

Business Overview

Since the beginning of 2022, in the face of a resurgent COVID-19 pandemic and a serious and complex operating environment, the Bank has earnestly implemented the decisions and plans of the CPC Central Committee and the State Council, adhered to the general principle of pursuing progress while ensuring stability, coordinated all-round efforts towards serving the real economy, preventing financial risks, and deepening reform and innovation, and promoted the implementation of the 14th Five-Year Plan in the course of supporting the development of the real economy. Overall, the Bank delivered steady improvement in business performance and demonstrated strong momentum in terms of high-quality development.

Steadily enhancing financial performance and improving the quality and efficiency of development

The Bank proactively responded to difficulties and challenges while seizing development opportunities. Its assets and liabilities grew steadily, financial performance rose steadily, and its key financial indicators were kept within a reasonable range. As at 30 June 2022, the Group's total assets amounted to RMB28,052.758 billion, up 4.98% compared with the prior year-end. Total liabilities amounted to RMB25,608.006 billion, up 5.07% compared with the prior year-end. In the first half of 2022, the Group achieved operating income of RMB313.611 billion and profit for the period of RMB124.303 billion, up 3.55% and 4.86% compared with the same period of the prior year respectively. The return on average total assets (ROA) was 0.91% and return on average equity (ROE) was 11.62%. Net interest margin remained stable, and the cost to income ratio (calculated in accordance with regulations in the Chinese mainland) was 25.08%.

Actively fulfilling its responsibilities as a large State-owned bank to help stabilise the economy

Constantly taking pre-emptive measures and making targeted efforts on all fronts, the Bank formulated a work plan to implement the central government's strategy for assisting the real economy, with a view to firmly supporting economic stability. It increased its credit granting activities, hitting a record high in domestic RMB loans growth. It continuously strengthened support for key areas and weak links, increased credit extension to strategic emerging industries, manufacturing industry, infrastructure construction and other areas, and actively cut fees and forwent profits in order to benefit the real economy. The Bank actively served the country's overall diplomatic, economic and trade interests, issued the action plan for supporting the high-quality development of foreign trade and making cross-cyclical adjustment, and made concerted efforts to stabilise foreign trade through financial support, maintaining a leading market position in terms of major international business indicators. It formulated measures to assist enterprises in overcoming difficulties, and fully supported enterprises in affected areas to resume work and production.

Accelerating the development of the "Eight Priority Areas" to further tap development potential

The Bank implemented the new development philosophy, proactively served key national strategies, and accelerated the development of the "Eight Priority Areas for Enhancing Financial Services Capabilities". It maintained solid development momentum in technology finance, providing a total of RMB1,017.7 billion of credit support to approximately 46,000 technology enterprises. The influence of green finance business was further enhanced, with the balance of domestic green credit¹ reaching RMB1.73 trillion.

¹ The balance of green credit was based on the statistics of the CBIRC.

Its inclusive finance business grew in both volume and coverage, recording an increase of 25.36% in outstanding inclusive finance loans granted to micro and small-sized enterprises² compared with the prior year-end, as well as an increase of 76,700 micro and small-sized loan customers. The Bank's characteristic advantages in cross-border finance were further consolidated, as it gradually expanded its market share of international trade settlement and cross-border RMB settlement business. Its consumer finance business made positive contributions towards stabilising the consumer market, with the growth rate of the non-housing consumer loans leading the market among major peers. The foundations of the Bank's wealth finance business grew stronger, with the total financial assets under management of the Group's personal customers exceeding RMB12 trillion. The Bank's supply chain financing business emerged new momentum, as it provided more than RMB1.3 trillion of liquidity support to core supply chain enterprises and RMB1 trillion of on- and off-balance sheet financing support for enterprises in the upstream and downstream of the supply chain. Finally, fresh achievements were recorded in county-level finance business, as the balance of domestic agriculture-related loans reached RMB1,964.4 billion.

Speeding up digital transformation to empower innovation-oriented and technology-driven development

The Bank accelerated its efforts to build enterprise-level architecture, improved its FinTech and data governance capabilities, and actively promoted digital transformation. The first batch of components of its OASIS enterprise-level architecture was successfully put into operation, thus gradually forming a component-based, platform-oriented and service-centric IT architecture. The Bank redoubled efforts to deepen the

integration of business and technology in all respects to promote the reform of its technology management system. Mobile banking kept being upgraded, with the monthly active users of personal mobile banking exceeding 73.00 million, up 15.64% compared with the same period of the prior year. At the same time, the Bank promoted the construction of scenario-based financial services ecosystems across the board. It actively expanded its e-CNY business, completing a pilot project for e-CNY in Winter Olympics-related scenarios. The Bank successfully served the Beijing 2022 Olympic Winter Games and Paralympic Winter Games, which showcased Chinese financial services to the world.

Continually deepening risk management to effectively forestall and defuse financial risks

The Bank continuously improved its risk management system in accordance with the Group's strategies, developed its management structure and optimised its risk management mechanism. It strengthened its risk screening, early warning and emergency response capabilities, established an intelligent risk control system, improved its comprehensive risk management capability, and further enhanced its cybersecurity capability. As a result, the Bank achieved more targeted and forward-looking risk management. It actively strengthened its credit risk management and steadily advanced the disposal of non-performing assets. The Bank's asset quality maintained basically stable. As at 30 June 2022, the balance of the Group's non-performing loans stood at RMB227.232 billion, with a NPL ratio of 1.34%. The allowance for loan impairment losses to non-performing loans was 183.26%. The capital adequacy ratio was 16.99%, remaining at a reasonable and adequate level. Liquidity risk and market risk indicators were also stable, and foreign currency liquidity remained reasonably sufficient.

2 Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Circular of the General Office of China Banking and Insurance Regulatory Commission on Further Strengthening the Financial Support for the Development of Micro and Small-sized Enterprises in 2022* (Yin Bao Jian Ban Fa [2022] No. 37).