,742**	**371,077**	**739,285**

	31 December 2021			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currencies transactions in Mainland China	62,411	4,288	138,985	205,684
Asia Pacific excluding Mainland China	95,109	31,240	169,165	295,514
– of which attributed to Hong Kong	74,424	28,841	146,732	249,997
Europe	10,872	2,103	18,401	31,376
North and South America	67,536	54,449	18,010	139,995
Total	235,928	92,080	344,561	672,569

(F) Loans and advances to customers overdue for more than 90 days

(i) By geographical segments

	30 June 2022	31 December 2021
Headquarters	**12,786**	13,812
Yangtze River Delta region	**5,900**	3,711
Bohai Rim region	**3,747**	3,490
Pearl River Delta and West side of Taiwan Strait	**5,296**	5,052
Northeast region	**1,109**	1,510
Central region	**3,667**	4,066
Western region	**3,145**	2,295
Outside Mainland China	**–**	166
Subsidiaries	**1,227**	997
Total	**36,877**	35,099

(ii) By overdue period

	30 June 2022	31 December 2021
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	**12,128**	8,629
– between 6 and 12 months (inclusive)	**6,721**	7,710
– over 12 months	**18,028**	18,760
Total	**36,877**	35,099
As a percentage of total gross loans and advances:		
– between 3 and 6 months (inclusive)	**0.20%**	0.15%
– between 6 and 12 months (inclusive)	**0.12%**	0.14%
– over 12 months	**0.30%**	0.33%
Total	**0.62%**	0.62%

(iii) Collateral information

	30 June 2022	31 December 2021
Secured portion of overdue loans and advances	**14,100**	12,953
Unsecured portion of overdue loans and advances	**21,260**	20,884
Value of collateral held against overdue loans and advances	**33,138**	29,922

The amount of the Group's overdue loans and advances to financial institutions for more than 90 days as at 30 June 2022 was RMB1 million (31 December 2021: RMB1 million).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the Hong Kong Monetary Authority (the "HKMA").

Loans and advances with a specific repayment date are classified as overdue when either the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments of a loan is overdue, the whole amount of the loan is classified as overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions.

The collateral of the Group includes cash deposit, shares, land use right, property, motor vehicles and other equipment, etc. The fair value of collateral is estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(G) Rescheduled loans and advances to customers

	30 June 2022		31 December 2021	
	Amount	% of total loans and advances	Amount	% of total loans and advances
Rescheduled loans and advances to customers (Note)	**15,428**	**0.26%**	16,517	0.30%
Less:				
– rescheduled loans and advances overdue more than 90 days	**8,716**	**0.15%**	10,406	0.19%
Rescheduled loans and advances less than 90 days	**6,712**	**0.11%**	6,111	0.11%

Note: Represents the restructured non-performing loans.

The amount of the Group's rescheduled loans and advances to financial institutions as at 30 June 2022 was RMB1 million (31 December 2021: RMB1 million).

(H) Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in the Mainland China. As of 30 June 2022 and 31 December 2021, most of the Bank's exposures arose from businesses with Mainland China non-bank institutions or individuals. Analyses of various types of exposure by counterparty have been disclosed in the notes to the interim consolidated financial statements.

(I) Currency concentrations other than RMB

	30 June 2022			
	USD	HKD	Other	Total
		(in millions of RMB)		
Non-structural position				
Spot assets	**531,417**	**44,751**	**48,726**	**624,894**
Spot liabilities	**528,204**	**18,713**	**84,437**	**631,354**
Forward purchased	**391,272**	**3,807**	**67,662**	**462,741**
Forward written	**400,280**	**22,038**	**31,319**	**453,637**
Net option position	**2,948**	**463**	**(785)**	**2,626**
Net long position	**(2,847)**	**8,270**	**(153)**	**5,270**
Net structural position	**16,596**	**36,620**	**745**	**53,961**

	31 December 2021			
	USD	HKD	Other	Total
		(in millions of RMB)		
Non-structural position				
Spot assets	495,257	35,808	59,918	590,983
Spot liabilities	512,533	15,558	83,915	612,006
Forward purchased	491,072	4,528	56,172	551,772
Forward written	492,022	19,146	32,156	543,324
Net option position	13,086	361	417	13,864
Net long position	(5,140)	5,993	436	1,289
Net structural position	19,155	33,220	991	53,366

The net option position is calculated using the delta equivalent approach required by the HKMA. The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign exchange. Structural assets and liabilities include:

– Investment properties, property and equipment, net of depreciation charges;

– Capital and statutory reserves of overseas branches; and

– Investments in overseas subsidiaries.