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SHENGJING BANK CO., LTD.*
盛京銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02066)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “**Board**”) of Shengjing Bank Co., Ltd. (the “**Bank**” or “**Shengjing Bank**”) is pleased to announce the unaudited interim results of the Bank for the six months ended 30 June 2023. The interim financial information for the six months ended 30 June 2023 prepared by the Bank has been reviewed by Crowe (HK) CPA Limited in accordance with International Standard on Review Engagements 2410. The Board and the Audit Committee of the Board have reviewed and confirmed the interim results of the Bank. This interim results announcement is published on the websites of the Bank (www.shengjingbank.com.cn) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Bank for the six months ended 30 June 2023 will be despatched to the shareholders of the Bank and be available at the above-mentioned websites in due course.

By order of the Board
Shengjing Bank Co., Ltd.
Zhou Zhi
Joint Company Secretary

Shenyang, Liaoning Province, China
25 August 2023

As at the date of this announcement, the executive directors of the Bank are Mr. SUN Jin, Ms. LIU Xu and Mr. SHI Yang; the non-executive directors of the Bank are Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. WANG Jun and Mr. JIANG Aiguo; and the independent non-executive directors of the Bank are Mr. XING Tiancai, Mr. TAI Kwok Leung, Alexander, Mr. LI Jinyi, Mr. WANG Mo and Ms. LV Dan.

* *Shengjing Bank Co., Ltd. is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and/or deposit-taking business in Hong Kong.*



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COMPANY INFORMATION

Legal Name in Chinese	盛京银行股份有限公司
Abbreviation in Chinese	盛京銀行
Legal Name in English	Shengjing Bank Co., Ltd.
Abbreviation in English	SHENGJING BANK
Legal Representative	SUN JIN (performing duties on behalf of the legal representative)
Authorised Representatives	LIU Xu and ZHOU Zhi
Secretary to the Board of Directors	ZHOU Zhi
Joint Company Secretaries	ZHOU Zhi and KWONG Yin Ping, Yvonne
Registered and Business Address	No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Contact Number	86-24-22535633
Website	www.shengjingbank.com.cn
Principal Place of Business in Hong Kong	Unit 4105, 41/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Website of the Hong Kong Stock Exchange on which the H Share Interim Report is Published	www.hkexnews.hk
Place of Maintenance of the Interim Report	Office of the Board of Directors of Shengjing Bank
Stock Name	Shengjing Bank
Stock Code	02066

COMPANY INFORMATION (CONTINUED)

H Share Registrar and its Business Address	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen’s Road East, Wanchai, Hong Kong
Legal Advisor as to PRC Laws and its Business Address	Tian Yuan Law Firm Suite 509, Tower A, Corporation Square 35 Financial Street, Xicheng District Beijing, the PRC
Legal Advisor as to Hong Kong Law and its Business Address	Freshfields Bruckhaus Deringer 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong
Auditor and its Business Address	Crowe (HK) CPA Limited 9/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong

FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	January to June 2023	January to June 2022	Rate of Change (%)
Operating Results			
Interest income	21,300,324	21,042,514	1.2
Interest expenses	(15,322,002)	(14,986,222)	2.2
Net interest income	5,978,322	6,056,292	(1.3)
Net non-interest income	1,165,615	2,024,777	(42.4)
Operating income	7,143,937	8,081,069	(11.6)
Operating expenses	(2,553,648)	(2,678,598)	(4.7)
Impairment losses on assets	(3,671,035)	(4,471,632)	(17.9)
Profit before taxation	919,254	930,839	(1.2)
Income tax credit	(129,619)	33,016	N/A
Net profit	789,635	963,855	(18.1)
Net profit attributable to equity shareholders of the Bank	<u>737,875</u>	<u>944,113</u>	<u>(21.8)</u>
Calculated on a per share basis (RMB)			Change
Basic and diluted earnings per share	<u>0.08</u>	<u>0.11</u>	<u>(0.03)</u>

FINANCIAL HIGHLIGHTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2023	31 December 2022	Rate of Change (%)
Major indicators of assets/liabilities			
Total assets	1,095,164,969	1,082,413,109	1.2
Of which: total loans and advances to customers ⁽¹⁾	620,284,642	613,362,329	1.1
Total liabilities	1,012,829,918	1,000,976,014	1.2
Of which: total deposits from customers ⁽¹⁾	808,832,649	771,566,101	4.8
Share capital	8,796,680	8,796,680	0.0
Equity attributable to equity shareholders of the Bank	81,620,381	80,774,185	1.0
Total equity	<u>82,335,051</u>	<u>81,437,095</u>	<u>1.1</u>
	January to June 2023	January to June 2022	Change
Profitability indicators (%)			
Return on average total assets ⁽²⁾	0.15	0.19	(0.04)
Return on average equity ⁽³⁾	1.93	2.38	(0.45)
Net interest spread ⁽⁴⁾	1.30	1.31	(0.01)
Net interest margin ⁽⁵⁾	1.22	1.30	(0.08)
Cost-to-income ratio ⁽⁶⁾	<u>33.39</u>	<u>31.32</u>	<u>2.07</u>

FINANCIAL HIGHLIGHTS (CONTINUED)

	30 June 2023	31 December 2022	Change
Asset equity indicators (%)			
Non-performing loan ratio ⁽⁷⁾	3.17	3.22	(0.05)
Provision coverage ratio ⁽⁸⁾	142.90	140.30	2.60
Allowance to total loans ⁽⁹⁾	4.53	4.52	0.01
Capital adequacy ratio indicators (%)			
Core tier-one capital adequacy ratio ⁽¹⁰⁾	9.19	9.86	(0.67)
Tier-one capital adequacy ratio ⁽¹⁰⁾	10.88	9.86	1.02
Capital adequacy ratio ⁽¹⁰⁾	12.40	11.52	0.88
Total equity to total assets ratio	7.52	7.52	0.00
Other indicators (%)			
Loan-to-deposit ratio ⁽¹¹⁾	76.69	79.50	(2.81)

FINANCIAL HIGHLIGHTS (CONTINUED)

Notes:

- (1) Total loans and advances to customers do not include interest receivable, and total deposits from customers do not include interest payable.
- (2) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (3) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and the end of the period.
- (4) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (5) Calculated by dividing net interest income by the average interest-earning assets.
- (6) Calculated by dividing operating expenses (less tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of non-performing loans by the total amount of loans and advances to customers.
- (8) Calculated by dividing the balance of provision for impairment on loans by the non-performing loans.
- (9) Calculated by dividing the balance of provision for impairment on loans by the total amount of loans and advances to customers.
- (10) Core tier-one capital adequacy ratio, Tier-one capital adequacy ratio and capital adequacy ratio were calculated in accordance with the latest guidance promulgated by the former CBRC (effective from 1 January 2013).
- (11) Loan-to-deposit ratio is calculated by dividing the total amount of loans and advances to customers by total deposits from customers.

MANAGEMENT DISCUSSION AND ANALYSIS

3.1 ANALYSIS OF OVERALL OPERATIONS

In the first half of 2023, Shengjing Bank kept its advocating for the overall leadership of the Communist Party of China, adhered to its market positioning as a city commercial bank, and adhered to sustainable development. The Bank, focusing on the strategic vision of “building a sound bank”, comprehensively promoted its development and transition, and, adhering to the working style of “being pragmatic, sound, solid and implementing”, continued to strengthen its ability to provide services to the local economy, small and medium-sized enterprises, and urban and rural residents, thus stable and improving operation and development, continuously improving risk control capability, and increasingly solid business foundation.

The operation and development made steady progress

During the Reporting Period, the Bank adhered to asset-liability transition, optimized its asset structure, and strictly controlled its liability cost, its operating indicators thus steadily improving; its net capital exceeded RMB100 billion for the first time, effectively supporting its business transition and sustainable business development. As of 30 June 2023, the total assets of the Bank amounted to RMB1,095.165 billion, representing an increase of RMB12.752 billion or 1.2% as compared with that at the end of the previous year; deposits amounted to RMB808.833 billion, representing an increase of RMB37.267 billion or 4.8% as compared with that at the end of the previous year; loans amounted to RMB620.285 billion, representing an increase of RMB6.922 billion or 1.1% as compared with that at the end of the previous year; and the capital adequacy ratio was 12.4%, representing an increase of 0.88 percentage point as compared with that at the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The service capacity steadily improved

During the Reporting Period, adhering to its market positioning as a city commercial bank, the Bank stuck to the regional strategic orientation and sincerely served the local economic construction; promoted the transition to inclusive finance, to conscientiously serve the development of small and medium-sized enterprises; and expanded the scope of its financial services, to wholeheartedly served the life of urban and rural residents. As of 30 June 2023, focusing on key projects in the region and key sectors of the industry, the Bank had granted loans amounting to RMB35.625 billion in total; enriched the “Liao” series and “Sheng” series financial products, and had provided a total of RMB14.557 billion of inclusive loans to small and medium-sized enterprises, representing a year-on-year increase of RMB6.651 billion; and promoted specialized and differentiated services for the retail customers, with the total number of customers reaching 28.52 million.

The business structure was steadily optimized

During the Reporting Period, the Bank adhered to “returning to its original business and focusing on its main business”, and continued to optimize its business structure, with the proportion of main business remaining high; the Bank focused on central and local state-owned enterprises and industry leaders and other high-quality customers, and expanding the scope and improving the quality of the corporate customer base; the Bank also improved its retail customer system of “four hierarchical levels” (i.e., private banking, wealth, public and long-tail customers) and “four groups” (i.e., pension, agency, parenthood and new citizens), and the personal deposits maintained stable growth. As of 30 June 2023, the Bank’s loans accounted for 56.6% of its total assets, and deposits accounted for 79.9% of its total liabilities; personal deposits amounted to RMB540.604 billion, representing an increase of RMB37.940 billion as compared with that at the end of the previous year; and personal deposits accounted for 66.8% of the deposits.

The quality of assets was stable and improving

During the Reporting Period, the Bank adhered to a sound and prudent risk appetite and risk management strategy, and implemented a precise credit policy that was in tune with the macro economy and the development strategy; strengthened empowerment of technologies and digital risk control construction, continued to improve the risk management system, and launched a number of management modules, such as customer rating, risk mitigation, and risk early warning; and increased the collection and disposal of the existing non-performing assets while strictly controlling increment-related risks to further enhance the risk resistance capacity. As of 30 June 2023, the Bank’s non-performing loan ratio was 3.17%, representing a decrease of 0.05 percentage point as compared with that at the end of the previous year. The provision coverage ratio was 142.90%, representing an increase of 2.60 percentage points as compared with that at the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2 ANALYSIS OF FINANCIAL STATEMENTS

3.2.1 Analysis of the Income Statement

In the first half of 2023, the Bank achieved a net profit of RMB790 million, representing a year-on-year decrease of RMB174 million or 18.1%, principally due to the fact that i) the decrease in the yield on interest-bearing assets exceeds the decrease in the cost rate on interest-earning liabilities, the net interest spread narrowed, and the net interest income decreased slightly year on year, as a result of the combined effect of factors such as the real economy being still in the post-epidemic recovery stage, the continuous decline in loan prime rate (LPR) and the downward market interest rate; ii) the non-interest income decreased year on year as a result of fluctuations in the market; iii) the Bank further implemented measures to increase source of income and reduce expenditure, decrease cost and increase benefit, and strictly controlled expenses, resulting in a year-on-year decrease in operating expenses.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023	2022	Change in amount	Rate of change (%)
Interest income	21,300,324	21,042,514	257,810	1.2
Interest expense	(15,322,002)	(14,986,222)	(335,780)	2.2
Net interest income	5,978,322	6,056,292	(77,970)	(1.3)
Net fee and commission income	140,434	54,772	85,662	156.4
Net trading gains	(126,981)	225,651	(352,632)	(156.3)
Net gains arising from investments	1,137,775	1,727,718	(589,943)	(34.1)
Other operating income	14,387	16,636	(2,249)	(13.5)
Operating income	7,143,937	8,081,069	(937,132)	(11.6)
Operating expenses	(2,553,648)	(2,678,598)	124,950	(4.7)
Impairment losses on assets	(3,671,035)	(4,471,632)	800,597	(17.9)
Profit before taxation	919,254	930,839	(11,585)	(1.2)
Income tax credit	(129,619)	33,016	(162,635)	N/A
Net profit	789,635	963,855	(174,220)	(18.1)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.1 Operating income

In the first half of 2023, the Bank achieved an operating income of RMB7,144 million, representing a year-on-year decrease of RMB937 million or 11.6%, mainly due to the Bank's compliance with the national policy guidance to actively increase credit granting to entities, surrender part of profits to the real economy and lowering the cost of corporate financing, resulting in a year-on-year decrease in the return on assets; proactive control over costs and expenses, optimization of the structure of deposits, expansion of low-cost deposits, and reduction of interests payout, resulting in a slight year-on-year decrease in net interest income; and the year-on-year decrease in the Bank's non-interest income such as net gains arising from investments and net trading gains as a results of the fluctuations in bonds and the foreign exchange market.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023	2022	Change in amount	Rate of change (%)
Net interest income	5,978,322	6,056,292	(77,970)	(1.3)
Net non-interest income	1,165,615	2,024,777	(859,162)	(42.4)
Operating income	7,143,937	8,081,069	(937,132)	(11.6)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.2 Net interest income

In the first half of 2023, the Bank achieved a net interest income of RMB5,978 million, representing a year-on-year decrease of RMB78 million, or 1.3%, of which the year-on-year increase in interest income by RMB258 million and year-on-year increase in interest expense of the Bank by RMB336 million.

The following table sets forth the interest income, interest expense and net interest income of the Bank:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023	2022	Change in amount	Rate of change (%)
Interest income	21,300,324	21,042,514	257,810	1.2
Interest expense	(15,322,002)	(14,986,222)	(335,780)	2.2
Net interest income	5,978,322	6,056,292	(77,970)	(1.3)

3.2.1.3 Net Interest Spread and Net Interest Margin

In the first half of 2023, the Bank's net interest spread was 1.30%, representing a year-on-year decrease of 0.01 percentage point, mainly due to the facts that i) the Bank continued to promote cost reduction and profitability increasing and reduce cost, resulting in a year-on-year decrease in the costs on deposits from customers and inter-bank liabilities, driving down the cost on interest-bearing liabilities; ii) as a result of the factors such as LPR cuts and the downward market interest rate, the existing loans were repriced and the yields on the newly incurred business decreased, thus the overall yield on interest-bearing assets decreased year on year, with the decrease of yield on interest-bearing assets exceeding that of interest-bearing liabilities, resulting in a year-on-year decrease in the net interest spread. The Bank's net interest margin was 1.22%, representing a year-on-year decrease of 0.08 percentage point, mainly due to the increase in the average balance of interest-bearing assets exceeding that in net interest income.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yields on interest-earning assets or the related average costs of interest bearing liabilities for the periods indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Average balance	Interest income/expense	Average yield/costs (%)	Average balance	Interest income/expense	Average yield/costs (%)
Interest-earning assets						
Loans and advances to customers	657,299,633	17,473,016	5.36	640,163,520	17,036,060	5.37
Financial investments	221,573,802	3,019,646	2.75	184,127,816	3,176,030	3.48
Deposits with Central Bank	69,790,136	497,612	1.44	73,438,672	517,433	1.42
Deposits and placements with banks and other financial institutions	12,678,372	82,658	1.31	18,544,340	86,957	0.95
Financial assets held under resale agreements	<u>25,736,643</u>	<u>227,392</u>	<u>1.78</u>	<u>26,066,879</u>	<u>226,034</u>	<u>1.75</u>
Total interest-earning assets	<u>987,078,586</u>	<u>21,300,324</u>	<u>4.35</u>	<u>942,341,227</u>	<u>21,042,514</u>	<u>4.50</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Average balance	Interest income/expense	Average yield/costs (%)	Average balance	Interest income/expense	Average yield/costs (%)
Interest-bearing liabilities						
Borrowings from Central Bank	1,458,757	13,750	1.90	3,933,551	42,885	2.20
Deposits from customers	814,146,173	12,491,751	3.09	796,944,411	12,665,522	3.20
Deposits and placements from banks and other financial institutions	69,328,089	1,042,831	3.03	72,535,017	1,215,542	3.38
Financial assets sold under repurchase agreements	110,616,562	1,498,127	2.73	62,774,888	833,107	2.68
Debt securities issued	16,142,084	275,543	3.44	11,761,471	229,166	3.93
Total interest-bearing liabilities	1,011,691,665	15,322,002	3.05	947,949,338	14,986,222	3.19
Net interest income		5,978,322			6,056,292	
Net interest spread ⁽¹⁾			1.30			1.31
Net interest margin ⁽²⁾			1.22			1.30

Notes:

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by average balance of total interest-earning assets on annualised basis.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and interest rates for the periods indicated. Volume and interest rate variances have been measured based on movements in average balances over these periods, and changes in interest rates have been measured based on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and interest rate have been allocated to changes in interest rate.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2023 compared with 2022		
	Increase/ (decrease) Volume ⁽¹⁾	Due to interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	456,323	(19,367)	436,956
Financial investments	646,205	(802,589)	(156,384)
Deposits with Central Bank	(25,692)	5,871	(19,821)
Deposits and placements with banks and other financial institutions	(27,634)	23,335	(4,299)
Financial assets held under resale agreements	(2,866)	4,224	1,358
Changes in interest income	1,046,336	(788,526)	257,810

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2023 compared with 2022		
	Increase/ (decrease) Volume ⁽¹⁾	Due to interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-bearing liabilities			
Borrowings from Central Bank	(26,999)	(2,136)	(29,135)
Deposits from customers	272,966	(446,737)	(173,771)
Deposits and placements from banks and other financial institutions	(53,752)	(118,959)	(172,711)
Financial assets sold under repurchase agreements	635,809	29,211	665,020
Debt securities issued	85,372	(38,995)	46,377
Changes in interest income expense	<u>913,396</u>	<u>(577,616)</u>	<u>335,780</u>
Changes in net interest income	<u>132,940</u>	<u>(210,910)</u>	<u>(77,970)</u>

Notes:

- (1) Representing the average balance for the period minus the average balance for the previous period, multiplied by the average yield or cost for the previous period.
- (2) Representing the average yield or cost for the period minus the average yield or cost for the previous period, multiplied by the average balance for the period.
- (3) Representing interest income or expense for the period minus interest income or expense for the previous period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.4 Interest income

In the first half of 2023, the Bank achieved an interest income of RMB21,300 million, representing a year-on-year increase of RMB258 million or 1.2%, mainly due to the Bank's continued optimization of its asset structure and increased credit granting, resulting in a year-on-year increase in the size of loans and advances to customers and a year-on-year increase in interest income.

The following table sets forth the breakdown of the interest income of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023		2022	
	Amount	of total (%)	Amount	of total (%)
Loans and advances to customers				
Corporate loans (including discounted bills)	14,587,794	68.5	14,258,083	67.8
Personal loans	2,885,222	13.5	2,777,977	13.2
Sub-total	17,473,016	82.0	17,036,060	81.0
Financial investments	3,019,646	14.2	3,176,030	15.1
Deposits with Central Bank	497,612	2.3	517,433	2.4
Deposits and placements with banks and other financial institutions	82,658	0.4	86,957	0.4
Financial assets held under resale agreements	227,392	1.1	226,034	1.1
Total	21,300,324	100.0	21,042,514	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the essential component of the Bank's interest income. In the first half of 2023, interest income of the Bank from loans and advances to customers amounted to RMB17,473 million, representing a year-on-year increase of RMB437 million or 2.6%, and accounted for 82.0% of the total interest income, representing an increase of 1 percentage point, which was mainly due to the Bank's continued actions for serving the real economy, increased credit facilities and year-on-year increase in the average balances of the loans during the Reporting Period.

The following table sets forth the average balances of the loans and advances to customers and the average yields of related interest income and loans and advances to customers for the years indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June					
	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans (including discounted bills)	557,664,523	14,587,794	5.28	545,202,847	14,258,083	5.27
Personal loans	99,635,110	2,885,222	5.84	94,960,673	2,777,977	5.90
Total	657,299,633	17,473,016	5.36	640,163,520	17,036,060	5.37

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Interest Income from Financial Investments

In the first half of 2023, the Bank achieved interest income from financial investments amounting to RMB3,020 million, representing a year-on-year decrease of RMB156 million or 4.9%, which was mainly due to the downward impact of market interest rates during the Reporting Period, resulting in the decrease in the average yield of the Bank's financial investments.

3. Interest Income from Deposits with Central Bank

In the first half of 2023, the Bank achieved interest income from deposits with Central Bank amounting to RMB498 million, representing a year-on-year decrease of RMB20 million or 3.8%, which was mainly due to the decrease in the average balance of the deposits with Central Bank.

4. Interest Income from Deposits and Placements with Banks and Other Financial Institutions

In the first half of 2023, the Bank achieved interest income from deposits and placements with banks and other financial institutions amounting to RMB83 million, representing a year-on-year decrease of RMB4 million or 4.9%, which was mainly due to the decrease in the average balance of deposits and placements with banks and other financial institutions.

5. Interest Income from Financial Assets Held under Resale Agreements

In the first half of 2023, the Bank achieved interest income from financial assets held under resale agreements amounting to RMB227 million, representing a year-on-year increase of RMB1 million or 0.6%, which was mainly due to the increase of average yield held under resale agreements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.5 Interest expense

In the first half of 2023, interest expense of the Bank amounted to RMB15,322 million, representing a year-on-year increase of RMB336 million or 2.2%, which was mainly due to the Bank's continuous reduction of funding cost, and the year-on-year decrease of RMB174 million in deposit interest expense, as well as the year-on-year increase of RMB665 million in interest expense on sales of repurchase of financial assets and the year-on-year decrease of RMB155 million in interest expense on borrowing from the central bank, issuance of bonds and interbank and other financial institutions' deposits and placements.

The following table sets forth the principal components of the interest expense of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023		2022	
	Amount	of total (%)	Amount	of total (%)
Borrowings from Central Bank	13,750	0.1	42,885	0.3
Deposits from customers	12,491,751	81.5	12,665,522	84.5
Deposits and placements from banks and other financial institutions	1,042,831	6.8	1,215,542	8.1
Financial assets sold under repurchase agreements	1,498,127	9.8	833,107	5.6
Debt securities issued	275,543	1.8	229,166	1.5
Total	15,322,002	100.0	14,986,222	100.0

1. Interest Expense on Borrowing from the Central Bank

In the first half of 2023, the Bank's borrowing interest expense from the Central Bank amounted to RMB14 million, representing a year-on-year decrease of RMB29 million or of 67.9%, which was mainly due to the decrease in the scale of the Bank's borrowing from the Central Bank and the average cost.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Interest Expense on Deposits from Customers

In the first half of 2023, interest expense on deposits from customers amounted to RMB12,492 million, representing a year-on-year decrease of RMB174 million, or 1.4%, which was mainly due to the Bank's continuous optimization of its liability structure and reduction of costs of interest payout during the Reporting Period, resulting in steady growth in the size of deposits and a year-on-year decrease in the deposit cost, as well as a year-on-year decrease in interest expenses.

The following table sets forth the average balance, interest expense and average cost for each of the components of the Bank's deposits from customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Demand	161,863,892	1,263,436	1.57	181,997,171	1,294,826	1.43
Time	119,828,396	1,959,913	3.30	160,892,264	2,904,861	3.64
Sub-total	281,692,288	3,223,349	2.31	342,889,435	4,199,687	2.47
Personal deposits						
Demand	53,802,038	87,225	0.33	49,112,630	105,863	0.43
Time	478,651,847	9,181,177	3.87	404,942,346	8,359,972	4.16
Sub-total	532,453,885	9,268,402	3.51	454,054,976	8,465,835	3.76
Total deposits from customers	814,146,173	12,491,751	3.09	796,944,411	12,665,522	3.20

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

In the first half of 2023, interest expense of the Bank on placements from banks and other financial institutions amounted to RMB1,043 million, representing a year-on-year decrease of RMB173 million or 14.2%, which was mainly due to the decrease of average balance and average cost of deposits and placements from banks and other financial institutions.

4. Interest Expense on Financial Assets Sold under Repurchase Agreements

In the first half of 2023, interest expense of the Bank on financial assets sold under repurchase agreements amounted to RMB1,498 million, representing a year-on-year increase of RMB665 million or 79.8%, which was mainly due to the year-on-year increase in average balance and cost of financial assets sold under repurchase agreements of the Bank.

5. Interest Expense on Debt Securities Issued

In the first half of 2023, interest expense of the Bank on debt securities issued amounted to RMB276 million, representing a year-on-year increase of RMB46 million or 20.2%, which was mainly due to the increasing size of the debt securities issued by the Bank.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.6 Net Non-interest Income

1. Net Fee and Commission Income

In the first half of 2023, the Bank achieved a net fee and commission income of RMB140 million, representing a year-on-year increase of RMB86 million or 156.4%, which is mainly due to the year-on-year increase in fee and commission income from letters of guarantees for financing and asset management businesses of the Bank during the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023	2022	Change in amount	Rate of change (%)
Fee and commission income				
Agency and custody services fees	323,802	255,461	68,341	26.8
Settlement and clearing services fees	14,111	25,227	(11,116)	(44.1)
Bank card services fees	78,448	92,114	(13,666)	(14.8)
Fee and commission expense	(275,927)	(318,030)	42,103	(13.2)
Net fee and commission income	140,434	54,772	85,662	156.4

2. Net Trading Gains

In the first half of 2023, the Bank's net trading gains amounted to RMB-127 million, representing a year-on-year decrease of RMB353 million, mainly due to the impact of fluctuations in the foreign exchange markets during the Reporting Period, resulting in the year-on-year decrease in the Bank's fair value revaluation gains and losses and net foreign exchange gains.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Net Gains Arising from Investments

In the first half of 2023, the Bank achieved net gains arising from financial investments amounting to RMB1,138 million, representing a year-on-year decrease of RMB590 million or 34.1%, mainly due to the decrease in net income from disposal of bond assets during the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023	2022	Change in amount	Rate of change (%)
Net gains on financial assets at fair value through profit or loss	416,066	352,596	63,470	18.0
Net gains on disposal of financial assets at fair value through other comprehensive income	680,522	92,923	587,599	632.4
Dividends from designated as financial assets at fair value through other comprehensive income	28,092	83,341	(55,249)	(66.3)
Net gains on disposal of financial assets measured at amortised cost	13,095	1,198,858	(1,185,763)	(98.9)
Total	1,137,775	1,727,718	(589,943)	(34.1)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.7 Operating expenses

In the first half of 2023, the operating expenses of the Bank amounted to RMB2,554 million, representing a year-on-year decrease of RMB125 million or 4.7%, which was mainly due to the fact that the Bank made continuous efforts to cultivate more sources of income, reduce costs and increase profitability, and reduced office expenses, as well as other general and administrative expenses during the Reporting Period, while implementing the salary limit control mechanism for state-owned financial enterprises, resulting in a year-on-year decrease in staff costs.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023	2022	Change in amount	Rate of change (%)
Staff costs	1,477,498	1,543,724	(66,226)	(4.3)
Tax and surcharges	168,206	147,698	20,508	13.9
Depreciation and amortization	285,386	296,938	(11,552)	(3.9)
Office expenses	112,912	142,048	(29,136)	(20.5)
Other general and administrative expenses	509,646	548,190	(38,544)	(7.0)
Total operating expenses	2,553,648	2,678,598	(124,950)	(4.7)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Staff Costs

In the first half of 2023, staff costs of the Bank amounted to RMB1,477 million, representing a year-on-year decrease of RMB66 million or 4.3%.

The following table sets forth the principal components of the staff costs of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023	2022	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	1,010,607	1,131,016	(120,409)	(10.6)
Pension and annuity	158,530	142,110	16,420	11.6
Other social insurance	119,344	90,382	28,962	32.0
Housing allowances	91,143	82,110	9,033	11.0
Supplementary retirement benefits	1,318	2,660	(1,342)	(50.5)
Other staff benefits	96,556	95,446	1,110	1.2
Staff costs	1,477,498	1,543,724	(66,226)	(4.3)

2. Depreciation and Amortisation

In the first half of 2023, depreciation and amortization expenses of the Bank amounted to RMB285 million, representing a year-on-year decrease of RMB12 million or 3.9%.

3. Office Expenses, Other General and Administrative Expenses

In the first half of 2023, office expenses, other general and administrative expenses of the Bank amounted to RMB623 million, representing a year-on-year decrease of RMB68 million or 9.8%, which was mainly due to the Bank's tighter control of cost and administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.8 Impairment losses on assets

During the Reporting Period, the Bank adhered to prudent principles, strictly managed asset risk classification, fully accrued asset impairment provisions, improved the provisioning level, and enhanced the risk offsetting and loss absorption ability. In the first half of 2023, impairment losses on assets of the Bank amounted to RMB3,671 million, representing a year-on-year decrease of RMB801 million or 17.9%.

The following table sets forth the principal components of impairment losses on assets of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023	2022	Change in amount	Rate of change (%)
Deposits and placements with bank and other financial institutions	1,511	1,864	(353)	(18.9)
Financial assets held under resale agreements	(649)	516	(1,165)	(225.8)
Loans and advances to customers	448,557	2,297,910	(1,849,353)	(80.5)
Financial investments	3,234,295	1,930,635	1,303,660	67.5
Credit commitment	(113,156)	(37,138)	(76,018)	204.7
Others	100,477	277,845	(177,368)	(63.8)
Total	3,671,035	4,471,632	(800,597)	(17.9)

3.2.1.9 Income tax credit

In the first half of 2023, the Bank's income tax credit amounted to RMB130 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.2 Analysis of the Statement of Financial Position

3.2.2.1 Assets

As of 30 June 2023, total assets of the Bank amounted to RMB1,095.165 billion, representing an increase of RMB12.752 billion or 1.2% as compared with that at the end of the previous year, mainly due to the growth driven by the credit business. The principal components of our assets are (i) net loans and advances to customers (ii) financial investments (iii) cash and deposits with Central Bank, which accounted for 59.2%, 28.5% and 6.3% respectively, of total assets of the Bank as of 30 June 2023.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023		As at 31 December 2022	
	Amount	of total (%)	Amount	of total (%)
Assets				
Total loans and advances to customers	620,284,642	56.6	613,362,329	56.7
Interest receivable	55,467,856	5.1	44,612,261	4.1
Provision for impairment losses	(27,608,595)	(2.5)	(27,375,173)	(2.5)
Net loans and advances to customers	648,143,903	59.2	630,599,417	58.3
Financial investments ⁽¹⁾	312,131,917	28.5	329,611,560	30.5
Deposits with banks and other financial institutions	12,961,617	1.2	7,207,614	0.6
Cash and deposits with Central Bank	69,536,105	6.3	75,258,358	7.0
Financial assets held under resale agreements	8,026,295	0.7	9,377,937	0.8
Placements with banks and other financial institutions	14,875,910	1.4	6,232,027	0.5
Derivative financial assets	351,413	0.0	665,994	0.1
Other assets ⁽²⁾	29,137,809	2.7	23,460,202	2.2
Total assets	1,095,164,969	100.0	1,082,413,109	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) Financial investments include financial assets at fair value through other comprehensive income, financial assets at amortised cost and financial assets at fair value through profit or loss.
- (2) Includes property and equipment, other receivables, deferred income tax assets and other assets.

1. *Loans and Advances to Customers*

The total loans and advances to customers made by the Bank as of 30 June 2023 amounted to RMB620.285 billion, representing an increase of RMB6.922 billion or 1.1% as compared with that at the end of the previous year, and accounted for 56.6% of the total assets, representing a decrease of 0.1 percentage point as compared with that at the end of the previous year. The loans and advances to customers made by the Bank consisted mainly of corporate loans (including discounted bills) and personal loans.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023		As at 31 December 2022	
	Amount	of total (%)	Amount	of total (%)
Corporate loans				
– Corporate loans	428,259,343	69.0	421,013,363	68.6
– Discounted bills	88,532,220	14.3	92,469,152	15.1
Personal loans				
– Residential mortgage	55,845,306	9.0	56,976,280	9.3
– Personal consumption loans	26,938,400	4.3	25,408,964	4.1
– Credit cards	11,565,418	1.9	9,026,045	1.5
– Personal business loans	9,143,955	1.5	8,468,525	1.4
Total loans and advances to customers	620,284,642	100.0	613,362,329	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Corporate loans constituted the largest component of the Bank's loan portfolio. As of 30 June 2023, the corporate loans (including discounted bills) of the Bank amounted to RMB516.792 billion, representing an increase of RMB3.309 billion or 0.6% as compared with that at the end of the previous year, accounting for 83.3% of the total loans and advances to customers and representing a decrease of 0.4 percentage point as compared with that at the end of the previous year. This was mainly due to the fact that during the Reporting Period, to address the insufficient effective credit demand from enterprises, the Bank continuously extended services to lower tier cities, focused on specialized credit support, enhanced support for the real economy and key sectors, and adopted a strategy of providing product diversification and cross-application services as well as comprehensive financing solutions to corporate clients in a small-scale and decentralized manner, aiming to promote a slight increase in corporate loans.

Personal loans offered by the Bank mainly include residential loans, personal consumption loans, credit cards and personal business loans. As of 30 June 2023, personal loans of the Bank amounted to RMB103.493 billion, representing an increase of RMB3,613 million or 3.6% as compared with that at the end of the previous year, and accounted for 16.7% of total loans and advances to customers, representing an increase of 0.4 percentage point as compared with that at the end of the previous year. This was mainly due to the fact that during the Reporting Period, the Bank proactively sought changes in the face of a decrease in personal housing loans, by expanding online and offline customer acquisition channels, increasing scenario-based business marketing, and intensifying the issuance of operational loans to new residents, self-employed individuals and other businesses, to boost a slight growth in personal loans.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1) Loans by type of guarantee

The structure of collaterals of the Bank's loans and advances to customers was stable and the Bank's capability of mitigating risks was relatively solid. As of 30 June 2023, the balance of loans guaranteed or secured by mortgages and pledges amounted to RMB541,612 million, representing a decrease of RMB6,263 million or 1.1% as compared with that at the end of the previous year, and accounted for 87.4% of the total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such a loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of loans and advances to customers by collateral type as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023		As at 31 December 2022	
	Amount	of total (%)	Amount	of total (%)
Loans secured by mortgages	224,253,698	36.2	225,634,878	36.8
Loans secured by pledges	128,957,836	20.8	132,445,525	21.6
Guaranteed loans	188,400,532	30.4	189,794,466	30.9
Unsecured loans	78,672,576	12.6	65,487,460	10.7
Total loans and advances to customers	620,284,642	100.0	613,362,329	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Changes in provision for impairment on loans and advances to customers

Taking into account the forecast for economic growth and based on the expected credit risk loss model, the Bank made the adequate loan impairment provision. As of 30 June 2023, the balance of provision for impairment on loans and advances to customers of the Bank amounted to RMB27,609 million, representing an increase of RMB233 million as compared with that at the end of the previous year. The allowance-to-loan ratio was 4.53%, representing an increase of 0.01 percentage point as compared with that at the end of the previous year. The risk compensation capability remained stable.

	For the six months ended 30 June 2023				2022			
	A lifetime expected credit loss		A lifetime expected credit loss		A lifetime expected credit loss		A lifetime expected credit loss	
	Expected credit loss in the next 12 months	- loans without credit impairment loss	- loans with credit impairment loss	Total	Expected credit loss in the next 12 months	- loans without credit impairment loss	- loans with credit impairment loss	Total
Balance as at the beginning of the period	7,183,023	7,843,415	12,348,735	27,375,173	6,421,176	7,417,897	10,833,049	24,672,122
Transferred to:								
- to expected credit loss over the next 12 months	141,886	(141,028)	(858)	-	2,239	(156)	(2,083)	-
- to lifetime expected credit losses - not credit-impaired loans	(29,406)	68,438	(39,032)	-	(80,240)	611,595	(531,355)	-
- to lifetime expected credit losses - credit-impaired loans	-	(35,781)	35,781	-	(4,008)	(9,175)	13,183	-
Net charge for the period	(571,742)	745,491	152,925	326,674	843,856	(176,746)	5,076,850	5,743,960
Transfer out	-	-	(91,387)	(91,387)	-	-	(2,700,152)	(2,700,152)
Write-offs	-	-	(12,367)	(12,367)	-	-	(355,209)	(355,209)
Recoveries	-	-	10,502	10,502	-	-	14,452	14,452
Balance as at the end of the period	<u>6,723,761</u>	<u>8,480,535</u>	<u>12,404,299</u>	<u>27,608,595</u>	<u>7,183,023</u>	<u>7,843,415</u>	<u>12,348,735</u>	<u>27,375,173</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Financial Investments

As of 30 June 2023, the balance of financial investments (including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost) of the Bank amounted to RMB312,132 million, representing a decrease of RMB17,480 million or 5.3% as compared with those at the end of the previous year, and accounted for 28.5% of the total assets, representing a decrease of 2 percentage points as compared with that at the end of the previous year.

The following table set forth the main components of the Bank's financial investments (exclusive of interest receivable) as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023		As at 31 December 2022	
	Amount	of total (%)	Amount	of total (%)
Financial assets at fair value through profit or loss	105,228,019	34.6	128,735,653	39.9
– Bonds issued by policy banks	3,018,265	1.0	10,091	0.0
– Bonds issued by banks and other financial institutions	25,940,748	8.5	52,510,262	16.3
– Corporate entity bonds	1,250,827	0.4	1,196,226	0.4
– Investment management products managed by securities companies	53,319,064	17.6	53,319,959	16.5
– Investment management products under the trust scheme	21,699,115	7.1	21,699,115	6.7
Financial assets at fair value through other comprehensive income	65,079,095	21.4	44,636,404	13.8
– Government bonds	30,854,986	10.3	16,337,425	5.1
– Bonds issued by policy banks	10,463,466	3.4	13,145,472	4.1
– Bonds issued by banks and other financial institutions	1,665,416	0.5	3,048,825	0.9
– Corporate entity bonds	3,094,323	1.0	3,072,431	1.0
– Capital bonds with no fixed terms issued by commercial banks	1,047,278	0.3	1,090,000	0.3
– Equity investments	17,953,626	5.9	7,942,251	2.4

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023		As at 31 December 2022	
	Amount	of total (%)	Amount	of total (%)
Financial investment measured at amortised cost	133,746,170	44.0	149,526,608	46.3
– Government bonds	22,109,639	7.2	30,509,415	9.4
– Bonds issued by policy banks	33,794,908	11.1	31,686,666	9.8
– Bonds issued by banks and other financial institutions	2,000,000	0.7	5,982,504	1.9
– Corporate entity bonds	11,518,598	3.8	3,500,883	1.1
– Investment management products managed by securities companies	4,235,699	1.4	4,428,102	1.4
– Investment management products under the trust scheme	69,198,146	22.8	79,276,722	24.5
Less: provisions for impairment of financial assets at amortised cost	(9,110,820)	(3.0)	(5,857,684)	(1.8)
Total	304,053,284	100.0	322,898,665	100.0

- 1) Changes in the provision for financial assets at fair value through other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2023				2022			
	Expected credit loss over the next 12 months	Lifetime expected credit loss – no credit impairment	Lifetime expected credit loss – credit impairment	Total	Expected credit loss over the next 12 months	Lifetime expected credit loss – no credit impairment	Lifetime expected credit loss – credit impairment	Total
Balance as at the beginning of the period	2,186	–	1,297,851	1,300,037	889	–	696,978	697,867
Net charge/(release) for the period	335	–	(19,176)	(18,841)	1,297	–	1,477,438	1,478,735
Transfer out	–	–	–	–	–	–	(876,565)	(876,565)
Balance as at the end of the period	2,521	–	1,278,675	1,281,196	2,186	–	1,297,851	1,300,037

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Changes in the provision for financial assets at amortised cost

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2023				2022			
	Expected	Lifetime	Lifetime	Total	Expected	Lifetime	Lifetime	Lifetime
	credit loss	expected	expected		credit loss	credit loss	credit loss	credit loss
	over the next	– no credit	– credit		over the next	– no credit	– credit	– credit
12 months	impairment	impairment		12 months	impairment	impairment	impairment	
Balance as at the beginning of the period	867,371	1,091,089	3,899,224	5,857,684	719,400	1,103,626	2,787,892	4,610,918
Transferred to:								
– to expected credit losses over the next 12 months	–	–	–	–	–	–	–	–
– to lifetime expected credit losses								
– not credit-impaired loans	(35,568)	35,568	–	–	–	561,279	(561,279)	–
– to lifetime expected credit losses								
– credit-impaired loans	(97)	–	97	–	(8,458)	(335,677)	344,135	–
Net charge/(release) for the period	(136,026)	284,803	3,104,359	3,253,136	156,429	(238,139)	2,160,251	2,078,541
Transfer out	–	–	–	–	–	–	(831,775)	(831,775)
Balance as at the end of the period	695,680	1,411,460	7,003,680	9,110,820	867,371	1,091,089	3,899,224	5,857,684

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.2.2 Liabilities

As of 30 June 2023, total liabilities of the Bank amounted to RMB1,012.83 billion, representing an increase of RMB11.854 billion or 1.2% as compared with that at the end of the previous year. The Bank's liabilities mainly consisted of (i) deposits from customers, (ii) financial assets sold under repurchase agreements and (iii) deposits from banks and other financial institutions, accounting for 81.5%, 10.7% and 4.8%, respectively, with respect to the total liabilities.

The following table sets forth the components of the Bank's total liabilities as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023		As at 31 December 2022	
	Amount	of total (%)	Amount	of total (%)
Borrowings from Central Bank	1,360,676	0.1	1,190,119	0.1
Deposits from customers	825,397,833	81.5	788,752,335	78.8
Deposits from banks and other financial institutions	48,304,117	4.8	52,716,547	5.3
Placements from banks and other financial institutions	8,100,797	0.8	2,838,696	0.3
Financial liabilities at fair value through profit or loss	–	–	2,421,778	0.2
Derivative financial liabilities	575,980	0.1	601,799	0.1
Financial assets sold under repurchase agreements	108,369,416	10.7	128,661,609	12.9
Debt securities issued	13,884,313	1.3	16,979,868	1.7
Other liabilities ⁽¹⁾	6,836,786	0.7	6,813,263	0.6
Total	1,012,829,918	100.0	1,000,976,014	100.0

Note:

- (1) Including payment and collection clearance accounts, staff remuneration payable, deferred income, taxes payable, dormant accounts and other liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. *Deposits from Customers*

As of 30 June 2023, the Bank's total deposits from customers (exclusive of interest payable) amounted to RMB808.833 billion, with an increase of RMB37.267 billion or 4.8% as compared with that at the end of the previous year, accounting for 79.9% of the total liabilities and representing an increase of 2.8 percentage points as compared with that at the end of the previous year. Among them, personal deposits increased by RMB37.94 billion as compared with that at the end of the previous year. The main reason is that during the Reporting Period, the Bank focused on building a digital system and advancing the integration of online channels to achieve intelligent marketing; focused on outlets operation transition to promote the construction of intelligent, comprehensive, standardized and distinctive outlets; focused on deepening customer base marketing, innovating financial services, and implementing stratification management and group operation. Corporate deposits decreased by RMB496 million and other deposits decreased by RMB177 million compared with that at the end of the previous year. The main reason is that during the Reporting Period, the Bank focused on consolidating the deposit base, resolutely reduced customer concentration of corporate deposits, emphasized low-cost marketing and short-duration time deposits, and enhanced the stability of corporate deposits by ensuring overall control over deposit costs.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the Bank's deposits from customers (exclusive of interest payable) and product types as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023		As at 31 December 2022	
	Amount	of total (%)	Amount	of total (%)
Corporate deposits				
Demand deposits	138,173,457	17.1	153,374,794	19.9
Time deposits	105,700,745	13.1	90,995,460	11.8
Sub-total	243,874,202	30.2	244,370,254	31.7
Personal deposits				
Demand deposits	47,143,037	5.8	45,902,116	5.9
Time deposits	493,460,504	61.0	456,761,908	59.2
Sub-total	540,603,541	66.8	502,664,024	65.1
Other deposits ⁽¹⁾	24,354,906	3.0	24,531,823	3.2
Total	808,832,649	100.0	771,566,101	100.0

Note:

(1) Mainly including pledged deposits.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Debt Securities Issued

The following table sets forth the components of the Bank's debt securities issued (exclusive of interest payable) as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023 Amount	As at 31 December 2022 Amount
Tier-two capital bond with fixed rate maturing in December 2032	4,999,057	4,999,057
Interbank certificates of deposits issued	<u>8,885,256</u>	<u>11,980,811</u>
Total	<u><u>13,884,313</u></u>	<u><u>16,979,868</u></u>

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB5 billion in the national inter-bank bond market on 27 December 2022. The term of maturity of such bonds is 10 years. The coupon rate is interest-bearing fixed rate of 4.80%. Interest on such bonds shall be paid once per year. Upon approval by the National Administration of Financial Regulation, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

As of 30 June 2023, the balance of certificates of interbank deposit issued by the Bank amounted to RMB8.885 billion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.2.3 Equity

As of 30 June 2023, the equity balance of the Bank amounted to RMB82.335 billion, representing an increase of RMB898 million or 1.1% as compared with that at the end of the previous year. The following table sets forth the components of the equity of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023		As at 31 December 2022	
	Amount	of total (%)	Amount	of total (%)
Share capital	8,796,680	10.7	8,796,680	10.8
Capital reserve	26,931,360	32.7	26,931,360	33.1
Surplus reserve	7,476,710	9.1	7,411,839	9.1
General reserve	15,308,222	18.6	14,797,531	18.2
Investment revaluation reserve	(1,243,490)	(1.5)	(1,274,532)	(1.6)
Provision reserve	1,316,329	1.6	1,239,049	1.5
Reserve on remeasurement of defined benefit liability	(28,849)	(0.0)	(28,848)	(0.0)
Retained earnings	23,063,419	28.0	22,901,106	28.1
Non-controlling interests	714,670	0.8	662,910	0.8
Total equity	82,335,051	100.0	81,437,095	100.0

3.2.3 Loan quality analysis

During the Reporting Period, the Bank further enhanced internal risk control and management, and optimized the whole credit risk management process. Aiming to balance risk, capital and income, and based on the promotion of intelligent data and system construction, the Bank improved the unified credit policy system, strengthened risk monitoring and early warning, standardized post-credit management, and enhanced the ability to prevent and control credit risk. The Bank steadily adjusted and optimized the structure of credit assets, developed strict asset risk classification standards, increased efforts in the collection and disposal of non-performing loans to strengthen asset quality and prevent and resolve financial risks. As of 30 June 2023, the Bank's non-performing loan ratio was 3.17%, representing a decrease of 0.05 percentage point as compared with that at the end of the previous year. The provision coverage ratio was 142.90%, representing an increase of 2.59 percentage points as compared with that at the end of the previous year, and the ability to offset risk losses continued to increase.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.3.1 Breakdown of loans by the five-category classification system

The non-performing loans of the Bank are classified into loans and advances to customers that are substandard, doubtful and loss. As of 30 June 2023, the non-performing loans of the Bank amounted to RMB19.653 billion, and the non-performing loan ratio was 3.17%, representing a decrease of 0.05 percentage point as compared with that at the end of the previous year. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023		As at 31 December 2022	
	Amount	of total (%)	Amount	of total (%)
Normal	585,610,482	94.4	578,569,094	94.3
Special mention	15,021,629	2.4	15,030,746	2.5
Substandard	18,160,776	2.9	17,892,886	2.9
Doubtful	939,184	0.2	1,304,771	0.2
Loss	552,571	0.1	564,832	0.1
Total loans and advances to customers	620,284,642	100.0	613,362,329	100.0
Non-performing loan	19,652,531	3.17	19,762,489	3.22

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.3.2 Concentration of loans

1. Concentration in terms of Industry and Distribution of Non-performing Loans

During the Reporting Period, the Bank further developed industry finance, continued to strengthen the construction of customer base and optimised loan structure. The following table sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023				As at 31 December 2022			
	Loan amount	of total %	Non- performing loan amount	Non- performing loan ratio %	Loan amount	of total %	Non- performing loan amount	Non- performing loan ratio %
Wholesale and retail	149,539,125	24.1	11,195,499	7.49	146,667,851	23.9	11,291,091	7.70
Renting and business activities	92,196,579	14.9	925,345	1.00	92,009,229	15.0	925,345	1.01
Real estate	74,910,004	12.1	1,353,633	1.81	79,199,510	12.9	1,347,043	1.70
Manufacturing	37,077,228	6.0	2,369,312	6.39	35,796,852	5.8	2,398,842	6.70
Construction	36,213,685	5.8	537,390	1.48	35,248,613	5.7	522,512	1.48
Transportation, storage and postal services	5,073,202	0.8	149,010	2.94	4,924,427	0.8	149,010	3.03
Production and supply of electric power, heat, gas and water	3,309,421	0.5	653,410	19.74	2,997,032	0.5	653,318	21.80
Accommodation and catering	2,167,292	0.4	140,931	6.50	2,183,692	0.4	140,931	6.45
Culture, sports and entertainment	1,297,236	0.2	34,900	2.69	1,007,244	0.2	34,900	3.46
Mining	3,356,091	0.5	19,597	0.58	1,463,022	0.2	19,597	1.34
Household and other services	1,436,223	0.2	-	-	1,371,865	0.2	-	-
Agriculture, forestry, animal husbandry and fishery	893,635	0.1	40,303	4.51	618,572	0.1	40,552	6.56
Others	20,789,622	3.4	86,722	0.42	17,525,454	2.9	86,722	0.49
Discounted bills	88,532,220	14.3	-	-	92,469,152	15.1	-	-
Personal loans and advances	103,493,079	16.7	2,146,479	2.07	99,879,814	16.3	2,152,626	2.16
Total	620,284,642	100.0	19,652,531	3.17	613,362,329	100.0	19,762,489	3.22

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As of 30 June 2023, loans provided to customers of (i) wholesale and retail, (ii) renting and business activities (iii) real estate (iv) manufacturing and (v) construction represented the largest components of the Bank's corporate loans. As of 30 June 2023 and 31 December 2022, the balance of loans provided to the corporate customers in the five industries mentioned above were RMB389.937 billion and RMB388.922 billion, respectively, accounting for 62.9% and 63.3%, respectively, with respect to the Bank's total loans and advances to customers.

2. Concentration in terms of Borrowers

Loans to the ten largest single borrowers

The following table sets forth the borrowing amounts of the ten largest single borrowers of at 30 June 2023. As of the same date, all such loans were classified as normal loans:

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2023		
	Industry involved	Amount	of total %
Customer A	Renting and business activities	8,500,700	1.37
Customer B	Real estate	8,062,705	1.30
Customer C	Culture, sports and entertainment	7,601,000	1.23
Customer D	Renting and business activities	7,150,000	1.15
Customer E	Wholesale and retail	6,139,900	0.99
Customer F	Real estate	6,021,466	0.97
Customer G	Renting and business activities	5,543,730	0.89
Customer H	Manufacturing	5,510,900	0.89
Customer I	Real estate	5,192,300	0.84
Customer J	Real estate	5,130,000	0.83

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Distribution of Non-performing Loans by Product Type

The following table sets forth the loans and non-performing loans by product type as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023			As at 31 December 2022		
	Loan amount	Non-performing loan amount	Non-performing loan ratio %	Loan amount	Non-performing loan amount	Non-performing loan ratio %
Corporate loans	516,791,563	17,506,052	3.39	513,482,515	17,609,863	3.43
Short-term loans	168,659,272	14,103,484	8.36	52,679,193	8,684,839	16.49
Medium and long term loans	259,600,071	3,402,568	1.31	368,334,170	8,925,024	2.42
Discounted bills	88,532,220	-	-	92,469,152	-	-
Retail loans	103,493,079	2,146,479	2.07	99,879,814	2,152,626	2.16
Mortgage loans	55,845,306	1,176,972	2.11	56,976,280	733,663	1.29
Personal business loans	9,143,955	144,433	1.58	8,468,525	389,745	4.60
Personal consumption loans	26,938,400	219,797	0.82	25,408,964	422,608	1.66
Credit card overdrawn	11,565,418	605,277	5.23	9,026,045	606,610	6.72
Total	620,284,642	19,652,531	3.17	613,362,329	19,762,489	3.22

As of 30 June 2023 and 31 December 2022, the non-performing loan ratio of the Bank was 3.17% and 3.22%, respectively.

As of 30 June 2023 and 31 December 2022, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 3.39% and 3.43%, respectively.

As of 30 June 2023 and 31 December 2022, the non-performing loan ratio of the Bank's retail loans was 2.07% and 2.16%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) (effective since 1 January 2013) promulgated by former CBRC. As of 30 June 2023, the Bank's core tier-one capital adequacy ratio was 9.19%, tier-one capital adequacy ratio was 10.88%, and the capital adequacy ratio was 12.40%, which was mainly due to the fact that during the Reporting Period, the Bank actively promoted the replenishment of external capital, successfully applied for RMB15 billion in special bonds for local governments, and replenished other tier-one capital through a convertible negotiated deposit, further expanding the channels for capital replenishment and improving the level of capital adequacy.

The following table sets forth the relevant information of the Bank's capital adequacy ratio as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023	As at 31 December 2022
Core capital		
– Share capital	8,796,680	8,796,680
– Qualifying portion of capital reserve	26,931,360	26,931,360
– Surplus reserve	7,476,710	7,411,839
– General reserve	15,308,222	14,797,531
– Investment revaluation reserve	(1,243,490)	(1,274,532)
– Provision reserve	1,316,329	1,239,049
– Retained earnings	23,063,419	22,901,106
– Qualifying portions of non-controlling interests	165,248	160,618
– Others	(28,849)	(28,848)
Core Tier-one Capital	81,785,629	80,934,803
Core Tier-one capital deductions	(364,345)	(385,544)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023	As at 31 December 2022
Net Core Tier-one Capital	81,421,284	80,549,259
Other tier-one capital – other tier-one capital instruments and related premiums	15,000,000	–
Net Tier-one Capital	<u>96,421,284</u>	<u>80,549,259</u>
Tier-two Capital		
– Qualifying portions of tier-two capital instruments issued	4,999,057	4,999,057
– Surplus provision for loan impairment	<u>8,429,975</u>	<u>8,529,017</u>
Net tier-two Capital	<u>13,429,032</u>	<u>13,528,074</u>
Total net Capital	<u>109,850,316</u>	<u>94,077,333</u>
Total risk weighted assets	<u>886,201,725</u>	<u>816,537,283</u>
Core Tier-one Capital adequacy ratio	9.19%	9.86%
Tier-one Capital adequacy ratio	10.88%	9.86%
Capital adequacy ratio	<u>12.40%</u>	<u>11.52%</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.5 Segment Information

3.2.5.1 Summary of regional branches

The Bank is mainly operating within China. 18 branches are located in five provinces and municipalities directly under the Central Government. It also established seven subsidiaries in Liaoning, Shanghai and Zhejiang Province.

(Expressed in thousands of Renminbi, unless otherwise stated)	Operating income				Non-current assets ⁽¹⁾			
	For the period ended 30 June							
	2023		2022		30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Northeast China Region	6,843,697	95.8	7,863,609	97.3	5,613,974	91.1	5,562,567	96.5
North China Region	278,363	3.9	175,489	2.2	339,372	5.5	186,339	3.2
Others	21,877	0.3	41,971	0.5	206,581	3.4	19,182	0.3
Total	7,143,937	100.0	8,081,069	100.0	6,159,927	100.0	5,768,088	100.0

Note:

- (1) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.5.2 Business segments

Since this year, the Bank has thoroughly implemented the business strategy of “achieving high-quality development”, combined the improvement of its own operational quality and efficiency with the transformation and upgrading of regional economy, accelerated the strategic transformation and development, strengthened the linkage of business segments, accurately allocated financial resources, and firmly promoted high-quality development and characteristic transformation. In the first half of 2023, the operating income of corporate business amounted to RMB4.864 billion, accounting for 68.1% of the total operating income. The operating income of retail banking business amounted to RMB1.246 billion, accounting for 17.5% of the total operating income. The operating income of treasury business amounted to RMB1.021 billion, accounting for 14.3% of the total operating income.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2023		2022	
	Amount	of total (%)	Amount	of total (%)
Operating income				
Corporate banking	4,864,432	68.1	5,003,306	61.9
Retail banking	1,246,408	17.5	1,086,846	13.5
Treasury business	1,020,589	14.3	1,894,593	23.4
Others	12,508	0.1	96,324	1.2
Total	7,143,937	100.0	8,081,069	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.6 Commitments of Off-balance Sheet Items

The following table sets forth the Bank's credit commitments as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2023	As at 31 December 2022
Bank acceptances	45,161,801	65,229,705
Letters of guarantees	5,153,631	6,338,078
Letters of credit	9,262,274	7,681,241
Unused credit card commitments	20,377,348	19,231,905
Total	79,955,054	98,480,929

3.3 BUSINESS OVERVIEW

3.3.1 Corporate Banking Business

In the first half of 2023, the Bank adhered to the leadership by Party construction and the general tone of making progress while maintaining stability, returning to the origin, focusing on main business, taking rooted in local market, and made every effort to serve the real economy and build up a solid foundation for development. The Bank was committed to being “the bank of the citizens and the bank of the city”, enhancing its customer base building and professional service capabilities and building a high-level corporate customer operation and service system. With professional customer and industry insights, accurate product-demand matching, and efficient service and experience extending, we steadily advanced the development quality of corporate banking business.

3.3.1.1 Corporate deposits

By deepening the strategy of customer-oriented, the Bank absorbed low-cost and stable core deposits and made efforts to promote the excellent, sound and high-quality growth of the corporate deposit structure. Firstly, the Bank implemented customer expansion plan in an in-depth manner to optimise its customer structure, focused on high quality customer base including central and local state-owned enterprises and industry leaders and launched a series of corporate customers-oriented development activities, to realise the in-depth integration between customer base building and industry finance. Secondly, the Bank increased its efforts in extending its marketing initiatives relating to upstream and downstream deposits from core customers including key customers, to boost the circulation of funds within the system, and also innovated platform channel construction to increase the sources of low-cost deposits. Thirdly, the Bank actively launched the innovation of corporate deposit products, expanded the scope of application of basic trading settlement products and enhanced the competitiveness of corporate deposits. As of 30 June 2023, the balance of corporate deposits of the Bank amounted to RMB243,874 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.1.2 Corporate loans

The Bank closely followed the national strategic direction appealing for undertaking major projects of the government, adhered to the positioning of “serving the local economy, serving small and medium-sized enterprises, and serving urban and rural residents”, took root in the local market, penetrated into the lower-tier cities and regions, deeply integrated into and in return gave support to the development of the local economy and industries, and put into practice the political and people-oriented nature of financial work. The Bank promoted the differentiated development of “region + industry”, identified medium-and long-term loans to manufacturing industry, green credit, agriculture-related and science and technology enterprises as key areas of investment. We also focused on specialised credit support, which resulted in forming a differentiated layout of industry operations, strengthening the marketing of preferred industries to help branches expand their presence and obtain customers and promoting the high-quality growth of regional credit investment. As of 30 June 2023, the balance of the Bank’s corporate loans amounted to RMB428,259 million (excluding discounted bills), representing an increase of RMB7,246 million as compared with that at the end of the last year.

3.3.1.3 Transaction banking

The Bank adhered to the positioning of “products + customers”, centered on the construction of the “TOWER+” brand and the establishment of the Shanghai Cross-border Business Center, deepened product application and model innovation, expanded customer acquisition channels, gave full play to the advantages of the “chain-based” finance business, and significantly improved the asset scale and income-generating capacity of different business lines, effectively supporting the development of the inclusive financial business, promoting the development of the domestic circulation and the international circulation, and achieving an innovative and quality growth of transaction banking business into scale, innovation and quality. As of 30 June 2023, the balance of the on/off balance assets of the transaction banking of the Bank amounted to RMB46,430 million, representing a year-on-year increase of 27.3%, and the revenue from the transaction banking intermediary business amounted to RMB140 million, representing a year-on-year increase of 42.9%.

3.3.2 Retail Banking

In the first half of 2023, the Bank focused on the strategic vision of “building a sound bank”, firmly implemented the development strategy of customer-focused, benefit-oriented, digital, scenario-based and high-quality retail banking, pushed forward the digital transformation and outlet transformation and upgrading, and continued to build the eight systems that covered customers, products, channels, risk control, rights and benefits, ecology, organisation and brand, so as to achieve high-quality development of the retail business.

3.3.2.1 *Personal deposits*

The Bank promoted the high-quality improvement of personal deposits by consolidating the practice of centering on customers and implementing diversified marketing initiatives. Firstly, the Bank continued to create elderly, parent-children and agency-based financial systems, build the “Colourful Life (五彩人生)” life-cycle service, initially introduced the “Orange Growth Time (橙長光陰)” comprehensive finance and innovatively developed the Chinese zodiac-themed New Year’s Certificates of Deposit and children’s-themed Dream Certificates of Deposit. Secondly, the Bank meticulously fostered the core brand of “Values + Accompanying You with Happiness (價值 伴您美好)” and continued to carry out the special marketing of the scenario-based rights and benefits platform (場景權益平台). Taking into account the target customer base, deposit structure and features of its main products, the Bank formulated marketing plans which focused on low-cost deposits and supported with online and offline benefits, and carried out specialized marketing activities. Thirdly, the creation of professional marketing teams comprising product managers, wealth managers, public managers and retail credit managers, was steadily promoted. As of 30 June 2023, the balance of the Bank’s personal deposits reached RMB540,604 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.2.2 Personal loans

Through product innovation, differential pricing, agile approval and scenario building, the Bank helped to enhance residents' consumption power. The Bank took multiple measures to support the stable and healthy development of the real estate market, applying city-specific policies to support the inelastic demand for housing and also the demand for improving living condition, constructing a long-term effective mechanism to serve new citizens by “daring to lend, willing to lend, able to lend, and agree to lend”, so as to promote the orderly investment of housing loans; it actively responded to the national policy of promoting consumption, rooted itself in the segmented consumption industry, and strongly supported scenario-based consumption loans. By focusing on key target customer base, it enriched the use of channels and scenarios to continuously enhance its customer management capabilities. It also continuously optimised customer entry standards and risk control models, strengthened usage control, improved the construction of early warning mechanism and system, and effectively enhanced its digitalised risk control capabilities. As of 30 June 2023, the balance of the Bank's personal loans amounted to RMB103,493 million, representing an increase of RMB3,613 million as compared with that at the end of the previous year.

3.3.2.3 Debit cards

The Bank adhered to its customer-centric approach and enhanced its ability to provide comprehensive services throughout the life cycle. It launched exclusive products such as the “Orange” Growth Time Card, the “Shengjing” Life Card and the “Salary” Gold Card targeting at customers of different ages. With its focus on customers' use habits and high-frequency scenarios, it continued to improve the system of rights and benefits and enhanced satisfaction with the use of its cards. As of 30 June 2023, the Bank issued 20.0714 million debit cards in total, representing an increase of 315,000 cards as compared with that of the end of the previous year, with a total consumption amount of RMB13,608 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.2.4 Assets management

The Bank's asset management business is based on the principles of "being focused with distinctive objectives, being pragmatic and efficient", for which a strong business foundation has been built and the basis for development has been consolidated, creating wealth management products with "flexible redemption operation, diversified transaction channels, multiple product types, high performance returns, stable net worth fluctuations and abundant excess returns". The Bank has always adhered to the asset management brand of "operating the bank with decent wealth management", constantly explored new areas and new drivers for sustainable business growth, and effectively served the needs of high-quality economic and social development and the preservation and appreciation of residents' wealth. The Bank has continued to optimize product portfolio configuration, launched products with amortised cost and mixed valuation and made efforts to realize preservation and appreciation of investors' wealth. Meanwhile, the Bank also launched a "credit assessment system construction" for its asset management business, strengthened its credit assessment team, created a "white list" database and optimised business processes to achieve an effective balance between risk and return in the business. In the appraisal and selection campaign of the "2023 GRA (Golden Prestige Award) (2023年GRA金譽獎)", the Bank won the "Excellent Asset Management City Commercial Bank (卓越資產管理城市商業銀行)" award for asset management business for the third consecutive year and won the "Outstanding Cash Management Bank (Wealth Management Product) (優秀現金管理類銀行理財產品)" award at the same time. As of 30 June 2023, the bond investment business of the Bank achieved a total investment of RMB4 billion, the current balance of the Bank's wealth management amounted to RMB39,850 million with a realized intermediary business revenue of RMB110 million.

3.3.3 Capital business

For capital business, the Bank followed the direction under the bank-wide business strategies, and adhered to the functional orientation of “serving for liquidity management, revenue growth and comprehensive operation of customers”. With enhancing profitability as the core, it strengthened its effort to secure new source of income and cut costs, implemented cost reduction and efficiency enhancement, and endeavoured to promote the “Three Transformations” in order to create a new horizon for the development of the financial market. Firstly, regarding the transformation from asset allocation to net value-based management, the Bank strengthened the construction of product system, expanded the scale and frequency of U.S. bond and foreign exchange transactions, strived to generate returns from the international financial market, and realised lucrative spread returns through swing trading; maintained its advantage over RMB bond trading, with the trading volume in the first half of the year increasing by 118% year-on-year, resulting in further increasing the activities within the market; strengthened its own professionalism, transformed the research results of the investment and research team into operational achievements, and reinforced the trading team’s strategic research and market operation, and strengthened the refined management and support of its middle and back office teams. Secondly, regarding the transformation from a traditional customer marketing approach to building a community of interest, the Bank better achieved the resource integration by internally integrating the resources of all business lines of the Bank, externally exploring the concerns of peer institutions, strengthening business cooperation and resource exchange, consolidating peer relationships, strengthening the output of investment and research results, transforming the Bank’s investment experience and investment and research results, sharing and exporting them to the members of the Northeast Banks Alliance and partners, and releasing the Bank’s viewpoints and opinions to the market to enhance the Bank’s influence. Thirdly, regarding the transformation from passive risk prevention to active risk management, the Bank strengthened its risk pricing management function, borne risks moderately and managed risks proactively on the premise of preventing eventual asset losses, implemented differentiated pricing for different credit customers, enhanced the level of refinement and continuity for its risk management, and to realise the creation of value through risk management.

3.3.4 Specialized institutions and subsidiaries

3.3.4.1 Financial service center for Small Business

Centering on the strategic vision of “building a sound bank”, the financial service center for small businesses of the Bank has been implementing the concept of “finance for the people” and adhering to the market positioning of “serving the local economy, serving small and medium-sized enterprises, and serving urban and rural residents”, and also firmly adhering to the political and people-oriented nature of inclusive financial work. By continuously improving the professionalism of financial services, promoting the mutual promotion and “integration” of various policies to benefit enterprises and its own development, the Bank further expanded the breadth and depth of inclusive financial services, to create a new model of inclusive finance for sustainable development of the Bank. Firstly, in terms of focusing on the core objective of serving key areas and vulnerable sectors, the Bank firmly developed the parallel mode of online and offline development, refined the characteristics and highlights of its offline business, and achieved incremental expansion of its online business, so as to lay the foundation for the realisation of scenario-based services and the establishment of credit factories, and to ensure to better serve the small and micro enterprises. Secondly, the Bank actively engaged with government departments including the MIIT, MOST and the Ministry of Commerce to improve the accessibility and conversion rate of visits to the “white list”, and provided customised services for small and micro enterprises with “one policy for each household” centering on customer needs, so as to further strengthen the availability of inclusive finance. Thirdly, the Bank actively optimised its pricing strategy and made proactive concessions to the real economy to promote a reasonable decline in interest rates for loans to inclusive small and micro enterprises. At the same time, it actively applied the central bank’s refinancing funds and various policy tools to achieve precise penetration of monetary policy and to further reduce the financing costs of small and micro enterprises. Fourthly, it gave play to the role of “inclusive finance counters” in its core outlets, providing “one-stop” services for account opening, settlement, credit and counselling through the configuration of unified process sheets and service manuals, so as to provide customers with an upgraded experience that saved time and effort and was hassle-free.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.4.2 *Credit card center*

The credit card center of the Bank consistently implemented the Bank's work requirements of "improving quality, increasing scale, preventing risks, stabilizing expectations and reinforcing discipline". On the basis of positioning as a "profit centre" and by strengthening the leadership by Party building and adhering to the principle of seeking progress while maintaining stability, it accelerated the achievement of qualitative development, while the quality of customers and assets continued to improve with a steady increase in benefits. Firstly, the Bank improved the risk control system, built a derivative variable library and risk warning system, iterated the approval strategy, strengthened the control and management of loans, established the risk review mechanism and differentiated strategy adjustment mechanism by product and channel, improved the omni-channel collection system, promoted the integration of collection, mediation and litigation, and strengthened the refined management of the channels to enhance the effectiveness of repayment. Secondly, we deepened internal management, strengthened the foundation of internal control, science and technology, operation, team and finance, accelerated the improvement of institutional system. In the first half of 2023, we formulated and revised 8 systems, completed the development of more than 300 requirements and put them in operation, improved the digital level of operation and management, and further improved the market-based appraisal mechanism, financial post-assessment and bargaining and bidding mechanism, so as to continue to reduce costs and increase efficiency. Thirdly, the Bank explored key point operation centering on the whole life cycle of customers, enhanced customer value contribution, improved four-dimensional customer acquisition channels, relied on direct marketing, revitalised distribution, promoted innovative customer acquisition, focused on the first-time card swiping rate, raised the single yield, increased the efficiency, carried out the collaboration between the corporate clients and retail banking customers, distribution-direct sale coordination and scenario marketing, and did our utmost to increase the scale of its asset size and the activeness scale of target customers. It deepened customer hierarchy and differentiated operation, intensely developed cross-marketing through intelligent outbound calls, promoted the integration of service and marketing, advanced product innovation and upgrading, launched new products including Cloud Quick-Pass digital card, pet-themed card and general ledger instalment, cooperated with high-quality merchants to offer mark down at certain amount of consumption and random mark down, and organised the "being spree together (9要一起嗨)" preferential activities to benefit people's livelihood and promote consumption. As of 30 June 2023, there were in aggregate 2,232,400 credit cards issued by the Bank, representing an increase of 149,400 credit cards or 7.2% as compared with that of the end of the previous year. The balance of existing credit card loans amounted to RMB11,565 million, representing an increase of RMB2,539 million or 28.1% as compared with that of the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.4.3 Shengjing Bank Consumer Finance Co., Ltd.

Shengjing Bank Consumer Finance Co., Ltd. was the first consumer financial company in Northeast China established by the Bank as its major contributor and was approved to start business in February 2016. Shengjing Bank Consumer Finance Co., Ltd. actively implements strategies for developing its boutique consumer finance operation, leads its high-quality development with high-quality party building, strives for progress and adjustment while maintaining stability, strengthens the awareness of comprehensive risk management, improves the business capability by technological empowerment, optimises the asset structure, creates a diversified product and service system, and meets the customers' differentiated financial needs in a practical manner. The Bank actively fulfils its social responsibility, contributes to public welfare, adheres to the original spirit of "finance for the people", upholds the principles of inclusive finance, improves customers' sense of fulfilment and satisfaction, and contributes to the national economic development.

3.3.4.4 Village banks

The Bank was the principal contributor to jointly establish six village banks, four of which are in the suburban area of Shenyang, namely Shenbei Village Bank, Faku Village Bank, Liaozhong Village Bank and Xinmin Village Bank; and two in the Yangtze River Delta region, namely Shanghai Baoshan Village Bank and Ningbo Jiangbei Village Bank. All of the six village banks are independent legal entities. The Bank has established a village bank management model through coordination between the head office and branches under which the risk department at the head office level shall take the lead in coordination with the professional supports from functional departments, and which, at the branch level, Shenyang Branch shall support four village banks in the Shenyang area and Shanghai Branch shall support two village banks in Shanghai and Ningbo. Through efficient head office-branches coordination, the Bank guided the village banks to strengthen leadership by Party building, improve corporate governance, strengthen risk and internal control management, and promote information system construction, helped the village banks to adhere to the market positioning of supporting agriculture and small towns, and actively expanded their business by expanding customers base, deeply cultivated the local and penetrated into the low-tier markets. As of 30 June 2023, the total assets of the six village banks increased by 5.72%, and total liabilities increased by 8.71%, as compared with that of the end of the previous year, respectively, with the level of operation and development steadily improving and the ability of risk management and control continuously strengthening.

3.3.5 Distribution Channels

3.3.5.1 *Offline Channels*

The Bank continued to promote the optimization of outlet layout, accelerated the outlet transformation and upgrade, improved the service environment of outlets, intensified the optimization and adjustment of existing outlets on the basis of maintaining the total number of outlets at a stable level, facilitated the expansion of services and enlarged the focus of services to lower-tier markets, and promoted the construction of standardized, featured and ecological outlets, so as to continuously enhance the competitiveness in the market and the influential power of the brand. The Bank promoted the construction of an integrated platform for self-service equipment, through system iteration, all-round integration of business scenarios, restructuring of operation processes, strengthening of channel convergence, changing the new interactive interface, and concluding and optimizing more than 60 transactions of intelligent equipment, to further satisfy the customers' needs for humanized, diversified, convenient and intelligent financial service functions. As of 30 June 2023, the Bank has established 210 institutional outlets, including 1 head office, 3 branch-level specialised institutions, 18 branches, 187 traditional sub-branches, and 1 small sub-branch. The Bank has 1,919 self-service terminal machines, including advanced self-service terminal equipment such as self-service deposit/withdrawal machines (ATM and CDM), intelligent teller machines (ITM), mobile card opening machines, highspeed cash recycling machines (CRS), virtual teller machines (VTM), and interactive desktops.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.5.2 Electronic Banking

1. Corporate Online Banking

To better meet the needs of corporate customers, the Bank facilitates the digital transformation of corporate business, further enriches the online products offered by the corporate online banking business as well as their functions, newly creates and optimizes 34 new functions, such as Dingyirong (訂易融), Bill Discount (商票保貼), Real estate e Loan (房易貸) and foreign currency settlement for settlement accounts (結算戶結匯), thus enhancing the service experience of the Bank's online channel for corporate customers. Meanwhile, in order to meet the mobile financial needs of corporate customers and fill the gaps in the service channels of the Bank, the Bank has newly released the corporate mobile banking, which enables customers to keep informed of the capital transactions of the enterprises at anytime and anywhere, and provides easy-to-operate, safe and reliable mobile financial services for corporate customers. As of 30 June 2023, there were 71,600 corporate online banking customers in total, representing an increase of 12.1% as compared with that at the end of the previous year. There were 2.1918 million transactions, with a cumulative transaction value of RMB1,434.073 billion.

2. Personal Mobile Banking

With the goal of enhancing user experience, the Bank launched the new version 6.0 of personal mobile banking, which reshaped more than 200 functions in 12 major categories and resulted in upgrading the experience in viewing webpages, conducting operation or interaction, making payments by scanning codes and securing security protection; fully supported payments by scanning WeChat, Alipay and UnionPay QR codes to provide convenience for customers' daily consumption; actively carried out online channel operation, and launched the new "elderly-care version" and "wealth version" of the mobile banking services that were exclusive to the elderly and high-end customers, respectively, so as to recommend selected products and online services for different customers in a personalized manner, thus bringing the service experience to a new level. As of 30 June 2023, there were 3,974,200 mobile banking users in total, with the number of monthly active users increased by 10.4% compared with the same period of the previous year.

3.3.6 Information Technology and R&D

The Bank continued to optimize the application architecture of information system, improve the functions of information system, strengthen the ability to deliver business needs, and promote the Bank's digital transformation by focusing on the basic strategy of "developing the Bank through technology", with the premise of ensuring the smooth operation of information system and the objective of enhancing the operation and maintenance capabilities and governance capabilities of information technology. Firstly, the Bank implemented a pilot model of despatching technology personnel to station at business departments to improve the quality and efficiency of project research and development and promote in-depth synergy between business and technology. Secondly, the Bank improved the core network system architecture of three centers located in two places, flexibly adapted to the access of multiple private cloud platforms, realized automated network deployment, intelligent operation and maintenance, and unified the management, so as to reduce operation and maintenance costs, and improve the efficiency of data transmission among multiple centers. Thirdly, the construction of the data asset management platform, which includes metadata management, data quality management, data standard management and other functions, has been completed to realize metadata extraction and centralized management of databases, carry out data standard checking and data quality checking on a regular basis, and push forward the data quality rectification in a practical and detailed manner. Fourthly, the Bank consolidated the application system architecture, carried out research and preparation on the preliminary system technical and business architecture of the new core projects, and adapted domestic databases. Fifthly, the Bank promoted business process reengineering, centralized the authorized business processing functions of outlets to the remote authorization center, helped optimize the allocation of outlets' resources, fully released the effectiveness of outlets' personnel, and promoted the transformation of outlets. Sixthly, the Bank enriched the variety of financial products, and completed the commissioning of "Enjoy Deposit (享存)" series of products, branch-specific products, "Real estate e Loan (房易貸)", and the Dingyirong (訂E融) and other support systems, to provide strong scientific and technological system support for various types of innovative products.

3.4 RISK MANAGEMENT

The Bank continued to focus on asset quality management and comprehensively enhanced the risk management capabilities. Firstly, the Bank adhered to a unified risk management strategy and risk appetite, optimized the appetite index system and enhanced the effectiveness of the top-level design of risk management. Secondly, the Bank focused on enhancing credit risk management, formulated flexible and applicable credit policies, refined and guided financial investment in the industry, improved the whole process system before, during and after granting credits, improved quantitative management tools, intensively implemented risk monitoring, investigation and early warning management, increased the disposal of non-performing assets, optimized the assessment mechanism for asset quality, and comprehensively enhanced asset quality management. Thirdly, the Bank strengthened special risk management, promoted the improvement of market risk concentration management, implemented a level-based management of operational risk, and specialized management mechanism for other types of risk, and enhanced the ability of special risk prevention. Fourthly, the Bank strengthened technology-enabled risk management, taken into account the needs of business operation and risk management, reinforced data governance, upgraded system functions, and enhanced the scientific and technological support for risk management. Fifthly, the Bank strengthened the functions of the three lines of defense of the business department, the risk control department and the independent audit department, improved the risk management constraint mechanism of mutual connection, efficient collaboration, effective checks and balances, and continuously optimized the comprehensive, all-employee, all-process, and all-factor risk management system.

3.4.1 Credit Risk Management

In the face of the complicated economic situation at home and abroad, the Bank has always been tightly focused on the strategic vision of “building a sound bank”, implemented the business development philosophy of “increasing scale, improving quality, preventing risks, stabilizing expectations and reinforcing discipline”, adhered to the market positioning of “three services”, firmly focused on the main business, returned to the essence of business, benchmarked against excellent peers, seized the opportunity of transformation and development, promoted the reform of the credit approval line mechanism, continuously optimized the asset structure of the Bank, so as to achieve a compliant, orderly and smooth development of the asset business. First, the Bank strengthened the forward-looking guidance of credit policies. Based on the goals of the credit policy goals, namely “maintaining stable and moderate growth, adhering to asset portfolio diversification, ensuring stable asset quality, and striving for efficiency improvement”, the Bank refined key policy measures for various industries, regions, customers and products, timely reviewed and updated annual credit policies, comprehensively optimized the credit structure and guided the steady development of credit business by making full use of existing and incremental credit resources. Second, the Bank improved the whole process of control over credit risks. In the pre-credit marketing access link, the Bank focused on the top ten selected industries, gave full play to regional advantages, emphasized high-quality customers, strengthened access management and formulated reasonable programs. In respect of the credit review and approval, the Bank adhered to the credit-granting concepts of “moderate and gradual increment in small amounts in a diversified way”, implemented the regulatory mindset, the preservation mindset and strictly guarding the credit risk barrier, and learnt from the excellent peer management initiatives, formulated a reform plan for the credit approval mechanism with “independent approval and expert decision-making” as the guidance, and initially explored the establishment of a full-time approver structure. In respect of the post-credit management, the Bank clarified the main responsibilities of post-credit management, proactively conducted risk monitoring and early warning, formulated a quarterly inspection program for the implementation of approval conditions, and strengthened post-credit risk management and control. Third, the Bank strengthened credit risk refinement management. It continued to strengthen the management of differentiated authorization, held regular post-credit assessment meetings, strengthened risk management and control of business within the limits of authorization; carried out the re-inspection and analysis of existing assets and business, comprehensively identified the key potential risks, and formulated a plan for “one household, one policy” to grasp the initiative of risk management, made every effort to consolidate the quality of the assets; strengthened the management of high-value risk exposure, strictly follow the requirements of the regulatory authorities on the management of high-value risk exposures, the Bank implemented a list system for the management of high-value credit customers, paid great attention to the existing high-value credit customers, formulated a reduction plan, and assessed the risks on a regular basis so as to strictly prevent the concentration risk. Fourth, the Bank strengthened the technology-enabled risk management. The Bank continuously promoted the optimization, improvement, upgrading and renovation of credit management system to realize electronic and refined management covering all customers, products and processes, and improve the effectiveness of credit risk management.

3.4.2 Operational Risk Management

The Bank adhered to legal and compliance operations, continuously enhanced the awareness of operational risk, standardized the internal control operation process, optimized the risk management system, and strengthened the monitoring and control of operational risk. First, the Bank strengthened the risk awareness and personnel management. The Bank strengthened moral and legal education and warning education, enhanced employees' awareness of internal control and compliance, and strengthened self-restraint, increased the investigation of abnormal behavior of employees, so as to prevent operational risks arising from improper operation, ethical misconduct and out-of-control behavior. Second, the Bank improved the internal control process and risk management. Through streamlining the process on a continuous basis, the Bank clarified various segments of business management process, focused on promoting the system flow, clearly demonstrated the business from beginning to end management links, and identified internal control defects from the perspectives of overall mechanism management, system construction, division of responsibilities, science and technology systems, implementation and execution, to promote the optimization and improvement of internal control quality. Third, the Bank strengthened the risk assessment and monitoring analysis. By combining the standards, methods and processes for self-assessment of risks and controls, the Bank conducted risk assessments in key business areas, assessed the level of risk exposure, reviewed the effectiveness of control measures, quantified the remaining risk level, built a historical loss database, analyzed the distribution of risk events, defined the weak links and risk sources of operational risk, and made timely adjustments to the operational risk management strategy to reduce operational risk hazards.

3.4.3 Market Risk Management

Guiding by the risk appetite, the Bank controlled market risk within affordable range. The Bank launched a special consulting project on market risk management to comprehensively optimize and enhance the market risk management system; revised the market risk management measures, implementation rules for segregation of accounting books and other systems to improve the market risk management policies and processes; optimized the market risk measurement system and comprehensively adopted fair value, sensitivity, value-at-risk (VaR), stress testing and other tools to measure and assess the level of market risk; improved the market risk limit system to effectively convey risk preferences, clarified the scale of market risk and the extent of losses that can be borne, strengthened the monitoring and early warning of risk limits, and enhanced the control of market risk. During the Reporting Period, the Bank's market risk management level was improved in an orderly manner and market risk was controlled within a reasonable range.

3.4.4 Bank Account Book Interest Rate Risk

In the first half of 2023, China's economy and society thoroughly resumed normal operation, but the internal and external environments remained relatively complex. Faced with the complex and severe economic situations at home and abroad, the central bank maintained its precise monetary policy, comprehensively utilized both aggregate and structural policies to maintain reasonable and sufficient market liquidity and exerted the effectiveness of interest rate on marketization reforms to promote the downward movement of interest rates of funds with various maturities, creating a relatively favorable market environment for the recovery of the real economy, to achieve a rebound of the overall economic operation and a positive improvement. In order to effectively reduce the negative impact of interest rate changes on the Bank's current profit and loss and economic value, the Bank paid close attention to changes in the external market interest rate environment and strictly implemented the interest rate risk limit management mechanism of books of account of the Bank to continuously strengthens the monitoring and analysis of interest rate risk of such books, which is controlled within its tolerable ranges. The Bank actively and proactively managed the structure and quality of its assets and liabilities allocation, maintained coordinated growth between core assets and core liabilities to ensure the risk of asset-liability maturity mismatch being controllable, strengthened internal and external pricing management and reasonably utilized instruments such as interest rate pricing and internal funds transfer pricing FTP to proactively lower the interest rates for medium-and long-term deposits so as to align with market changes, promoted the switch of interest rate changes from the lending side to the deposit side and guided the business units to adjust the repricing maturity structure of assets and liabilities business in accordance with the requirements of the head office in order to control the interest rate risk of banking books, to develop a mechanism for the proactive management of the interest rate risk, and to effectively reduce the interest rate risk brought about by the decline in the interest rate.

3.4.5 Liquidity Risk Management

The Bank adhered to the prudent and stable liquidity risk appetite, continuously improved the liquidity management system covering the entire Group, on and off-balance sheets, denominated in both domestic and foreign currencies, and strengthened the management of liquidity in “all channels, all accounts and all currencies” with an aim to further improving its management level. Firstly, the Bank’s arrangement for the application of funds on the basis of its sources realized the balance of the total assets and liabilities and the continuous optimization of term structure. Secondly, the Bank strengthened the mechanism for dynamic monitoring and early warning of liquidity risk, actively promoted the reform of information system, and improved the level of refined management of liquidity risk. Thirdly, the Bank continued to improve the quality of its liabilities, reasonably control deposit concentration, provided guidance to achieve a steady growth of debt capital throughout the Bank, and consolidated the foundation of liquidity. Fourthly, the Bank further promoted the multi-level liquidity reserve mechanism, expanded the channels for emergency fund replenishment, and safeguarded the safety and soundness of liquidity.

3.4.6 Information Technology Risk Management

The Bank continued to improve the organizational structure of IT governance under which the Board of Directors, senior management and professional committees fully performed their respective duties, and the departments of science and technology, risk and audit each took responsibility for their own work, with a reasonable division of labor, clear responsibilities, and mutual checks and balances, which effectively promoted the implementation of the Bank's various IT construction and risk prevention and control work. Firstly, the Bank closely integrated technology risk management strategy with business, reviewed each service area of IT, clarified the risk appetite (RAS), deployed key risk indicators (KRIs) and risk and control self-assessment (RCSA), continuously enhanced the ability of risk identification, monitoring and assessment, and constructed a relatively complete risk management system for IT. Secondly, the Bank built a security management system covering the design, coding, testing, and other aspects of the entire life cycle of information system requirements, so as to fully improve security risk control in information system development. Thirdly, the open-source vulnerability knowledge base platform was built to provide technical support for prevention of security risks within the system. Fourthly, the Bank implemented vulnerability risk screening and disposal, shut down phishing websites, conducted self-inspection of network security and outsourcing risk inspection. Fifthly, the Bank completed the on-site evaluation of the level-based protection of eight systems, including online banking, mobile banking and comprehensive financial management. Sixthly, the Bank organized training and learning courses for all staff on cybersecurity emergency response, outsourcing risk management, information security management, business continuity management, digital transformation and innovation, with a total number of more than 1,100 participants.

3.4.7 Reputational Risk Management

The Bank further promoted the full-process management and normalization of reputational risk, increased the promotion of the “Sound Bank” brand, maintained a good public opinion environment, and contributed to sound operations. Firstly, the Bank improved reputational risk management mechanism, strengthened prior assessment, and carried out proactive guidance in a timely manner to further enhance the level of proactive management of reputational risk. Secondly, the Bank gave timely early warning, response and solution through public opinion monitoring and regular checkups. Thirdly, the Bank strengthened external connection and media communication, and enhanced collaboration in public opinion monitoring, research and judgment, disposal and other aspects, so as to smooth the channels for addressing public opinion. Fourthly, the Bank organized training and drills, innovated publicity methods, and produced publicity and education videos to improve the skills of all staff in response to public opinion. Fifthly, by focusing on the themes of party building work, transformation and upgrading of business outlets, assisting the real economy and rural revitalization, and offering innovative business products, the Bank intensified its front-line efforts to identify materials with an aim at displaying the Bank’s good brand image from different perspectives, and actively conveying the good voices and new initiatives of the Bank’s reform and development.

3.4.8 Compliance Risk Management

The Bank adhered to the basic banking policy of “compliance as a key foundation of the Bank” and took the “creation of value in a compliant manner” as the core objective, continuously stuck to high level compliance with provisions of laws, regulations and regulatory requirements and rules and regulations of the Bank, conducted various operation management activities on basis of precautionary operation to effectively strengthen the concept of internal control and compliance in “management institutionalization, system streamlining, and process informatization”, perfect the “comprehensive, highly involved, whole process, whole system” internal control management mechanism, promoted the quality improvement of the internal control and compliance of the Bank, and promoted operation compliance and high quality development. Firstly, the Bank focused on optimizing the internal control system, strengthened system construction, reinforced authorization management, comprehensively constructed internal control management framework, continuously enhanced internal management capability, and promoted the quality of internal control management. Secondly, the Bank took compliance management as the core and risk prevention and control as the starting point, strengthened on-site compliance inspection, promoted informatization construction, and continuously improved the level of compliance risk management. Thirdly, the Bank took regularized compliance culture construction as the carrier, carried out in-depth compliance culture construction, better completed publicity training, strengthened the foundation of internal control and compliance culture, and actively carried out exchanges and learning from advanced peers to create a strong compliance atmosphere. Fourthly, taking the government requirements and regulatory opinions as the direction for action, we prepared the internal control optimization plan, clarified the work objectives of internal control and compliance integration management and information system platform construction, further improved the Bank’s internal management capacity and level, and strengthened the foundation of high-quality development.

3.4.9 Money Laundering Risk Management

The Bank continued to strengthen the risk management of money laundering, thoroughly implemented the regulatory requirements of anti-money laundering and continuously enhanced the effectiveness of money laundering risk management. Firstly, the Bank continuously optimized the anti-money laundering management structure, accelerated the optimization of the operation mode, continuously enhanced the Bank's ability to identify, monitor and control money laundering risks, and constructed a risk-based, intensive and efficient working system. Secondly, the Bank thoroughly implemented various laws and regulations on anti-money laundering, strengthened the comprehensiveness and effectiveness of the system, and effectively improved the ability to control money laundering risk in light of the Bank's business development and risk management needs. Thirdly, the Bank strengthened the construction of money laundering risk assessment system and mechanism, improved the effectiveness of applying assessment results, continuously optimized the monitoring model indicators, strengthened money laundering risk monitoring and control measures, and effectively improved the ability to prevent and control money laundering risk. Fourthly, the Bank solidly carried out anti-money laundering training, and established a regular training mechanism, practically implemented anti-money laundering talent reserve and professional echelon construction, and continuously improved the ability of business personnel and anti-money laundering personnel in performing duties. Fifthly, the Bank promoted the continuous and normalisation of publicity work, deepened the offline publicity, widened the online promotion channel, and constantly improved the public's awareness of money laundering risk prevention.

3.4.10 Country-specific Risk Management

The Bank comprehensively promoted country-specific risk management, prevented country-specific risk by improving the system, continuously paying attention to the economic, political and social changes of the countries in which we have business dealings, and strictly accessing the foreign-related business. Firstly, the Bank further established and improved the relevant systems, formulated new implementation rules for country-specific risk management, and standardized and improved the country-specific risk management system. Secondly, in light of the actual situation of the Bank's foreign claims and the sovereign credit ratings of foreign countries and regions, the Bank accurately and adequately collected various data and conducted internal assessments and ratings of countries and regions to provide a basis for country-specific risk monitoring. Thirdly, on the basis of fully considering risk mitigation factors, the Bank scientifically estimated country-specific risk exposure and made country risk reserves as part of the Bank's asset impairment provision.

3.5 FUTURE PROSPECTS AND DEVELOPMENT STRATEGY

Since the beginning of the year, in the face of the complexity and severity of the international political and economic situations and the triple pressure arising from the contraction in domestic demand, disruption to supply chains, and weakening expectation, under the resolute leadership of the Central Committee of the Communist Party of China, our country has focused on stabilizing growth, employment, and prices, achieving a steady increase in market demand, an overall stabilization of the employment situation, a moderate range of inflation level, as well as a sustained recovery of the national economy, with a positive trend of general recovery. In the second half of the year, the domestic economic development is still confronted with new difficulties and challenges, mainly due to insufficient domestic demand, operational difficulties for some enterprises, and relatively higher potential risks in key areas. The economic recovery process will advance wave upon wave with twists and turns. China has adhered to the general tone of “making progress while maintaining stability”, implemented the new development concept in a complete, accurate and comprehensive manner, accelerated the construction of a new development pattern, attached significant importance to expanding domestic demand, boosting confidence and preventing risks, consistently promoted the sustained improvement of economic operation, the enhancement of the endogenous power, the improvement of social demands, and resolution of risks and hidden dangers in order to promote the effective improvement in quality and reasonable growth in quantity of the economy.

The Bank will correctly comprehend and accurately grasp the situation of economic and financial development, insist on the political and people-oriented nature of financial work based on the strategic vision of “building a sound bank”, coordinate the two major tasks of reform and risk reduction, as well as strategic transformation, persist in positioning as “serving the local economy, serving small and medium-sized enterprises, and serving urban and rural residents”, and uphold the work style of “being pragmatic, steadfast, solid and practical” to firmly carry out various tasks. In accordance with the general guideline of “upgrading the scale, improving the quality, preventing the risks, stabilizing the expectations and reinforcing the disciplines”, the Bank will make every effort to promote the four transformations, i.e. business transformation, asset and liability management transformation, digital transformation, and network transformation; and make every effort to provide the “four guarantees”, i.e. party building guarantee, risk compliance guarantee, resource guarantee, and team guarantee, so as to achieve high-quality development and to become a Chinese-funded bank that promotes the comprehensive revitalization and all-round development of Liaoning and Shenyang.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

As of 30 June 2023, the Bank had a total of 8,796,680,200 Shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares. During the Reporting Period, there was no change in the shareholding.

	At 31 December 2022		Change during the Reporting Period			At 30 June 2023	
	Number	Percentage (%)	Issue of new shares	Others	Sub-total	Number	Percentage (%)
1. Shareholding of Domestic Shares by legal persons	6,334,384,089	72.01	Nil	Nil	Nil	6,334,384,089	72.01
Of which:							
1.1 Shareholding of state-owned legal persons	3,300,756,425	37.52	Nil	Nil	Nil	3,300,756,425	37.52
1.2 Shareholding of private legal persons	3,033,627,664	34.49	Nil	Nil	Nil	3,033,627,664	34.49
2. Shareholding of Domestic Shares by natural persons	121,553,611	1.38	Nil	Nil	Nil	121,553,611	1.38
3. H Shares	2,340,742,500	26.61	Nil	Nil	Nil	2,340,742,500	26.61
Total	8,796,680,200	100.00	Nil	Nil	Nil	8,796,680,200	100.00

Notes:

- Percentage figures in the table have been adjusted by rounding. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.
- As of 30 June 2023, the Bank had 3,466 holders of Domestic Shares and 126 holders of H Shares in total. In respect of the holders of Domestic Shares, 41 are state-owned legal person Shareholders, 109 are private legal person Shareholders and 3,316 are natural person Shareholders.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

4.1 PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF DOMESTIC SHARES OF THE BANK

As of 30 June 2023, the top ten Shareholders of the Domestic Shares of the Bank are as follows:

No.	Name of Shareholder	Nature of Shareholder	Total number of Shares held	Percentage of the total share capital of the Bank (%)	Number of Shares pledged
1	Shenyang Shengjing Finance Investment Group Co., Ltd. (瀋陽盛京金控投資集團有限公司) ("Shengjing Finance Holdings")	State-owned	1,829,225,327	20.79	0
2	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恆信國有資產經營集團有限公司) ("Shenyang Hengxin")	State-owned	479,836,334	5.45	0
3	Liaoning Huibao International Investment Group Co., Ltd. (遼寧匯寶國際投資集團有限公司) ("Huibao International")	Private	400,000,000	4.55	400,000,000
4	Founder Securities Co., Ltd. (方正證券股份有限公司) ("Founder Securities")	Private	300,000,000	3.41	0
5	Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司)	Private	300,000,000	3.41	80,000,000
6	Shenyang Heping District State-Owned Assets Management Co., Ltd. (瀋陽市和平區國有資產經營有限公司)	State-owned	250,000,000	2.84	0
7	Shenyang Hi-Tech Development Investment Holding Group Co., Ltd. (瀋陽高新發展投資控股集團有限公司)	State-owned	250,000,000	2.84	0
8	Shanxi Yuwang Coal Gasification Co., Ltd. (山西禹王煤炭氣化有限公司)	Private	200,000,000	2.27	0
9	Lianmei Group Co., Ltd. (聯美集團有限公司) ("Lianmei Group")	Private	200,000,000	2.27	0
10	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	Private	200,000,000	2.27	0
Total			4,409,061,661	50.12	480,000,000

Note: Percentage figures in the table have been subject to rounding adjustments. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

4.2 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

1. Interests of Substantial Domestic Shareholders

As at 30 June 2023, to the knowledge of the Directors after making reasonable enquiries, the following persons (not being Directors, Supervisors or chief executives of the Bank) had interests or short positions in the Domestic Shares and underlying Domestic Shares, which would fall to be disclosed to the Bank and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of Interests	Number of Domestic Shares held	Percentage of the total number of Domestic Shares of the Bank (%)	Percentage of the total share capital of the Bank (%)
Shengjing Finance Holdings ⁽¹⁾	Beneficial owner	1,829,225,327 (Long position)	28.33	20.79
Shenyang Hengxin ⁽²⁾	Beneficial owner	479,836,334 (Long position)	7.43	5.45
Shenyang Industrial Investment Development Group ⁽²⁾	Interest of a controlled corporation	479,836,334 (Long position)	7.43	5.45

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

Notes:

- (1) According to the register of shareholders of the Bank as of 30 June 2023, Shengjing Finance Holdings held 1,829,225,327 Domestic Shares. Shengjing Finance Holdings was held as to 67.42% by Shenyang SASAC. By virtue of the SFO, Shenyang SASAC is deemed to be interested in the Shares held by Shengjing Finance Holdings.
- (2) According to the register of shareholders of the Bank as of 30 June 2023, Shenyang Hengxin held 479,836,334 Domestic Shares. Shenyang Hengxin was wholly owned by Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司). Shenyang Industrial Investment Development Group Co., Ltd. was held as to 98.16% by Shenyang SASAC. By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. and Shenyang SASAC are deemed to be interested in the Shares held by Shenyang Hengxin.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

2. Interests of Substantial H Shareholders

As at 30 June 2023, to the knowledge of the Directors after making reasonable enquiries, the following persons (not being Directors, Supervisors or chief executives of the Bank) had interests or short positions in the H Shares and underlying H Shares, which would fall to be disclosed to the Bank and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of Interests	Number of H Shares held	Percentage of the total number of H Shares of the Bank (%)	Percentage of the total share capital of the Bank (%)
Zhengbo Holdings Limited ⁽¹⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
Suen Cho Hung, Paul ⁽¹⁾	Interest of a controlled corporation/ Beneficial owner	420,898,500 (Long position)	17.98	4.78
Future Capital Group Limited ⁽²⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
PEAK TRUST COMPANY-NV ⁽²⁾	Trustee	406,761,000 (Long position)	17.38	4.62
Cheung Chung Kiu ⁽³⁾	Interest of a controlled corporation/ Beneficial owner	324,651,500 (Long position)	13.87	3.69
Oshidori International Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	293,034,000 (Long position)	12.52	3.33
Murtsa Capital Limited ⁽⁵⁾	Beneficial owner	203,676,000 (Long position)	8.70	2.32
Satinu Resources Group Ltd. ⁽⁵⁾	Interest of a controlled corporation	204,284,000 (Long position)	8.73	2.32
Cheng Yu Tung Family (Holdings II) Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Cheng Yu Tung Family (Holdings) Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

Name of Shareholder	Nature of Interests	Number of H Shares held	Percentage of the total number of H Shares of the Bank (%)	Percentage of the total share capital of the Bank (%)
Chow Tai Fook (Holding) Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Capital Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Nominee Limited ⁽⁶⁾	Interest of a controlled corporation/ Beneficial owner	179,518,060 (Long position)	7.67	2.04

Notes:

- (1) Suen Cho Hung, Paul directly held 20,898,500 H Shares of the Bank. Zhengbo Holdings Limited held 400,000,000 H Shares of the Bank. Zhengbo Holdings Limited was wholly owned by Suen Cho Hung, Paul. By virtue of the SFO, Suen Cho Hung, Paul is deemed to be interested in the Shares held by Zhengbo Holdings Limited.
- (2) Cordoba Homes Limited held 6,761,000 H Shares of the Bank through Cordoba Homes Treasury Limited (registered in British Virgin Islands), its wholly owned subsidiary; Cordoba Homes Limited is 61.98% controlled by Terra Firma Cordoba Limited; Terra Firma Cordoba Limited is wholly owned by Terra Firma Holdings Limited; Terra Firma Holdings Limited is wholly owned by PEAK TRUST COMPANY – NV. By virtue of the SFO, Cordoba Homes Limited, Terra Firma Cordoba Limited, Terra Firma Holdings Limited and PEAK TRUST COMPANY – NV are deemed to be interested in the Shares held by Cordoba Homes Limited.

Future Capital Group held 400,000,000 H Shares of the Bank. Future Capital Group Limited is wholly owned by Core Heaven Group Limited; Core Heaven Group Limited is wholly owned by Cordoba Homes Treasury Limited (registered in the Republic of Liberia); Cordoba Homes Treasury Limited (registered in the Republic of Liberia) is wholly owned by Cordoba Homes Limited. By virtue of the SFO, Core Heaven Group Limited, Cordoba Homes Treasury Limited (registered in the Republic of Liberia) and Cordoba Homes Limited are deemed to be interested in the Shares held by Future Capital Group Limited.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

- (3) Cheung Chung Kiu directly held 299,651,500 H Shares of the Bank. Worthwell Investments Limited held 25,000,000 H Shares of the Bank. Worthwell Investments Limited was wholly owned by Mighty Gain Enterprise Limited; Might Gain Enterprises Limited was wholly owned by C C Land Holdings Limited; C C Land Holdings Limited was held as to 52.99% by Fame Seeker Holdings Limited; Fame Seeker Holdings Limited was wholly owned by Windsor Dynasty Limited; Windsor Dynasty Limited was wholly owned by Chueng Chung Kiu. By virtue of the SFO, Mighty Gain Enterprises Limited, C C Land Holdings Limited, Fame Seeker Holdings Limited, Windsor Dynasty Limited and Cheung Chung Kiu are deemed to be interested in the Shares held by Worthwell Investments Limited.
- (4) Smart Jump Corporation (incorporated in British Virgin Islands) held 3,034,000 H Shares of the Bank. Smart Jump Corporation (incorporated in British Virgin Islands) was wholly owned by Smart Jump Corporation (incorporated in Cayman Islands); Smart Jump Corporation (incorporated in Cayman Islands) was wholly owned by Smart Jump Corporation (incorporated in Marshall Islands); Smart Jump Corporation (incorporated in Marshall Islands) was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Smart Jump Corporation (incorporated in Cayman Islands), Smart Jump Corporation (incorporated in Marshall Islands), Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Smart Jump Corporation (incorporated in British Virgin Islands).

Nu Kenson Limited held 190,000,000 H Shares of the Bank. Nu Kenson Limited was wholly owned by Win Wind Intermediary Financial Services Limited; Win Wind Intermediary Financial Services Limited was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Win Wind Intermediary Financial Services Limited, Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Nu Kenson Limited.

Kenson Investment Limited held 100,000,000 H Shares of the Bank. Kenson Investment Limited is wholly owned by Uptown WW Holdings Limited; Uptown WW Holdings Limited is wholly owned by Uptown WW Capital Group Limited (registered in British Virgin Islands); Uptown WW Capital Group Limited (registered in British Virgin Islands) is wholly owned by Uptown WW Capital Group Limited (registered in Cayman Islands); Uptown WW Capital Group Limited (Registered in Cayman Islands) is wholly owned by Enerchina Investments Limited; Enerchina Investments Limited is wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Uptown WW Holdings Limited, Uptown WW Capital Group Limited (registered in British Virgin Islands), Uptown WW Capital Group Limited (registered in Cayman Islands), Enerchina Investments Limited and Oshidori International Holdings Limited are deemed to be interested in the shares held by Kenson Investment Limited.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

- (5) Murtsa Capital Limited held 203,676,000 H Shares of the Bank. Murtsa Capital Limited was wholly owned by Satinu Capital (HK) Limited; Satinu Capital (HK) Limited was wholly owned by Satinu Holdings Limited (registered in British Virgin Islands); Satinu Holdings Limited (registered in British Virgin Islands) was wholly owned by Satinu Resources Group Ltd. By virtue of the SFO, Satinu Capital (HK) Limited, Satinu Holdings Limited (registered in British Virgin Islands) and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Murtsa Capital Limited.

Satinu Markets Limited held 608,000 H Shares of the Bank. Satinu Markets Limited was wholly owned by Satinu Holdings Limited (incorporated in Hong Kong with limited liability); Satinu Holdings Limited (incorporated in Hong Kong with limited liability) was wholly owned by HEC Securities Company Limited; HEC Securities Company Limited was wholly owned by Satinu Resources Group Ltd. By virtue of SFO, Satinu Holdings Limited (incorporated in Hong Kong with limited liability), HEC Securities Company Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Satinu Markets Limited.

- (6) Acemax Enterprises Limited held 50,776,620 H Shares of the Bank. Acemax Enterprises Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of the SFO, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares held by Acemax Enterprises Limited.

Oceanic Fortress Limited held 76,164,940 H Shares of the Bank. Oceanic Fortress Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of the SFO, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares held by Oceanic Fortress Limited.

Chow Tai Fook Nominee Limited directly held 52,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was held as to 99.90% by Chow Tai Fook (Holding) Limited; Chow Tai Fook (Holding) Limited was held as to 81.03% by Chow Tai Fook Capital Limited; Chow Tai Fook Capital Limited was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited respectively. By virtue of the SFO, Chow Tai Fook (Holding) Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive (as defined under the Listing Rules) of the Bank) having any interests or short positions in the Shares or underlying Shares of the Bank as at 30 June 2023 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

4.3 SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL

As at the end of the Reporting Period, Shengjing Finance Holdings and Shenyang Hengxin held 1,829,225,327 Domestic Shares and 479,836,334 Domestic Shares of the Bank, respectively, representing 20.79% and 5.45% of the Bank's total share capital, respectively.

4.4 INFORMATION ON SUBSTANTIAL SHAREHOLDERS AND DE FACTO CONTROLLERS OF DOMESTIC SHARES

Below is the information on the Bank's substantial Shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as at the end of the Report Period. For the definition of relevant concepts, please see the relevant requirements of the Interim Measures for the Shareholding Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the CBIRC (currently known as the National Administration of Financial Regulation).

No.	Name of shareholder	Number of Shares held	Shareholding percentage	Reasons of being a substantial shareholder	Number of shares pledged (number)	Controlling shareholder	De facto controller	Parties acting in concert	Ultimate beneficial owner
1	Shengjing Finance Holdings	1,829,225,327	20.79%	Holding 5% or more of the Bank's shares, being appointed supervisor	0	Shenyang SASAC	Shenyang SASAC	Nil	Shengjing Finance Holdings
2	Shenyang Hengxin	479,836,334	5.45%	Holding 5% or more of the Bank's shares, being appointed director	0	Shenyang Industrial Investment Development Group Co., Ltd (瀋陽產業投資發展集團有限公司)	Shenyang SASAC	Nil	Shenyang Hengxin
3	Zhongyou Tianbao	190,000,000	2.16%	Appointed director	0	Liu Xinfu	Liu Xinfu	Nil	Zhongyou Tianbao

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

4.5 ISSUANCE OF DEBT SECURITIES

1. Debt Securities Issued

As at the end of the Reporting Period, details of the debt securities issued by the Bank are set out in the “Debt Securities Issued” section of Chapter headed “MANAGEMENT DISCUSSION AND ANALYSIS” of this Report and note 30 to the section “NOTES TO THE INTERIM FINANCIAL STATEMENTS”.

2. Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2020 annual general meeting of the Bank held on 25 May 2021 that, subject to necessary governmental and regulatory authorities, the Bank will issue financial bonds in the aggregate principal amount of up to RMB30 billion to members of the interbank bond market in China, among which, capital bonds with no fixed term shall not exceed RMB15 billion, and other types of financial bonds shall not exceed RMB15 billion. The bonds with no fixed term will have no fixed term, with the date of triggering event being the date of maturity, while the maturity of other types of financial bonds has a term of not more than 10 years (inclusive). The interest rate of the bonds will be determined based on the market interest rate. The proceeds from the issuance of the bonds will be used to optimise the structure of the Bank’s assets and liabilities, stabilise the medium and long-term funding sources and support the medium and long-term asset business, and will be used to issue loans to customers such as green finance, small and micro enterprises and mass entrepreneurship and innovation enterprises. The funds raised from the capital bonds with no fixed term will be used to supplement the tier-one capital of the Bank, optimise the capital structure of the Bank and improve the level of capital adequacy, thereby supporting the sustainable and stable development of the business.

The debt securities as mentioned above will not be listed on the Hong Kong Stock Exchange.

4.6 PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE BANK

During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, redeemed or sold any of the Bank’s listed securities.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

5.1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, the Directors, Supervisors and senior management of the Bank comprised:

Name	Age	Position
Mr. SUN Jin (孫進) ^{Note 1}	51	Executive Director, Chairman of the Board
Ms. LIU Xu (柳旭)	55	Executive Director, President
Mr. SHI Yang (石陽)	58	Executive Director, member of the Party committee
Mr. SU Qingxiang (蘇慶祥) ^{Note 2}	57	Non-executive Director and Vice Chairman of the Board
Mr. LIANG Zhifang (梁志方)	51	Non-executive Director
Mr. WANG Jun (王軍)	58	Non-executive Director
Mr. JIANG Aiguo (江愛國)	50	Non-executive Director
Mr. XING Tiancai (邢天才)	61	Independent Non-executive Director
Mr. TAI Kwok Leung, Alexander (戴國良)	65	Independent Non-executive Director
Mr. LI Jinyi (李進一)	59	Independent Non-executive Director
Mr. WANG Mo (王沫)	58	Independent Non-executive Director
Ms. LV Dan (呂丹)	45	Independent Non-executive Director
Mr. LIU Yan (劉岩)	52	Shareholder Representative Supervisor, Chief Supervisor
Ms. YANG Xiu (楊秀)	52	Shareholder Representative Supervisor
Mr. YUEN Wing Shing (袁永誠)	76	Shareholder Representative Supervisor
Mr. BA Junyu (巴俊宇)	68	External Supervisor
Mr. SUN Hang (孫航)	57	External Supervisor
Ms. CHENG Hua (程華)	43	External Supervisor
Mr. YU Xiaolong (于小龍)	45	Employee Representative Supervisor
Mr. NIU Jiao (牛角)	47	Employee Representative Supervisor
Mr. CHEN Shijun (陳世俊)	48	Employee Representative Supervisor
Mr. ZHANG Xuewen (張學文)	55	Vice President

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Age	Position
Mr. WANG Yigong (王亦工)	57	Vice President
Mr. HE Yixuan (何一軒)	39	Vice President
Mr. SUN Yingpin (孫英品) ^{Note 3}	49	Assistant to President
Mr. BAO Hong (包宏)	51	Chief Financial Officer
Mr. ZHOU Zhi (周峙)	54	Secretary to the Board
Mr. WU Tienan (吳鐵男)	53	Chief Information Officer
Ms. XU Li (徐麗) ^{Note 4}	51	Chief Audit Officer

Note 1: The eligibility of Mr. Sun Jin as the chairman of the Board is subject to formal approval by the Liaoning Bureau of the National Administration of Financial Regulation.

Note 2: The eligibility of Mr. SU Qingxiang as the vice chairman of the Board is subject to formal approval by the Liaoning Bureau of the National Administration of Financial Regulation.

Note 3: The eligibility of Mr. SUN Yingpin as the assistant to president is subject to formal approval by the Liaoning Bureau of the National Administration of Financial Regulation.

Note 4: The eligibility of Ms. XU Li as the chief audit officer is subject to formal approval by the Liaoning Bureau of the National Administration of Financial Regulation.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

5.2 DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, to the knowledge of the Directors after making reasonable enquiries, the interests or short positions of the Directors, the Supervisors and the chief executives of the Bank and their respective associates in the shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules were set out as follows:

Domestic Shares

Name	Positions held at the Bank	Nature of interests	Number of Domestic Shares of the Bank held <i>(share)</i>	Representing percentage with respect to Domestic Shares of the Bank <i>(%)</i>	Representing percentage with respect to the total share capital of the Bank <i>(%)</i>
SHI Yang (石陽)	Executive Director	Beneficial owner	107,684	0.0017	0.0012
		Interest of spouse	5,722	0.0001	0.0001
			<u>113,406</u>	<u>0.0018</u>	<u>0.0013</u>

Save as disclosed above, none of the Directors, the Supervisors, or the chief executives and their respective associates held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 30 June 2023 which are required to be notified to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

5.3 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Reference is made to the announcement of the Bank dated 17 February 2023. Due to age reasons, Mr. QIU Huofa has resigned from the positions of chairman of the Board, executive Director, chairman of the Strategic Development Committee and vice chairman of the Nomination and Remuneration Committee of the Board of the Bank with effect from 15 February 2023. In accordance with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of the Bank, the Bank convened the fourteenth meeting of the seventh session of the Board on 17 February 2023. After unanimous vote of all Directors, Mr. Shen Guoyong, executive Director and president of the Bank, will perform the duties of chairman of the Board, chairman of the Strategic Development Committee and vice chairman of the Nomination and Remuneration Committee, until the new chairman of the Board being elected and appointed and the qualification of such positions being formally approved by the Liaoning Bureau of the National Administration of Financial Regulation.

Mr. YANG Liya has resigned from the position of Chief Approval Officer in March 2023.

References are made to the announcements of the Bank dated 11 April 2023 and 12 July 2023, respectively. Due to work adjustments, Mr. SHEN Guoyong has resigned as President, executive Director of the Bank, vice chairman of the Risk Control and Consumers' Rights Protection Committee under the Board and member of the Strategic Development Committee under the Board, and will cease to perform the duties as the chairman of the Board, the chairman of the Strategic Development Committee under the Board and the vice chairman of the Nomination and Remuneration Committee under the Board, with effect from 11 April 2023. Ms. LIU Xu, executive Director and executive vice president of the Bank, was appointed as the president of the Bank, the Board unanimously voted for the resolution that Ms. LIU Xu will perform the duties as the acting president of the Bank. The eligibility of Ms. LIU Xu as the president of the Bank has been approved by the CBIRC Liaoning Bureau (currently known as the Liaoning Bureau of the National Administration of Financial Regulation), and the term of office of Ms. LIU Xu as the president of the Bank commenced from 11 July 2023 and will end upon the expiry of the current session of the Board.

Reference is made to the announcement of the Bank dated 11 April 2023. Mr. HAN Li has resigned as a shareholder representative Supervisor, chairman of the seventh session of the Board of Supervisors of the Bank, vice chairman of the Nomination Committee of the Board of Supervisors and vice chairman of the Supervision Committee of the Board of Supervisors as he has reached the statutory retirement age. The resignation of Mr. HAN Li will take effect on 10 April 2023.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

The eligibility of Mr. HE Yixuan as the vice president has been formally approved by the CBIRC Liaoning Bureau (currently known as the Liaoning Bureau of the National Administration of Financial Regulation) on 23 May 2023.

Upon approval of the shareholders at the 2022 annual general meeting held on 2 June 2023, Mr. SUN Jin was elected as an executive Director of the Bank, and his qualification as an executive Director is subject to the ratification of his eligibility by the Liaoning Bureau of National Administration of Financial Regulation; Mr. LIU Yan was elected as the shareholder representative Supervisor of the Bank, and at the Board of Supervisors held by the Bank on the same date, Mr. LIU Yan was also elected as the chairman for the seventh session of the Board of Supervisors of the Bank, vice chairman of the Nomination Committee of the Board of Supervisors and vice chairman of the Supervision Committee of the Board of Supervisors, for a term of office in line with the current session of the Board of Supervisors.

Ms. Zhang Jun has resigned as the vice president of the Bank in August 2023.

Reference is made to the announcement of the Bank dated 18 August 2023. Ms. LI Ying has resigned from the positions as an executive Director of the Bank and a member of the Risk Control and Consumers' Rights Protection Committee under the Board with effect from 16 August 2023 due to having reached the statutory retirement age.

The eligibility of Mr. WU Tienan as the chief information officer has been formally approved by the Liaoning Bureau of the National Administration of Financial Regulation on 23 August 2023.

Reference is made to the announcement of the Bank dated 25 August 2023, the Liaoning Bureau of National Administration of Financial Regulation has ratified Mr. SUN Jin's eligibility serving as an executive director of the Bank. The term of office of Mr. SUN Jin as an executive director of the Bank commenced from 23 August 2023 and will end upon the expiry of the current session of the Board. The Board meeting held on 25 August 2023 unanimously elected Mr. SUN Jin as the chairman of the current Board of the Bank. The election of Mr. SUN Jin as the chairman of the Board is subject to the ratification of his eligibility by the NAFR Liaoning Bureau. Until the ratification of his eligibility as the chairman of the Board, Mr. SUN Jin will perform the duties of the chairman of the Board and legal representative of the Bank, and Ms. LIU Xu, an executive director and the President of the Bank, will cease to perform the duties of the legal representative of the Bank from 25 August 2023. In addition, Mr. SUN Jin has also been appointed as the chairman of the Strategic Development Committee under the Board and the vice chairman of the Nomination and Remuneration Committee under the Board, with effect from 25 August 2023 until the end of the expiry of the term of the current session of the Board.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

5.4 SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank adopted the Rules for Securities Transactions by Directors, Supervisors and Key Employees of Shengjing Bank Co., Ltd. (the “Rules for Securities Transactions”) regarding securities transactions by Directors, Supervisors and certain key employees on terms not less exacting than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors of the Bank has confirmed that they complied with the Rules for Securities Transactions during the Reporting Period.

5.5 EMPLOYEES, EMPLOYEES’ COMPENSATION POLICIES AND TRAINING SCHEMES

As of 30 June 2023, the Bank had a total of 8,418 employees.

The compensation policies of the Bank are based on the business development strategy of the Bank, with a commitment to high-quality corporate development. We have adhered to market-oriented and value-oriented principles, balancing external competitiveness and internal equity, and striving to construct a diversified compensation system that fully reflects features of positions and flexibility of welfares. By utilizing the flexible relationship among fixed compensation, variable compensation and benefits, we have established a scientific and reasonable compensation distribution system that is in line with the long-term stable and sustainable development, and gave full play to the incentive and bounding functions of compensation to effectively support the business development of the Bank and realize the common development of talents and the enterprise.

The Bank has adhered to the operating concept of “developing the Bank through talents”, aimed to continuously improve the comprehensive quality and professional competence of its employees, and effectively conducted training activities at each hierarchy level, focusing on compliance management, risk prevention and control, and marketing capability, practically carried out training activities of all levels. Through improving training and management system, the Bank strengthened the establishment of training management team and internal trainer team, formulated training books and testing questions, expanded training channels and enriched training resources by making full use of “mobile learning platform of Shengjing Bank”. In the first half of 2023, the Bank has conducted a total of 165,451 person-times training sessions.

6.1 CORPORATE GOVERNANCE CODE

The Bank strives to improve the transparency and accountability of corporate governance and ensure high standards of corporate governance to safeguard Shareholders' interests and enhance its enterprise value and commitment.

During the Reporting Period, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules and the Listing Rules governing disclosure of insider information, except for the following:

According to provision of C.1.6 of the Code, independent non-executive Directors and other non-executive Directors shall attend general meetings. During the Reporting Period, three Directors of the Bank are unable to attend the 2022 annual general meeting on 2 June 2023 due to business reasons.

6.2 EARNINGS AND DIVIDENDS

The Bank's revenue for the six months ended 30 June 2023 and the Bank's financial position as at the same date are set out in the section headed "Interim Financial Statements".

Upon consideration and approval at the Bank's 2022 annual general meeting held on 2 June 2023, the Bank decided that no final dividend for 2022 would be distributed to all Shareholders.

The Bank will not distribute any interim dividend for the first six months of 2023 or convert any capital reserve into share capital.

6.3 RELATED PARTY TRANSACTIONS

During the Reporting Period, no material related party transaction with adverse impact on the Bank's business results and financial position occurred.

6.4 MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

SIGNIFICANT EVENTS (CONTINUED)

6.5 PLEDGE OF ASSETS

Details of the Bank's pledge of assets for the six months ended 30 June 2023 are set out in the financial statement.

6.6 PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was subject to any investigation, administrative penalty or public criticism by the CSRC, or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

6.7 REVIEW OF THE INTERIM REPORT

Financial statements disclosed in this report have not been audited. The interim financial statements for the six months ended 30 June 2023 prepared by the Bank in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board have been reviewed by Crowe (HK) CPA Limited in accordance with International Standard on Review Engagements 2410.

The Board and the Audit Committee of the Board of the Bank have reviewed and approved the interim report of the Bank.

6.8 PUBLICATION OF INTERIM REPORT

The interim report will be released on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.shengjingbank.com.cn) at the same time, and will be dispatched to the holders of H Shares of the Bank.

This report is prepared in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

INDEPENDENT AUDITOR'S REPORT ON REVIEW



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF SHENGJING BANK CO., LTD.

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

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 93 to 248, which comprises the condensed consolidated statement of financial position of Shengjing Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") as at 30 June 2023 and the condensed consolidated income statement, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flows statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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.

INDEPENDENT AUDITOR'S REPORT ON REVIEW (CONTINUED)

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 International Auditing and Assurance Standard Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 25 August 2023

Chiu Lung Sang

Practising Certificate Number P08091

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

For the six months ended 30 June 2023
(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	Six months ended 30 June	
		2023	2022
Interest income		21,300,324	21,042,514
Interest expense		<u>(15,322,002)</u>	<u>(14,986,222)</u>
Net interest income	5	<u>5,978,322</u>	<u>6,056,292</u>
Fee and commission income		416,361	372,802
Fee and commission expense		<u>(275,927)</u>	<u>(318,030)</u>
Net fee and commission income	6	<u>140,434</u>	<u>54,772</u>
Net trading (losses)/gains	7	(126,981)	225,651
Net gains arising from investments	8	1,137,775	1,727,718
Other operating income	9	<u>14,387</u>	<u>16,636</u>
Operating income		7,143,937	8,081,069
Operating expenses	10	(2,553,648)	(2,678,598)
Impairment losses on assets	11	<u>(3,671,035)</u>	<u>(4,471,632)</u>
Profit before taxation		919,254	930,839
Income tax (expense)/credit	12	<u>(129,619)</u>	<u>33,016</u>
Profit for the period		<u>789,635</u>	<u>963,855</u>
Net profit attributable to:			
Equity shareholders of the Bank		737,875	944,113
Non-controlling interests		<u>51,760</u>	<u>19,742</u>
		<u>789,635</u>	<u>963,855</u>

The notes on pages 104 to 248 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2023

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	Six months ended 30 June	
		2023	2022
Net profit		789,635	963,855
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Remeasurement of net defined benefit liability		(1)	–
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		27,101	(3,653)
Items that may be reclassified subsequently to profit or loss			
– Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve		3,941	(68,999)
– net movement in the provision reserve		77,280	157,290
Other comprehensive income net of tax		108,321	84,638
Total comprehensive income		897,956	1,048,493
Total comprehensive income attributable to:			
Equity shareholders of the Bank		846,196	1,028,751
Non-controlling interests		51,760	19,742
		897,956	1,048,493
Basic and diluted earnings per share (<i>in RMB</i>)	13	0.08	0.11

The notes on pages 104 to 248 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023
(Expressed in thousands of RMB, unless otherwise stated)

	<i>Note</i>	30 June 2023	31 December 2022
Assets			
Cash and deposits with central bank	14	69,536,105	75,258,358
Deposits with banks and other financial institutions	15	12,961,617	7,207,614
Placements with banks and other financial institutions	16	14,875,910	6,232,027
Derivative financial assets	17	351,413	665,994
Financial assets held under resale agreements	18	8,026,295	9,377,937
Loans and advances to customers	19	648,143,903	630,599,417
Financial investments:			
Financial assets at fair value through profit or loss	20(a)	105,228,019	128,735,653
Financial assets at fair value through other comprehensive income	20(b)	65,380,976	45,032,269
Financial assets measured at amortised cost	20(c)	141,522,922	155,843,638
Property and equipment	21	5,012,002	5,105,886
Deferred tax assets	22	9,470,230	8,509,694
Other assets	23	14,655,577	9,844,622
Total assets		1,095,164,969	1,082,413,109

The notes on pages 104 to 248 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

(Expressed in thousands of RMB, unless otherwise stated)

	<i>Note</i>	30 June 2023	31 December 2022
Liabilities			
Borrowings from central bank	24	1,360,676	1,190,119
Deposits from banks and other financial institutions	25	48,304,117	52,716,547
Placements from banks and other financial institutions	26	8,100,797	2,838,696
Financial liabilities at fair value through profit or loss		–	2,421,778
Derivative financial liabilities	17	575,980	601,799
Financial assets sold under repurchase agreements	27	108,369,416	128,661,609
Deposits from customers	28	825,397,833	788,752,335
Income tax payable		884,656	897,205
Debt securities issued	29	13,884,313	16,979,868
Other liabilities	30	5,952,130	5,916,058
Total liabilities		<u>1,012,829,918</u>	<u>1,000,976,014</u>

The notes on pages 104 to 248 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 30 June 2023
(Expressed in thousands of RMB, unless otherwise stated)*

	<i>Note</i>	30 June 2023	31 December 2022
Equity			
Share capital	31	8,796,680	8,796,680
Capital reserve	32(a)	26,931,360	26,931,360
Surplus reserve	32(b)	7,476,710	7,411,839
General reserve	32(c)	15,308,222	14,797,531
Fair value reserve	32(d)	(1,243,490)	(1,274,532)
Provision reserve	32(e)	1,316,329	1,239,049
Deficit on remeasurement of net defined benefit liability	32(f)	(28,849)	(28,848)
Retained earnings		23,063,419	22,901,106
Total equity attributable to equity shareholders of the Bank		81,620,381	80,774,185
Non-controlling interests		714,670	662,910
Total equity		82,335,051	81,437,095
Total liabilities and equity		1,095,164,969	1,082,413,109

Approved and authorised for issue by the board of directors on 25 August 2023.

Liu Xu
President

Bao Hong
Chief Financial Officer

Yang Xi
Person in Charge of Accounting Institution

Company chop

The notes on pages 104 to 248 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

(Expressed in thousands of RMB, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank										Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2023	8,796,680	26,931,360	7,411,839	14,797,531	(1,274,532)	1,239,049	(28,848)	22,901,106	80,774,185	662,910	81,437,095
Profit for the period	-	-	-	-	-	-	-	737,875	737,875	51,760	789,635
Other comprehensive income	-	-	-	-	31,042	77,280	(1)	-	108,321	-	108,321
Total comprehensive income	-	-	-	-	31,042	77,280	(1)	737,875	846,196	51,760	897,956
Appropriation of profit:											
- Appropriation to surplus reserve	32(b)	-	64,871	-	-	-	-	(64,871)	-	-	-
- Appropriation to general reserve (Note (i))	32(c)	-	-	510,691	-	-	-	(510,691)	-	-	-
Subtotal		-	64,871	510,691	-	-	-	(575,562)	-	-	-
Balance at 30 June 2023	8,796,680	26,931,360	7,476,710	15,308,222	(1,243,490)	1,316,329	(28,849)	23,063,419	81,620,381	714,670	82,335,051

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB13.18 million.

The notes on pages 104 to 248 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022
(Expressed in thousands of RMB, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank										Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2022	8,796,680	26,931,360	7,319,347	14,013,554	(816,706)	862,128	(24,638)	22,797,677	79,879,402	623,539	80,502,941
Profit for the period	-	-	-	-	-	-	-	944,113	944,113	19,742	963,855
Other comprehensive income	-	-	-	-	(72,652)	157,290	-	-	84,638	-	84,638
Total comprehensive income	-	-	-	-	(72,652)	157,290	-	944,113	1,028,751	19,742	1,048,493
Appropriation of profit:											
- Appropriation to surplus reserve 32(b)	-	-	127,865	-	-	-	-	(127,865)	-	-	-
- Appropriation to general reserve (Note (i)) 32(c)	-	-	-	9,410	-	-	-	(9,410)	-	-	-
Subtotal	-	-	127,865	9,410	-	-	-	(137,275)	-	-	-
Balance at 30 June 2022	8,796,680	26,931,360	7,447,212	14,022,964	(889,358)	1,019,418	(24,638)	23,604,515	80,908,153	643,281	81,551,434

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB9.41 million.

The notes on pages 104 to 248 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022 (Continued)
(Expressed in thousands of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank										Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total		
Balance at 1 July 2022		8,796,680	26,931,360	7,447,212	14,022,964	(889,358)	1,019,418	(24,638)	23,604,515	80,908,153	643,281	81,551,434
Profit for the period		-	-	-	-	-	-	-	35,785	35,785	19,629	55,414
Other comprehensive income		-	-	-	-	(385,174)	219,631	(4,210)	-	(169,753)	-	(169,753)
Total comprehensive income		-	-	-	-	(385,174)	219,631	(4,210)	35,785	(133,968)	19,629	(114,339)
Appropriation of profit:												
- Appropriation to surplus reserve	32(b)	-	-	(35,373)	-	-	-	-	35,373	-	-	-
- Appropriation to general reserve	32(c)	-	-	-	774,567	-	-	-	(774,567)	-	-	-
Subtotal		-	-	(35,373)	774,567	-	-	-	(739,194)	-	-	-
Balance at 31 December 2022		8,796,680	26,931,360	7,411,839	14,797,531	(1,274,532)	1,239,049	(28,848)	22,901,106	80,774,185	662,910	81,437,095

The notes on pages 104 to 248 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023
(Expressed in thousands of RMB, unless otherwise stated)

	Six months ended 30 June		
	Note	2023	2022
Cash flows from operating activities			
Profit before taxation		919,254	930,839
<i>Adjustments for:</i>			
Impairment losses on assets		3,671,035	4,471,632
Depreciation and amortisation		285,386	294,918
Interest expense of leased assets		17,368	16,970
Net losses on unrealised foreign exchange		65,842	20,687
Net losses on disposal of property and equipment		–	255
Net losses on disposal of repossessed assets		14,988	–
Dividend income		(28,092)	(83,341)
Net trading (gains)/losses of financial assets at fair value through profit or loss		(416,066)	81,343
Net gains on disposal of financial investments		(693,617)	(1,725,720)
Interest expense on debt securities issued		275,543	229,166
Interest income on financial investments		(3,019,646)	(3,176,030)
		<u>1,091,995</u>	<u>1,060,719</u>
<i>Changes in operating assets</i>			
Net increase in deposits with central bank		(1,449,448)	(2,080,453)
Net increase in deposits and placements with bank and other financial institutions		(3,102,879)	(2,019,121)
Net increase in loans and advances to customers		(17,871,160)	(28,552,916)
Net increase in other operating assets		(4,938,153)	(2,606,577)
		<u>(27,361,640)</u>	<u>(35,259,067)</u>

The notes on pages 104 to 248 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2023

(Expressed in thousands of RMB, unless otherwise stated)

	Six months ended 30 June		
	Note	2023	2022
<i>Changes in operating liabilities</i>			
Net increase/(decrease) in borrowings from central bank		170,557	(678,419)
Net increase/(decrease) in deposits and placements from banks and other financial institutions		849,671	(16,926,967)
Net decrease in financial assets sold under repurchase agreements		(20,292,193)	(12,645,788)
Net increase in deposits from customers		36,645,498	72,022,367
Income tax paid		(1,138,392)	(745,061)
Net increase in other operating liabilities		102,336	814,899
		<u>16,337,477</u>	<u>41,841,031</u>
Net cash flows (used in)/generated from operating activities		<u>(9,932,168)</u>	<u>7,642,683</u>
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		710,335,578	410,782,894
Proceeds from disposal of property and equipment		152	6
Payments on acquisition of investments		(694,451,028)	(411,295,026)
Payments on acquisition of property and equipment, intangible assets and other assets		(89,463)	(106,092)
Net cash flows generated from/(used in) investing activities		<u>15,795,239</u>	<u>(618,218)</u>

The notes on pages 104 to 248 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

*For the six months ended 30 June 2023
(Expressed in thousands of RMB, unless otherwise stated)*

	<i>Note</i>	Six months ended 30 June	
		2023	2022
Cash flows from financing activities			
Net proceeds from new debt securities issued		17,027,916	24,731,907
Repayment of debt securities issued		(20,123,471)	(18,850,934)
Interest paid on debt securities issued		(275,543)	(82,199)
Payment of lease liabilities		(91,225)	(99,858)
Net cash flows (used in)/generated from financing activities		(3,462,323)	5,698,916
Effect of foreign exchange rate changes on cash and cash equivalents		373,784	258,988
Net increase in cash and cash equivalents		2,774,532	12,982,369
Cash and cash equivalents as at 1 January		38,211,017	24,289,535
Cash and cash equivalents as at 30 June	34	40,985,549	37,271,904
Net cash flows generated from operating activities include:			
Interest received		8,537,795	9,581,941
Interest paid (excluding interest expense on debt securities issued)		(15,709,213)	(15,721,412)

The notes on pages 104 to 248 form part of these financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of RMB, unless otherwise stated)

1 REPORTING ENTITY

Shengjing Bank Co., Ltd. (the “Bank”) is a bank domiciled in the People’s Republic of China (the “PRC”). These consolidated interim financial statements (the “interim financial report”) as at and for the six months ended 30 June 2023 comprise the Bank and its subsidiaries (together referred to as the “Group”). The principal activities of the Group are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the China Bank Insurance Regulatory Commission (the “CBIRC”). The Bank mainly operated in mainland China, which, for the purpose of this interim financial report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

As at 30 June 2023, details of the subsidiaries are as follows:

	Date of incorporation	Place of incorporation registration and operations	Registered capital	Percentage owned by the bank	Business sector	Economic nature/type
Shenyang Shenbei Fumin Village Bank Co., Ltd. (“Shenyang Shenbei”)	09/02/2009	Liaoning, China	150,000	20%	Banking	Incorporated company
Shenyang Xinmin Fumin Village Bank Co., Ltd. (“Shenyang Xinmin”)	25/06/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Faku Fumin Village Bank Co., Ltd. (“Shenyang Faku”)	26/10/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Liaozhong Fumin Village Bank Co., Ltd. (“Shenyang Liaozhong”)	26/11/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Ningbo Jiangbei Fumin Village Bank Co., Ltd. (“Ningbo Jiangbei”)	17/08/2011	Zhejiang, China	100,000	30%	Banking	Incorporated company
Shanghai Baoshan Fumin Village Bank Co., Ltd. (“Shanghai Baoshan”)	09/09/2011	Shanghai, China	150,000	40%	Banking	Incorporated company
Shengjing Bank Consumer Finance Co., Ltd. (“Shengjing Consumer”)	25/02/2016	Liaoning, China	300,000	60%	Consumer finance	Limited company

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, “Interim financial reporting”, issued by the International Accounting Standards Board (the “IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited but has been reviewed by Crowe (HK) CPA Limited 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

IFRS 17 and the related amendments	Insurance contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies
Amendments to IAS 8	Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
Amendments to IAS 12	Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
Amendments to IAS 12	Income taxes: International tax reform – Pillar Two model rules

The changes in accounting policies are also expected to be reflected in the Group's annual financial statements for the year ending 31 December 2023.

Except as described below, the application of the new and 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 interim financial report.

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING

(a) Business Segment

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, and remittance and settlement services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, wealth management services, remittance and settlement services, and collection and payment agency services.

Treasury business

This segment covers the Group's treasury business including inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others

Others represent equity investment and related income and any other business which cannot form a single reportable segment.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, except for deferred income tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long term assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2023				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	11,177,570	(6,383,180)	1,183,932	–	5,978,322
Internal net interest (expense)/income	(6,506,119)	7,683,222	(1,177,103)	–	–
Net interest income	4,671,451	1,300,042	6,829	–	5,978,322
Net fee and commission income/(expense)	191,146	(53,678)	2,966	–	140,434
Net trading losses	–	–	(126,981)	–	(126,981)
Net gains arising from investments	–	–	1,137,775	–	1,137,775
Other operating income	1,835	44	–	12,508	14,387
Operating income	4,864,432	1,246,408	1,020,589	12,508	7,143,937
Operating expenses	(1,612,817)	(853,365)	(76,873)	(10,593)	(2,553,648)
Impairment losses on assets	1,548	(315,543)	(3,357,040)	–	(3,671,035)
Profit/(loss) before taxation	<u>3,253,163</u>	<u>77,500</u>	<u>(2,413,324)</u>	<u>1,915</u>	<u>919,254</u>
Other segment information					
– Depreciation and amortisation	<u>179,488</u>	<u>100,237</u>	<u>5,661</u>	<u>–</u>	<u>285,386</u>
– Capital expenditure	<u>106,153</u>	<u>59,283</u>	<u>3,348</u>	<u>–</u>	<u>168,784</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	30 June 2023				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	608,502,744	117,286,771	359,905,224	–	1,085,694,739
Deferred tax assets					<u>9,470,230</u>
Total assets					<u><u>1,095,164,969</u></u>
Segment liabilities/total liabilities	<u>279,026,867</u>	<u>554,934,279</u>	<u>178,759,906</u>	<u>108,866</u>	<u>1,012,829,918</u>
Credit commitments	<u>59,577,706</u>	<u>20,377,348</u>	–	–	<u>79,955,054</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2022				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	9,962,045	(5,473,365)	1,567,612	–	6,056,292
Internal net interest (expense)/income	(5,098,070)	6,658,885	(1,560,815)	–	–
Net interest income	4,863,975	1,185,520	6,797	–	6,056,292
Net fee and commission income/(expense)	135,725	(98,721)	17,768	–	54,772
Net trading gains	–	–	225,651	–	225,651
Net gains arising from investments	–	–	1,644,377	83,341	1,727,718
Other operating income	3,606	47	–	12,983	16,636
Operating income	5,003,306	1,086,846	1,894,593	96,324	8,081,069
Operating expenses	(1,678,326)	(912,043)	(87,425)	(804)	(2,678,598)
Impairment losses on assets	(1,290,892)	(1,246,950)	(1,933,790)	–	(4,471,632)
Profit/(loss) before taxation	<u>2,034,088</u>	<u>(1,072,147)</u>	<u>(126,622)</u>	<u>95,520</u>	<u>930,839</u>
Other segment information					
– Depreciation and amortisation	<u>184,852</u>	<u>104,890</u>	<u>7,196</u>	<u>–</u>	<u>296,938</u>
– Capital expenditure	<u>13,769</u>	<u>7,813</u>	<u>536</u>	<u>–</u>	<u>22,118</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	30 June 2022				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	583,205,736	105,664,679	359,004,837	–	1,047,875,252
Deferred tax assets					<u>8,393,135</u>
Total assets					<u><u>1,056,268,387</u></u>
Segment liabilities/total liabilities	<u>329,652,358</u>	<u>502,622,941</u>	<u>142,314,729</u>	<u>126,925</u>	<u>974,716,953</u>
Credit commitments	<u>107,458,379</u>	<u>18,420,448</u>	<u>–</u>	<u>–</u>	<u>125,878,827</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(b) Geographical information

The Group operates principally in mainland China with eighteen branches located in five provinces and municipalities directly under the central government, and seven subsidiaries located in Shenyang of Liaoning Province, Baoshan of Shanghai and Ningbo of Zhejiang Province respectively.

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang, Tieling, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, Shenyang Liaozhong and Shengjing Consumer;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(b) Geographical information (Continued)

	Operating income	
	Six months ended 30 June	
	2023	2022
Northeast China	6,843,697	7,863,609
North China	278,363	175,489
Others	21,877	41,971
Total	7,143,937	8,081,069

	Non-current assets <i>(Note i)</i>	
	30 June	31 December
	2023	2022
Northeast China	5,613,974	5,562,567
North China	339,372	186,339
Others	206,581	19,182
Total	6,159,927	5,768,088

Note:

- (i) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

5 NET INTEREST INCOME

	Six months ended 30 June	
	2023	2022
Interest income arising from		
Deposits with central bank	497,612	517,433
Deposits and placements with banks and other financial institutions	82,658	86,957
Loans and advances to customers		
– Corporate loans and advances	13,819,433	13,488,283
– Personal loans and advances	2,885,222	2,777,977
– Discounted bills	768,361	769,800
Financial assets held under resale agreements	227,392	226,034
Financial investments	3,019,646	3,176,030
	<u>21,300,324</u>	<u>21,042,514</u>
Subtotal	21,300,324	21,042,514
Interest expense arising from		
Borrowings from central bank	(13,750)	(42,885)
Deposits and placements from banks and other financial institutions	(1,042,831)	(1,215,542)
Deposits from customers	(12,491,751)	(12,665,522)
Financial assets sold under repurchase agreements	(1,498,127)	(833,107)
Debt securities issued	(275,543)	(229,166)
	<u>(15,322,002)</u>	<u>(14,986,222)</u>
Subtotal	(15,322,002)	(14,986,222)
Net interest income	<u>5,978,322</u>	<u>6,056,292</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

6 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2023	2022
Fee and commission income		
Agency and custody services fees	323,802	255,461
Settlement and clearing services fees	14,111	25,227
Bank card services fees	78,448	92,114
Subtotal	416,361	372,802
Fee and commission expense	(275,927)	(318,030)
Net fee and commission income	<u>140,434</u>	<u>54,772</u>

7 NET TRADING (LOSSES)/GAINS

	Six months ended 30 June	
	2023	2022
Net losses from debt securities	(126,499)	(112)
Net losses from derivatives and others	(259,776)	(4,214)
Net foreign exchange gains	259,294	229,977
Total	<u>(126,981)</u>	<u>225,651</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

8 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2023	2022
Net gains on disposal of financial assets measured at amortised cost	13,095	1,198,858
Net gains on financial assets at fair value through profit or loss	416,066	352,596
Net gains on disposal of financial assets at fair value through other comprehensive income	680,522	92,923
Dividends from designated as financial assets at fair value through other comprehensive income	28,092	83,341
Total	<u>1,137,775</u>	<u>1,727,718</u>

9 OTHER OPERATING INCOME

	Six months ended 30 June	
	2023	2022
Rental income	3,779	6,019
Government grants	8,570	6,248
Handling charge income	44	47
Others	1,994	4,322
Total	<u>14,387</u>	<u>16,636</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

10 OPERATING EXPENSES

	Six months ended 30 June	
	2023	2022
Staff costs		
– Salaries, bonuses and allowances	1,010,607	1,131,016
– Pension and annuity	158,530	142,110
– Other social insurance	119,344	90,382
– Housing allowances	91,143	82,110
– Supplementary retirement benefits	1,318	2,660
– Others	96,556	95,446
	<hr/>	<hr/>
Subtotal	1,477,498	1,543,724
Office expenses	112,912	142,048
Depreciation and amortisation	191,388	211,020
Tax and surcharges	168,206	147,698
Depreciation of the right-of-use assets	93,998	85,918
Interest expense of the lease liabilities	17,368	17,130
Other general and administrative expenses	492,278	531,060
	<hr/>	<hr/>
Total	<u>2,553,648</u>	<u>2,678,598</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

11 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2023	2022
Loans and advances to customers	448,557	2,297,910
Financial investments	3,234,295	1,930,635
Deposits and placements with banks and other financial institutions	1,511	1,864
Financial assets held under resale agreements	(649)	516
Credit commitment	(113,156)	(37,138)
Others	100,477	277,845
Total	<u>3,671,035</u>	<u>4,471,632</u>

12 INCOME TAX EXPENSE/(CREDIT)

(a) Income tax for the period:

	Six months ended 30 June	
	2023	2022
Current tax	1,044,675	1,099,226
Under-provision in prior years	81,168	–
Deferred tax	<u>(996,224)</u>	<u>(1,132,242)</u>
Total	<u>129,619</u>	<u>(33,016)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

12 INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

(b) Reconciliations between income tax and accounting profit are as follows:

	Notes	Six months ended 30 June	
		2023	2022
Profit before taxation		919,254	930,839
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		229,814	232,710
Non-deductible expenses			
– Entertainment expenses		2,412	2,199
– Others		18,471	1,487
Subtotal		20,883	3,686
Non-taxable income	12(b)(i))	(202,246)	(269,412)
Under-provision in prior years		81,168	–
Income tax		129,619	(33,016)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

12 INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

(b) Reconciliations between income tax and accounting profit are as follows: (Continued)

Note:

- (i) Non-taxable income consists of interest income from the PRC government bonds, local government bonds, public funds and dividends from domestic companies, which are exempted from income tax under the PRC tax regulations.

13 BASIC AND DILUTED EARNINGS PER SHARE

	Six months ended 30 June	
	2023	2022
Net profit attributable to equity shareholders of the Bank	737,875	944,113
Weighted average number of ordinary shares (<i>in thousands</i>)	8,796,680	8,796,680
Basic and diluted earnings per share attributable to equity shareholders of the Bank (<i>in RMB</i>)	0.08	0.11

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

14 CASH AND DEPOSITS WITH CENTRAL BANK

	<i>Note</i>	30 June 2023	31 December 2022
Cash on hand		787,970	786,033
Deposits with central bank			
– Statutory deposit reserves	14(a)	59,579,948	58,114,589
– Surplus deposit reserves	14(b)	9,057,223	16,230,861
– Fiscal deposits		83,157	96,901
Subtotal		68,720,328	74,442,351
Add: interest receivable		27,807	29,974
Total		69,536,105	75,258,358

- (a) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2023	31 December 2022
Reserve ratio for RMB deposits	7.25%	7.50%
Reserve ratio for foreign currency deposits	6.00%	6.00%

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

The statutory deposit reserves are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Deposits in mainland China		
– Banks	11,906,434	4,525,742
– Other financial institutions	335,304	1,802,808
Deposits outside mainland China		
– Banks	<u>1,121,663</u>	<u>1,278,333</u>
Subtotal	13,363,401	7,606,883
Add: interest receivable	1,314	3,196
Less: provision for impairment losses	<u>(403,098)</u>	<u>(402,465)</u>
Total	<u><u>12,961,617</u></u>	<u><u>7,207,614</u></u>

(b) Movements of provision for impairment losses

	2023	2022
As at 1 January	402,465	1,613
Net charge for the period/year	<u>633</u>	<u>400,852</u>
As at 30 June/31 December	<u><u>403,098</u></u>	<u><u>402,465</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Placements in mainland China		
– Banks	–	498,230
– Other financial institutions	<u>15,000,000</u>	<u>5,840,000</u>
Subtotal	15,000,000	6,338,230
Add: interest receivable	29,063	46,072
Less: provision for impairment losses	<u>(153,153)</u>	<u>(152,275)</u>
Total	<u><u>14,875,910</u></u>	<u><u>6,232,027</u></u>

(b) Movements of provision for impairment losses

	2023	2022
As at 1 January	152,275	150,277
Net charge for the period/year	<u>878</u>	<u>1,998</u>
As at 30 June/31 December	<u><u>153,153</u></u>	<u><u>152,275</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

17 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between markets participates at measured date.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Analysed by nature of contract

	30 June 2023		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	40,810,000	86,331	(81,487)
Currency swaps	30,500,102	154,022	(387,836)
Precious metal derivatives	5,036,318	6,733	(4,700)
Option contracts	1,716,864	93,861	(93,911)
Foreign forward contracts	950,716	10,466	(8,046)
Total	<u>79,014,000</u>	<u>351,413</u>	<u>(575,980)</u>

	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	47,350,000	211,059	(175,631)
Currency swaps	9,137,555	87,823	(59,348)
Option contracts	2,914,502	365,717	(365,723)
Foreign forward contracts	241,816	1,395	(1,097)
Total	<u>59,643,873</u>	<u>665,994</u>	<u>(601,799)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Analysed by credit risk-weighted amount

	30 June 2023	31 December 2022
Option contracts	4,292	7,286
Precious metal derivatives	12,591	–
Currency swaps	–	3,482
Foreign forward contracts	2	–
Total	16,885	10,768

The credit risk-weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the former CBRC.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2023	31 December 2022
In mainland China		
– Banks	4,579,750	6,171,684
– Other financial institutions	3,447,205	3,205,557
Subtotal	8,026,955	9,377,241
Add: interest receivable	408	2,413
Less: provision for impairment losses	(1,068)	(1,717)
Total	8,026,295	9,377,937

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

(b) Analysed by type of security held

	30 June 2023	31 December 2022
Debt securities held under resale agreements	8,026,955	5,355,557
Bill held under resale agreements	–	4,021,684
Add: interest receivable	408	2,413
Less: provision for impairment losses	<u>(1,068)</u>	<u>(1,717)</u>
Total	<u><u>8,026,295</u></u>	<u><u>9,377,937</u></u>

(c) Movements of provision for impairment losses

	2023	2022
As at 1 January	1,717	275
Net (release)/charge for the period/year	<u>(649)</u>	<u>1,442</u>
As at 30 June/31 December	<u><u>1,068</u></u>	<u><u>1,717</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	30 June 2023	31 December 2022
Measured at amortised cost:		
Corporate loans and advances	410,171,084	408,058,753
Personal loans and advances		
– Residential mortgage	55,845,306	56,976,280
– Personal consumption loans	26,938,400	25,408,964
– Personal business loans	9,143,955	8,468,525
– Credit cards	11,565,418	9,026,045
Subtotal	103,493,079	99,879,814
Gross loans and advances to customers measured at amortised cost	513,664,163	507,938,567
Measured at fair value through other comprehensive income:		
– Corporate loans and advances	18,088,259	12,954,610
– Discounted bills	88,532,220	92,469,152
Gross loans and advances to customers measured at fair value through other comprehensive income	106,620,479	105,423,762

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(a) Analysed by nature (Continued)

	30 June 2023	31 December 2022
Gross loans and advances to customers	620,284,642	613,362,329
Add: interest receivable	55,467,856	44,612,261
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	<u>(27,608,595)</u>	<u>(27,375,173)</u>
Net loans and advances to customers	<u>648,143,903</u>	<u>630,599,417</u>

As at 30 June 2023, the Group's provision amount for loans and advances to customers measured at fair value through other comprehensive income is RMB473.91 million (31 December 2022: RMB352.03 million), as detailed in Note 19(f).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector

	30 June 2023		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	149,539,125	24.1%	67,513,383
Renting and business activities	92,196,579	14.9%	55,426,553
Real estate	74,910,004	12.1%	42,690,639
Manufacturing	37,077,228	6.0%	7,299,132
Construction	36,213,685	5.8%	24,652,315
Transportation, storage and postal services	5,073,202	0.8%	483,096
Production and supply of electricity, heat, gas and water	3,309,421	0.5%	455,429
Accommodation and catering	2,167,292	0.4%	2,055,941
Mining	3,356,091	0.5%	243,252
Culture, sports and entertainment	1,297,236	0.2%	320,960
Agriculture, forestry, animal husbandry and fishery	893,635	0.1%	223,097
Household and other services	1,436,223	0.2%	1,419,893
Others	20,789,622	3.4%	4,967,221
Subtotal of corporate loans and advances	428,259,343	69.0%	207,750,911
Personal loans and advances	103,493,079	16.7%	57,136,756
Discounted bills	88,532,220	14.3%	88,323,867
Gross loans and advances to customers	620,284,642	100.0%	353,211,534

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector (Continued)

	31 December 2022		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	146,667,851	23.9%	66,823,399
Renting and business activities	92,009,229	15.0%	52,084,092
Real estate	79,199,510	12.9%	46,004,271
Manufacturing	35,796,852	5.8%	7,573,755
Construction	35,248,613	5.7%	24,630,396
Transportation, storage and postal services	4,924,427	0.8%	405,128
Production and supply of electricity, heat, gas and water	2,997,032	0.5%	437,226
Accommodation and catering	2,183,692	0.4%	2,072,732
Mining	1,463,022	0.2%	113,763
Culture, sports and entertainment	1,007,244	0.2%	34,900
Agriculture, forestry, animal husbandry and fishery	618,572	0.1%	232,376
Household and other services	1,371,865	0.2%	1,362,340
Others	17,525,454	2.9%	4,909,536
Subtotal of corporate loans and advances	421,013,363	68.6%	206,683,914
Personal loans and advances	99,879,814	16.3%	58,866,395
Discounted bills	92,469,152	15.1%	92,442,307
Gross loans and advances to customers	<u>613,362,329</u>	<u>100.0%</u>	<u>357,992,616</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	30 June 2023	31 December 2022
Unsecured loans	78,672,576	65,487,460
Guaranteed loans	188,400,532	189,794,466
Loans secured by tangible assets other than monetary assets	224,253,698	225,634,878
Loans secured by intangible assets or monetary assets	<u>128,957,836</u>	<u>132,445,525</u>
Gross loans and advances to customers	<u>620,284,642</u>	<u>613,362,329</u>
Add: interest receivable	55,467,856	44,612,261
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	<u>(27,608,595)</u>	<u>(27,375,173)</u>
Net loans and advances to customers	<u><u>648,143,903</u></u>	<u><u>630,599,417</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue period

	30 June 2023				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	417,757	262,161	379,825	122,532	1,182,275
Guaranteed loans	2,906,214	2,914,695	2,351,248	4,911,316	13,083,473
Loans secured by tangible assets other than monetary assets	8,203,241	3,290,335	748,206	3,599,524	15,841,306
Loans secured by intangible assets or monetary assets	<u>206,161</u>	<u>336,894</u>	<u>81,919</u>	<u>79,739</u>	<u>704,713</u>
Total	<u>11,733,373</u>	<u>6,804,085</u>	<u>3,561,198</u>	<u>8,713,111</u>	<u>30,811,767</u>
As a percentage of gross loans and advances to customers	<u>1.89%</u>	<u>1.10%</u>	<u>0.57%</u>	<u>1.40%</u>	<u>4.97%</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue period (Continued)

	31 December 2022				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	443,783	640,121	514,178	71,277	1,669,359
Guaranteed loans	5,205,199	2,689,566	3,365,840	3,968,830	15,229,435
Loans secured by tangible assets other than monetary assets	3,364,474	2,730,049	1,081,365	3,288,525	10,464,413
Loans secured by intangible assets or monetary assets	<u>2,409,147</u>	<u>383,668</u>	<u>81,919</u>	<u>79,739</u>	<u>2,954,473</u>
Total	<u>11,422,603</u>	<u>6,443,404</u>	<u>5,043,302</u>	<u>7,408,371</u>	<u>30,317,680</u>
As a percentage of gross loans and advances to customers	<u>1.86%</u>	<u>1.05%</u>	<u>0.82%</u>	<u>1.21%</u>	<u>4.94%</u>

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses

- (i) As at 30 June 2023, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	30 June 2023			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	560,087,656	38,570,708	21,626,278	620,284,642
Add: interest receivable	51,894,141	3,573,715	–	55,467,856
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	<u>(6,723,761)</u>	<u>(8,480,535)</u>	<u>(12,404,299)</u>	<u>(27,608,595)</u>
Net loans and advances to customers	<u>605,258,036</u>	<u>33,663,888</u>	<u>9,221,979</u>	<u>648,143,903</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses (Continued)

- (ii) As at 31 December 2022, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	552,431,568	39,195,942	21,734,819	613,362,329
Add: interest receivable	40,615,613	3,996,648	–	44,612,261
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	<u>(7,183,023)</u>	<u>(7,843,415)</u>	<u>(12,348,735)</u>	<u>(27,375,173)</u>
Net loans and advances to customers	<u>585,864,158</u>	<u>35,349,175</u>	<u>9,386,084</u>	<u>630,599,417</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

As at 30 June 2023, the movements of provision for impairment losses of loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Six months ended 30 June 2023			Total
	ECL over the next 12 months	Lifetime ECL – not credit- impaired loans	Lifetime ECL – credit-impaired loans	
As at 1 January	7,183,023	7,843,415	12,348,735	27,375,173
Transferred:				
– to ECL over the next 12 months	141,886	(141,028)	(858)	–
– to lifetime ECL – not credit-impaired loans	(29,406)	68,438	(39,032)	–
– to lifetime ECL – credit-impaired loans	–	(35,781)	35,781	–
Net charge/(release) for the period	(571,742)	745,491	152,925	326,674
Transfer out	–	–	(91,387)	(91,387)
Write-offs	–	–	(12,367)	(12,367)
Recoveries	–	–	10,502	10,502
As at 30 June	<u>6,723,761</u>	<u>8,480,535</u>	<u>12,404,299</u>	<u>27,608,595</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	Six months ended 30 June 2023			Total
	ECL over the next 12 months	Lifetime ECL – not credit- impaired loans	Lifetime ECL – credit-impaired loans	
As at 1 January	352,028	–	–	352,028
Net charge for the period	<u>121,883</u>	<u>–</u>	<u>–</u>	<u>121,883</u>
As at 30 June	<u><u>473,911</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>473,911</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

As at 31 December 2022, the movements of provision for impairment losses of loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL – not credit- impaired loans	Lifetime ECL – credit-impaired loans	
As at 1 January	6,421,176	7,417,897	10,833,049	24,672,122
Transferred:				
– to ECL over the next 12 months	2,239	(156)	(2,083)	–
– to lifetime ECL – not credit- impaired loans	(80,240)	611,595	(531,355)	–
– to lifetime ECL – credit-impaired loans	(4,008)	(9,175)	13,183	–
Net charge/(release) for the year	843,856	(176,746)	5,076,850	5,743,960
Transfer out	–	–	(2,700,152)	(2,700,152)
Write-offs	–	–	(355,209)	(355,209)
Recoveries	–	–	14,452	14,452
As at 31 December	<u>7,183,023</u>	<u>7,843,415</u>	<u>12,348,735</u>	<u>27,375,173</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost: (Continued)

Note:

- (a) During the six months ended 30 June 2023, the Group adjusted the five-tier classification and customer rating of loans and advance to customers measured at amortised cost, and the loan principal of lifetime ECL – not credit-impaired and lifetime ECL – credit-impaired transferred to ECL over the next 12 months were RMB1,646.37 million. The loan principal from ECL over the next 12 months and lifetime ECL – credit-impaired transferred to lifetime ECL – not credit-impaired were RMB1,728.14 million, The principal of the loan transferred from lifetime ECL – not credit-impaired to lifetime ECL – credit-impaired were RMB260.06 million.

In the year of 2022, the Group adjusted the five-tier classification and customer rating of loans and advance to customers measured at amortised cost, and the loan principal of lifetime ECL – not credit impaired and lifetime ECL – credit-impaired transferred to ECL over the next 12 months were RMB697.75 million. The loan principal from ECL over the next 12 months and lifetime ECL – credit-impaired transferred to lifetime ECL – not credit-impaired were RMB17,128.70 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL – not credit-impaired to lifetime ECL – credit-impaired were RMB390.29 million.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL – not credit- impaired loans	Lifetime ECL – credit-impaired loans	
As at 1 January	451,638	–	–	451,638
Net release for the year	<u>(99,610)</u>	<u>–</u>	<u>–</u>	<u>(99,610)</u>
As at 31 December	<u><u>352,028</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>352,028</u></u>

Notes:

- (a) Analysed by movements in loss allowance.

The movements of loss allowance are mainly affected by:

- Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;
- Allowance for new loans and advances to customers recognised;
- Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;
- The reversal of allowances caused by repayment, write-offs and loans and advances to customers transferred out.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

Notes: (Continued)

- (b) The ECL movement was caused by origination or purchase as well as changes in probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) and stages as a result of regular update of parameters.
- (c) Provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income are recognised in other comprehensive income, while the losses or gains impairment are recognised in profit or loss. Besides, the carrying amount of the financial assets presented in the consolidated statement of financial position are not reduced.

20 FINANCIAL INVESTMENTS

	Note	30 June 2023	31 December 2022
Financial assets at fair value through profit or loss	20(a)	105,228,019	128,735,653
Financial assets at fair value through other comprehensive income	20(b)	65,380,976	45,032,269
Financial assets measured at amortised cost	20(c)	<u>141,522,922</u>	<u>155,843,638</u>
Total		<u>312,131,917</u>	<u>329,611,560</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

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

	30 June 2023	31 December 2022
Debt securities at fair value listed outside Hong Kong		
– Policy banks	3,018,265	10,091
– Banks and other financial institutions	204,366	197,132
– Corporate	1,030,961	1,030,961
Subtotal	4,253,592	1,238,184
Wealth management plans	53,319,064	53,319,959
Investment funds	25,736,382	52,313,130
Trust scheme investment	21,699,115	21,699,115
Subtotal	100,754,561	127,332,204
Equity investment		
– Listed	168,382	113,781
– Unlisted	51,484	51,484
Subtotal	219,866	165,265
Total	105,228,019	128,735,653

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

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

	30 June 2023	31 December 2022
Debt securities at fair value listed outside Hong Kong		
– Government	30,854,986	16,337,425
– Policy banks	10,463,466	13,145,472
– Banks and other financial institutions	1,665,416	3,048,825
– Corporate	3,094,323	3,072,431
	<u>46,078,191</u>	<u>35,604,153</u>
Subtotal	46,078,191	35,604,153
Commercial banks undated capital bonds	1,047,278	1,090,000
Equity investments		
– Listed	1,285,771	1,278,637
– Unlisted	16,667,855	6,663,614
	<u>19,000,904</u>	<u>9,032,251</u>
Subtotal	19,000,904	9,032,251
Add: interest receivable	301,881	395,865
	<u>301,881</u>	<u>395,865</u>
Total	<u>65,380,976</u>	<u>45,032,269</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial assets at fair value through other comprehensive income (Continued)

The movements of provision for impairment losses of financial assets at fair value through other comprehensive income are as follows:

	Year ended 30 June 2023			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	2,186	–	1,297,851	1,300,037
Net (release)/charge for the period	335	–	(19,176)	(18,841)
As at 30 June	<u>2,521</u>	<u>–</u>	<u>1,278,675</u>	<u>1,281,196</u>

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	889	–	696,978	697,867
Net charge for the year	1,297	–	1,477,438	1,478,735
Transfer out	–	–	(876,565)	(876,565)
As at 31 December	<u>2,186</u>	<u>–</u>	<u>1,297,851</u>	<u>1,300,037</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial assets at fair value through other comprehensive income (Continued)

Notes:

- (i) During the six months ended 30 June 2023 and year ended 31 December 2022 there is no transfer of stage between the above debt instruments.
- (ii) Provision for impairment of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the carrying amount of the financial assets presented in the consolidated statement of financial position are not reduced.
- (iii) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets measured at amortised cost

	30 June 2023	31 December 2022
Debt securities at fair value listed outside Hong Kong		
– Government	22,109,639	30,509,415
– Policy banks	33,794,908	31,686,666
– Banks and other financial institutions	2,000,000	5,982,504
– Corporate	11,518,598	3,500,883
Subtotal	69,423,145	71,679,468
Wealth management plan	4,235,699	4,428,102
Beneficial investment of trust	69,198,146	79,276,722
Subtotal	73,433,845	83,704,824
Add: interest receivable	7,776,752	6,317,030
Less: provision for impairment losses	(9,110,820)	(5,857,684)
Total	141,522,922	155,843,638

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets measured at amortised cost (Continued)

The movements of provision for impairment losses of financial assets at amortised cost are as follows:

	Six months ended 30 June 2023			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	867,371	1,091,089	3,899,224	5,857,684
Transferred:				
– to lifetime ECL – not credit-impaired investments	(35,568)	35,568	–	–
– to lifetime ECL – credit-impaired investments	(97)	–	97	–
Net charge/(release) for the period	<u>(136,026)</u>	<u>284,803</u>	<u>3,104,359</u>	<u>3,253,136</u>
As at 30 June	<u>695,680</u>	<u>1,411,460</u>	<u>7,003,680</u>	<u>9,110,820</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets measured at amortised cost (Continued)

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	719,400	1,103,626	2,787,892	4,610,918
Transferred:				
– to lifetime ECL – not credit- impaired investments	–	561,279	(561,279)	–
– to lifetime ECL – credit- impaired investments	(8,458)	(335,677)	344,135	–
Net charge/(release) for the year	156,429	(238,139)	2,160,251	2,078,541
Transfer out	–	–	(831,775)	(831,775)
As at 31 December	<u>867,371</u>	<u>1,091,089</u>	<u>3,899,224</u>	<u>5,857,684</u>

Notes:

- (i) During the six months ended 30 June 2023, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost from ECL over the next 12 months was transferred to lifetime ECL – not credit-impaired of RMB3,400 million. The financial assets measured at amortised cost from ECL over the next 12 months to lifetime ECL – credit-impaired of RMB3.7 million.

In the year of 2022, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost from lifetime ECL – credit-impaired was transferred to lifetime ECL – not credit-impaired of RMB1,363.2 million. The financial assets measured at amortised cost from ECL over the next 12 months and lifetime ECL – not credit-impaired to lifetime ECL – credit-impaired was RMB5,860.17 million.

- (ii) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

21 PROPERTY AND EQUIPMENT

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
Cost						
As at 1 January 2022	4,470,324	1,184,902	2,286,759	1,088,087	88,193	9,118,265
Additions	-	29,428	-	56,976	22,765	109,169
Disposals	(124)	-	-	(48,098)	(6,139)	(54,361)
As at 31 December 2022 and 1 January 2023	4,470,200	1,214,330	2,286,759	1,096,965	104,819	9,173,073
Additions	18,515	3,004	22,894	19,167	4,083	67,663
Disposals	-	-	-	(3,130)	(1,675)	(4,805)
As at 30 June 2023	4,488,715	1,217,334	2,309,653	1,113,002	107,227	9,235,931

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

21 PROPERTY AND EQUIPMENT (CONTINUED)

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
Accumulated depreciation						
As at 1 January 2022	(1,916,534)	(883,504)	–	(857,887)	(84,031)	(3,741,956)
Additions	(187,452)	(85,131)	–	(81,059)	(23,843)	(377,485)
Disposals	32	–	–	46,261	5,961	52,254
As at 31 December 2022 and 1 January 2023	<u>(2,103,954)</u>	<u>(968,635)</u>	–	<u>(892,685)</u>	<u>(101,913)</u>	<u>(4,067,187)</u>
Additions	(92,908)	(31,268)	–	(36,960)	(259)	(161,395)
Disposals	–	–	–	3,028	1,625	4,653
As at 30 June 2023	<u>(2,196,862)</u>	<u>(999,903)</u>	–	<u>(926,617)</u>	<u>(100,547)</u>	<u>(4,223,929)</u>
Net book value						
As at 31 December 2022	<u>2,366,246</u>	<u>245,695</u>	<u>2,286,759</u>	<u>204,280</u>	<u>2,906</u>	<u>5,105,886</u>
As at 30 June 2023	<u>2,291,853</u>	<u>217,431</u>	<u>2,309,653</u>	<u>186,385</u>	<u>6,680</u>	<u>5,012,002</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

22 DEFERRED TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	30 June 2023		31 December 2022	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	32,656,028	8,161,782	29,078,612	7,269,653
Change in fair value of financial assets at fair value through other comprehensive income	1,656,450	414,112	1,696,152	424,038
Supplementary retirement benefits	108,225	27,056	106,906	26,727
Change in fair value of derivative financial instruments	224,567	56,142	(64,195)	(16,049)
Change in fair value of financial assets at fair value through profit or loss	3,180,766	795,191	3,221,300	805,325
Right-of-use assets	(660,174)	(165,044)	(721,018)	(180,255)
Lease liabilities	723,966	180,991	721,018	180,255
Net deferred income tax	<u>37,889,828</u>	<u>9,470,230</u>	<u>34,038,775</u>	<u>8,509,694</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

22 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Analysed by movement

	At 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	
				At 30 June 2023
Allowance for impairment losses	7,269,653	892,129	–	8,161,782
Change in fair value of financial assets at fair value through other comprehensive income	424,038	–	(9,926)	414,112
Supplementary retirement benefits	26,727	329	–	27,056
Change in fair value of derivative financial instruments	(16,049)	72,191	–	56,142
Change in fair value of financial assets at fair value through profit or loss	805,325	(10,134)	–	795,191
Right-of-use assets	(180,255)	15,211	–	(165,044)
Lease liabilities	180,255	736	–	180,991
Net deferred income tax	<u>8,509,694</u>	<u>970,462</u>	<u>(9,926)</u>	<u>9,470,230</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

22 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Analysed by movement (Continued)

	At 1 January 2022	Amendments to IAS 12	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2022
Allowance for impairment losses	7,580,321	–	(310,668)	–	7,269,653
Change in fair value of financial assets at fair value through other comprehensive income	272,237	–	–	151,801	424,038
Supplementary retirement benefits	25,560	–	(237)	1,404	26,727
Change in fair value of derivative financial instruments	(610)	–	(15,439)	–	(16,049)
Change in fair value of financial assets at fair value through profit or loss	(588,348)	–	1,393,673	–	805,325
Right-of-use assets	–	(180,255)	–	–	(180,255)
Lease liabilities	–	180,255	–	–	180,255
Net deferred income tax	<u>7,289,160</u>	<u>–</u>	<u>1,067,329</u>	<u>153,205</u>	<u>8,509,694</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

23 OTHER ASSETS

	<i>Note</i>	30 June 2023	31 December 2022
Settlement and clearing accounts		2,231,396	3,912,943
Reposessed assets	23(a)	7,280,329	1,454,115
Interest receivable	23(b)	1,504,283	942,029
Right-of-use assets	23(c)	721,248	735,925
Intangible assets	23(d)	364,345	370,447
Land use rights		62,332	64,423
Prepayments		64,916	71,204
Others	23(e)	<u>2,426,728</u>	<u>2,293,536</u>
Total		<u><u>14,655,577</u></u>	<u><u>9,844,622</u></u>

(a) Reposessed assets

	30 June 2023	31 December 2022
Land use rights and buildings	7,292,489	1,465,878
Less: impairment allowance	<u>(12,160)</u>	<u>(11,763)</u>
Total	<u><u>7,280,329</u></u>	<u><u>1,454,115</u></u>

(b) Interest receivable

	30 June 2023	31 December 2022
Interest receivable arising from:		
– Loans and advances to customers	<u><u>1,504,283</u></u>	<u><u>942,029</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

23 OTHER ASSETS (CONTINUED)

(c) Right-of-use assets

	Leased properties and buildings
Cost	
As at 1 January 2022	1,123,209
Additions	<u>280,059</u>
As at 31 December 2022 and 1 January 2023	1,403,268
Additions	79,321
Disposals	<u>(246,688)</u>
As at 30 June 2023	<u>1,235,901</u>
Accumulated depreciation	
As at 1 January 2022	(444,580)
Additions	<u>(222,763)</u>
As at 31 December 2022 and 1 January 2023	(667,343)
Additions	(93,998)
Disposals	<u>246,688</u>
As at 30 June 2023	<u>(514,653)</u>
Carrying amount:	
As at 31 December 2022	<u><u>735,925</u></u>
As at 30 June 2023	<u><u>721,248</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

23 OTHER ASSETS (CONTINUED)

(d) Intangible assets

	30 June 2023	31 December 2022
Cost		
As at 1 January	604,226	497,869
Additions	<u>21,800</u>	<u>106,357</u>
As at 30 June/31 December	<u>626,026</u>	<u>604,226</u>
Accumulated amortisation		
As at 1 January	(233,779)	(194,572)
Additions	<u>(27,902)</u>	<u>(39,207)</u>
As at 30 June/31 December	<u>(261,681)</u>	<u>(233,779)</u>
Net value		
As at 1 January	<u>370,447</u>	<u>303,297</u>
As at 30 June/31 December	<u>364,345</u>	<u>370,447</u>

Intangible assets of the Group mainly represent computer software.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

23 OTHER ASSETS (CONTINUED)

(e) Others

	30 June 2023	31 December 2022
Receivable due from disposal of non-performing assets (<i>Note (i)</i>)	653,754	653,754
Others	<u>2,400,116</u>	<u>2,162,993</u>
Subtotal	3,053,870	2,816,747
Less: impairment allowance	<u>(627,142)</u>	<u>(523,211)</u>
Total	<u><u>2,426,728</u></u>	<u><u>2,293,536</u></u>

Note:

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd.

24 BORROWINGS FROM CENTRAL BANK

	30 June 2023	31 December 2022
Borrowings (<i>Note (a)</i>)	1,359,926	1,189,401
Add: interest payable	<u>750</u>	<u>718</u>
Total	<u><u>1,360,676</u></u>	<u><u>1,190,119</u></u>

Note:

- (a) Borrowings from central bank mainly include re-lending operation.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Deposits in mainland China		
– Banks	32,728,616	18,184,065
– Other financial institutions	<u>15,341,178</u>	<u>34,204,061</u>
Subtotal	48,069,794	52,388,126
Add: interest payable	<u>234,323</u>	<u>328,421</u>
Total	<u><u>48,304,117</u></u>	<u><u>52,716,547</u></u>

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Placements in mainland China		
– Banks	7,901,721	2,384,830
– Other financial institutions	<u>150,000</u>	<u>450,000</u>
Subtotal	8,051,721	2,834,830
Add: interest payable	<u>49,076</u>	<u>3,866</u>
Total	<u><u>8,100,797</u></u>	<u><u>2,838,696</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2023	31 December 2022
In mainland China		
– Banks	87,616,256	87,116,163
– Other financial institutions	<u>20,654,569</u>	<u>41,454,007</u>
Subtotal	108,270,825	128,570,170
Add: interest payable	<u>98,591</u>	<u>91,439</u>
Total	<u><u>108,369,416</u></u>	<u><u>128,661,609</u></u>

(b) Analysed by type of security held

	30 June 2023	31 December 2022
Debt securities sold under repurchase agreements	37,657,256	55,961,375
Bills sold under repurchase agreements	<u>70,613,569</u>	<u>72,608,795</u>
Subtotal	108,270,825	128,570,170
Add: interest payable	<u>98,591</u>	<u>91,439</u>
Total	<u><u>108,369,416</u></u>	<u><u>128,661,609</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

28 DEPOSITS FROM CUSTOMERS

	30 June 2023	31 December 2022
Demand deposits		
– Corporate deposits	138,173,457	153,374,794
– Personal deposits	<u>47,143,037</u>	<u>45,902,116</u>
Subtotal	<u>185,316,494</u>	<u>199,276,910</u>
Time deposits		
– Corporate deposits	105,700,745	90,995,460
– Personal deposits	<u>493,460,504</u>	<u>456,761,908</u>
Subtotal	<u>599,161,249</u>	<u>547,757,368</u>
Pledged deposits		
– Acceptances	11,197,230	18,778,793
– Letters of credit	1,816,620	1,354,395
– Letters of guarantees	1,154,989	1,771,874
– Others	<u>654,154</u>	<u>691,906</u>
Subtotal	<u>14,822,993</u>	<u>22,596,968</u>
Inward and outward remittances	<u>9,531,913</u>	<u>1,934,855</u>
Total deposits from customers at amortised cost	808,832,649	771,566,101
Add: interest payable	<u>16,565,184</u>	<u>17,186,234</u>
Total	<u>825,397,833</u>	<u>788,752,335</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

29 DEBT SECURITIES ISSUED

	30 June 2023	31 December 2022
Tier two capital fixed rate debts maturing in December 2032 (Note(a))	4,999,057	4,999,057
Certificates of interbank deposit (Note(b))	8,885,256	11,980,811
Total	13,884,313	16,979,868

Notes:

- (a) Tier two capital fixed rate debts of RMB5.0 billion with a term of ten years were issued on 27 December 2022. The coupon rate is 4.80%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (b) As at 30 June 2023, the interbank negotiable certificates of deposit were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB8,850 million (31 December 2022: RMB11,841 million).

30 OTHER LIABILITIES

	Note	30 June 2023	31 December 2022
Lease liabilities	30(a)	723,966	677,074
Expected credit loss of credit commitment	30(b)	485,967	599,123
Taxes payable	30(c)	612,390	698,651
Accrued staff cost	30(d)	229,304	215,639
Payment and collection clearance accounts		2,897,231	2,886,624
Dividend payable		107,024	107,024
Dormant accounts		87,080	79,776
Others		809,168	652,147
Total		5,952,130	5,916,058

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(a) Maturity analysis of contractual undiscounted cash flows of lease liabilities

	30 June 2023	31 December 2022
Within one year	150,637	193,658
Between one year and two years	138,496	168,771
Between two years and three years	123,814	135,543
Between three years and five years	192,198	212,448
More than five years	204,193	244,832
Contractual undiscounted cash flows of lease liabilities	<u>809,338</u>	<u>955,252</u>
Ending balance of lease liabilities	<u>723,966</u>	<u>677,074</u>

(b) Expected credit loss of credit commitment

	Six months ended 30 June 2023			Total
	ECL over the next 12 months	Lifetime ECL – not credit- impaired	Lifetime ECL – credit-impaired	
As at 1 January	533,879	40,471	24,773	599,123
Transferred:				
– to ECL over the next 12 months	34,584	(34,313)	(271)	–
– to lifetime ECL – not credit-impaired	(659)	24,898	(24,239)	–
Net release for the period	<u>(86,842)</u>	<u>(26,051)</u>	<u>(263)</u>	<u>(113,156)</u>
As at 30 June	<u>480,962</u>	<u>5,005</u>	<u>–</u>	<u>485,967</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(b) Expected credit loss of credit commitment (Continued)

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	540,322	10,495	53,951	604,768
Transferred:				
– to ECL over the next 12 months	9,217	(4,510)	(4,707)	–
– to lifetime ECL – not credit-impaired	(24,892)	53,442	(28,550)	–
– to lifetime ECL – credit-impaired	–	(41,242)	41,242	–
Net (release)/charge for the year	<u>9,232</u>	<u>22,286</u>	<u>(37,163)</u>	<u>(5,645)</u>
As at 31 December	<u>533,879</u>	<u>40,471</u>	<u>24,773</u>	<u>599,123</u>

(c) Taxes payable

	30 June 2023	31 December 2022
Value-added tax and surcharges payable	558,661	620,078
Others	<u>53,729</u>	<u>78,573</u>
Total	<u>612,390</u>	<u>698,651</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost

	<i>Note</i>	30 June 2023	31 December 2022
Salary, bonuses and allowances payable		74,536	67,185
Supplementary retirement benefits payable	30(d)(i)	108,225	106,906
Housing allowances payable		30,465	30,355
Pension and annuity payable	30(d)(ii)	11,184	4,547
Other social insurance payable		1,801	2,746
Others		3,093	3,900
		<u>229,304</u>	<u>215,639</u>
Total		<u>229,304</u>	<u>215,639</u>

(i) *Supplementary retirement benefits*

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation.

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the supplementary retirement benefits were assessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Towers Watson Management Consulting (Shenzhen) Co., Ltd.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) Supplementary retirement benefits (Continued)

Supplementary retirement plan (Continued)

(1) The balances of supplementary retirement benefits of the Group are as follows:

	30 June 2023	31 December 2022
Present value of early retirement plan	9,445	10,998
Present value of supplementary retirement plan	98,780	95,908
Total	108,225	106,906

(2) The movements of supplementary retirement benefits of the Group are as follows:

	2023	2022
As at 1 January	106,906	102,248
Benefits paid during the period/year	(2,470)	(5,975)
Defined benefit cost recognised in profit or loss	3,788	5,019
Defined benefit cost recognised in other comprehensive income	1	5,614
As at 30 June/31 December	108,225	106,906

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) Supplementary retirement benefits (Continued)

Supplementary retirement plan (Continued)

(3) Principal actuarial assumptions of the Group are as follows:

	30 June 2023	31 December 2022
Early retirement plan		
Discount rate	2.25%	2.50%
Mortality	<i>Note</i>	<i>Note</i>
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	4.00%	4.00%
Supplementary retirement plan		
Discount rate	3.00%	3.00%
Mortality	<i>Note</i>	<i>Note</i>
Turnover rate	3.00%	3.00%
Retired age		
– Male	60	60
– Female	55	55

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) Supplementary retirement benefits (Continued)

Supplementary retirement plan (Continued)

- (3) Principal actuarial assumptions of the Group are as follows: (Continued)

Note:

As at 30 June 2023 and 31 December 2022, Mortality assumptions are based on China Life Insurance Annuity Table (2010-2013) in China Life Insurance Mortality Table compiled by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

- (4) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal:

	30 June 2023	31 December 2022
Change in present value of the defined benefit plan obligation	Increase/ (decrease)	Increase/ (decrease)
Up 25 bps in discount rate	(4,592)	(4,468)
Down 25 bps in discount rate	4,923	4,789

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(ii) Pension and annuity

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the basic social pension schemes for employees arranged by local government labor and social security authorities. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stimulated by the relevant government authorities.

The Group also provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to the total salaries and bonuses of employees, which are charged to profit or loss when the contributions are made.

The contributions of the above social pension schemes and annuity plan are managed and supervised by the relevant authorities or the qualified trustee in China, and the Group is not allowed to confiscate any relevant contributions. Therefore, the Group has no forfeited contributions available to reduce the existing level of contributions.

31 SHARE CAPITAL

Issued share capital

	30 June 2023	31 December 2022
Number of shares, issued and fully paid at par value (in thousands)	8,796,680	8,796,680

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

32 RESERVES

(a) Capital reserve

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% from its net profit to statutory surplus reserve fund, according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”), after offsetting prior year’s accumulated loss. Until the statutory surplus reserve accumulated amount reaches 50% of its registered capital.

The Bank also appropriates discretionary surplus reserve fund in accordance with the resolution of the shareholders meeting.

(c) General reserve

From 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the MOF on 30 March 2012, the Group is required to set aside a general reserve through its net profit for the profit distribution which should not be lower than 1.5% of the ending gross risk bearing assets balance by 30 June 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

32 RESERVES (CONTINUED)

(d) Fair value reserve

	2023	2022
As at 1 January	(1,274,532)	(816,706)
Changes in fair value recognised		
in fair value reserve	123,398	(578,268)
Transfer to profit or loss upon disposal	(82,431)	(31,829)
Less: income tax	(9,925)	152,271
Subtotal	31,042	(457,826)
As at 30 June/31 December	(1,243,490)	(1,274,532)

(e) Provision reserve

	2023	2022
As at 1 January	1,239,049	862,128
Changes in fair value recognised		
in provision reserve	103,042	502,561
Less: income tax	(25,762)	(125,640)
As at 30 June/31 December	1,316,329	1,239,049

(f) Deficit on remeasurement of net defined benefit liability

Deficit on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

33 PROFIT DISTRIBUTION

- (a) In accordance with the resolution of the Bank's 2022 Annual General Meeting held on 2 June 2023, the proposed profit distribution plan for the year ended 31 December 2022 is as follows:
- Appropriate RMB92.49 million to the statutory surplus reserve fund;
 - Appropriate RMB776.91 million to the general reserve.
- (b) In accordance with the resolution of the Bank's 2021 Annual General Meeting held on 27 May 2022, the proposed profit distribution plan for the year ended 31 December 2021 is as follows:
- Appropriate RMB35.76 million to the statutory surplus reserve fund.

34 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	30 June 2023	31 December 2022
Cash on hand	787,970	786,033
Deposits with central bank other than restricted deposits	9,057,223	16,230,861
Deposits with banks and other financial institutions with original maturity of three months or less	13,313,401	7,526,883
Placements with banks and other financial institutions with original maturity of three months or less	9,800,000	4,290,000
Financial assets held under resale agreements with original maturity of three months or less	8,026,955	9,377,240
Total	<u>40,985,549</u>	<u>38,211,017</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

Share percentage in the Bank:

Company name	30 June 2023	31 December 2022
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	20.79%	20.79%
Shenyang Hengxin State-owned Asset Management Group Co., Ltd.	5.45%	5.45%
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	2.16%	2.16%

Main condition of major shareholders:

Company name	Registered address	Main business	Company nature	Legal representative
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	Shenyang	Industrial investment; investment management	Limited Liability Company	Shao Wenlong
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	Shenyang	Management and operation of asset	Limited Liability Company	Wang Jun
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	Shenyang	Metal materials, electromechanical equipment	Limited Liability Company	Liu Xinfu

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(a) Relationship of related parties (Continued)

(i) Major shareholders (Continued)

Registered capital of major shareholders:

Company name	Currency	30 June 2023	31 December 2022
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	RMB	21,053,000	21,053,000
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	RMB	10,000,000	10,000,000
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	RMB	200,000	200,000

(ii) Subsidiaries of the Bank

The detailed information of the Bank's subsidiaries is set out in Note 1.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 35(a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Group (Note 30(d)).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions between the Bank and major shareholders

(1) Deposits from customers

	30 June 2023	31 December 2022
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	1,368,937	1,105,248
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	14,231	6,168
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	4	4
Total	<u>1,383,172</u>	<u>1,111,420</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(i) Transactions between the Bank and major shareholders (Continued)

(2) Guarantees received

	30 June 2023	31 December 2022
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	–	47,656
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	<u>1,155,275</u>	<u>1,184,700</u>
Total	<u><u>1,155,275</u></u>	<u><u>1,232,356</u></u>

(3) Interest expense

	Six months ended 30 June	
	2023	2022
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	23,340	5,963
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	<u>–</u>	<u>24</u>
Total	<u><u>23,340</u></u>	<u><u>5,987</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(ii) Transactions between the Bank and subsidiaries

	30 June 2023	31 December 2022
Balances at the end of the period/year:		
Deposits from banks and other financial institutions	1,282,078	1,177,737
Placements with banks and other financial institutions	4,558,461	4,260,000
	Six months ended 30 June 2023	2022
Transactions during the period:		
Interest income	83,014	67,600
Interest expense	6,337	3,996

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(iii) Transactions between the Bank and other related parties

	30 June 2023	31 December 2022
Balances at the end of the period/year:		
Financial investment	17,773,507	9,959,538
Loans and advances to customers	4,732,989	10,517,647
Deposits from customers	1,101,646	3,980,067
Guarantees received	8,663,776	13,692,340
	Six months ended 30 June 2023	2022
Transactions during the period:		
Interest income	268,368	453,023
Interest expense	5,218	6,895

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel

(i) Key management personnel remuneration

Key management personnel refers to those who have authority and are responsible for directly or indirectly planning, command and control the Group's operating. Including members of Board of Directors, Board of Supervisors and Senior managements.

	Six months ended 30 June	
	2023	2022
Salaries and other emoluments	12,305	12,379
Discretionary bonuses	2,039	2,616
Contributions to pension schemes	1,018	983
Total	<u>15,362</u>	<u>15,978</u>

(ii) Loans and advances to directors, supervisors and officers

As at 30 June 2023 and 31 December 2022, there is no loans and advances to directors, supervisors and officers of the Group pursuant to section 383(1) of Hong Kong Companies Ordinance.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(iii) Transactions between the Bank and key management personnel

	30 June 2023	31 December 2022
Balances at the end of period/year:		
Deposits from customers	19,192	26,857
Loans and advances to customers	1,943	285

	Six months ended 30 June 2023	2022
Transactions during the period:		
Interest income	50	10
Interest expense	72	88

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Bank in terms of risk management and oversees the Group's risk management functions through Risk Control and Consumer Rights Protection Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Control and Consumer Rights Protection Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

Credit business

The Board is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that all kinds of credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Management Department and the Credit Approval Department are responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department and the Capital Operation Center carry out credit businesses according to the Group's risk management policies and procedures.

Treasury Business

The Group's treasury business is exposed to the credit risk associated with the investment business and inter-bank business. The Group manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively. The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss provision for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

(1) *Significant increase in credit risk*

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the rating or the probability of default (PD) of the financial instruments reaches a certain extent, comparing with the one at initial recognition.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(1) Significant increase in credit risk (Continued)

Qualitative criteria

- The credit risk event of the debtor which is highly likely to lead to significant adverse effects;
- The debtor meets problems of cash flow or liquidity, i.e. overdue loans;
- The debtor is unwilling to repay the debt, i.e. debt dodge, fraud;
- The debtor defaults on loans outside the Group, resulting in non-performing assets in PBOC credit system;
- Credit spread increases significantly; and
- For collateralised and pledged loans, change of the value of collateral might incur a rise in credit risk.

Baseline criteria

- Be classified into Special Mention category

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(2) *Definition of credit-impaired financial asset*

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- The debtor is more than 90 days past due on its contractual payment;
- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(2) Definition of credit-impaired financial asset (Continued)

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of “default” adopted by the internal management of credit risk.

(3) Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of PD, exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan.
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan.
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. Loss given default varies due to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(3) Notes to the parameters, assumptions and valuation techniques (Continued)

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future years. The results of calculation for each year are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime probability of default is to deduce the marginal probability of default by using supervisory formula or conditional probability formula.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different due to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method and obtained from multiplying the nominal amount of the off-balance sheet items on the balance sheet date by the credit conversion factor (CCF).
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affect post-default recovery. LGD for different product types are different.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(3) Notes to the parameters, assumptions and valuation techniques (Continued)

- As to financial assets classified as guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Forward-looking information included in the expected credit loss model is as follows:

- Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting the future economic indicators.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(3) Notes to the parameters, assumptions and valuation techniques (Continued)

- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.
- Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.
- Other forward-looking factors not incorporated in above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impact, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 38(a).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers

Loans and advances to customers were analysed as follows as at 30 June 2023 and 31 December 2022:

	30 June 2023	31 December 2022
Gross balance of loans and advances to customers		
– ECL over the next 12 months	560,087,656	552,431,568
– Lifetime ECL – not credit-impaired loans	38,570,708	39,195,942
– Lifetime ECL – credit-impaired loans	<u>21,626,278</u>	<u>21,734,819</u>
	<u>620,284,642</u>	<u>613,362,329</u>
Add: Interest receivable		
– ECL over the next 12 months	51,894,141	40,615,613
– Lifetime ECL – not credit-impaired loans	<u>3,573,715</u>	<u>3,996,648</u>
	<u>55,467,856</u>	<u>44,612,261</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(6,723,761)	(7,183,023)
– Lifetime ECL – not credit-impaired loans	(8,480,535)	(7,843,415)
– Lifetime ECL – credit-impaired loans	<u>(12,404,299)</u>	<u>(12,348,735)</u>
	<u>(27,608,595)</u>	<u>(27,375,173)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

	30 June 2023	31 December 2022
Net balance		
– ECL over the next 12 months	605,258,036	585,864,158
– Lifetime ECL – not credit-impaired loans	33,663,888	35,349,175
– Lifetime ECL – credit-impaired loans	9,221,979	9,386,084
	<u>648,143,903</u>	<u>630,599,417</u>

(1) ECL over the next 12 months loans

	30 June 2023	31 December 2022
Corporate loans and advances	459,620,929	456,617,448
Personal loans and advances	<u>100,466,727</u>	<u>95,814,120</u>
Total gross balance	<u>560,087,656</u>	<u>552,431,568</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

(2) Lifetime ECL – not credit-impaired loans

	30 June 2023			
	Not overdue	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	35,958,724	1,433,392	298,469	37,690,585
Personal loans and advances	–	49,856	830,267	880,123
Total gross balance	35,958,724	1,483,248	1,128,736	38,570,708

	31 December 2022			
	Not overdue	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	28,946,583	475,595	9,322,791	38,744,969
Personal loans and advances	38,267	49,911	362,795	450,973
Total gross balance	28,984,850	525,506	9,685,586	39,195,942

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

(2) Lifetime ECL – not credit-impaired loans (Continued)

Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired was analysed as follows:

	30 June 2023	31 December 2022
Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired	24,445,371	25,508,333

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

(3) Lifetime ECL – credit-impaired loans

	30 June 2023	31 December 2022
Corporate loans and advances	19,479,799	19,531,903
Personal loans and advances	<u>2,146,479</u>	<u>2,202,916</u>
Total gross balance	<u><u>21,626,278</u></u>	<u><u>21,734,819</u></u>
% of total loans and advances	<u><u>3.49%</u></u>	<u><u>3.54%</u></u>
Allowance for impairment losses		
– Corporate loans and advances	11,236,502	11,339,410
– Personal loans and advances	<u>1,167,797</u>	<u>1,009,325</u>
Total	<u><u>12,404,299</u></u>	<u><u>12,348,735</u></u>
Fair value of collateral held against credit-impaired loans and advances	<u><u>15,162,198</u></u>	<u><u>20,692,198</u></u>

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iii) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2023	31 December 2022
Carrying amount		
ECL over the next 12 months		
– grade A to AAA	27,721,625	16,072,561
– grade B to BBB	2,870,000	950,000
– unrated (<i>Note (1)</i>)	4,351,955	4,853,016
Lifetime ECL – credit-impaired		
– grade C to CCC	1,446,776	1,446,777
	<u>36,390,356</u>	<u>23,322,354</u>
Add: interest receivable		
– ECL over the next 12 months	<u>30,785</u>	<u>51,680</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iii) Amounts due from banks and other financial institutions (Continued)

	30 June 2023	31 December 2022
Less: provision for impairment loss		
– ECL over the next 12 months	(5,947)	(5,084)
– Lifetime ECL – credit-impaired	<u>(551,372)</u>	<u>(551,372)</u>
	<u>(557,319)</u>	<u>(556,456)</u>
Net balance		
– ECL over the next 12 months	34,968,418	21,922,173
– Lifetime ECL – credit-impaired	<u>895,404</u>	<u>895,405</u>
	<u>35,863,822</u>	<u>22,817,578</u>

Note:

- (1) All unrated carrying amount are pledged by government debt securities or policy banks debt securities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

	30 June 2023	31 December 2022
Gross balance of debt securities investments		
– ECL over the next 12 months		
– Government	52,964,625	46,846,840
– Policy banks	47,276,639	44,842,229
– Banks and other financial institutions	3,774,217	9,228,460
– Corporate	4,961,370	4,702,358
– Lifetime ECL – credit-impaired		
– Banks and other financial institutions	95,565	–
– Corporate	10,682,512	2,901,918
	<u>119,754,928</u>	<u>108,521,805</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) Debt securities investments (Continued)

	30 June 2023	31 December 2022
Less: allowance for impairment losses		
– ECL over the next 12 months	(7,950)	(10,968)
– Lifetime ECL – credit-impaired	<u>(4,416,525)</u>	<u>(1,333,849)</u>
	<u>(4,424,475)</u>	<u>(1,344,817)</u>
Net balance		
– ECL over the next 12 months	108,968,901	105,608,919
– Lifetime ECL – credit-impaired	<u>6,361,552</u>	<u>1,568,069</u>
	<u>115,330,453</u>	<u>107,176,988</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(v) *Financial assets measured at amortised cost*

	30 June 2023	31 December 2022
Gross balance of financial assets measured at amortised cost		
– ECL over the next 12 months	109,475,271	133,220,013
– Lifetime ECL – not credit-impaired	13,466,869	10,066,869
– Lifetime ECL – credit-impaired	19,914,850	12,097,410
	<u>142,856,990</u>	<u>155,384,292</u>
Add: Interest receivable		
– ECL over the next 12 months	7,776,752	6,317,030
	<u>7,776,752</u>	<u>6,317,030</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(695,680)	(867,371)
– Lifetime ECL – not credit-impaired	(1,411,460)	(1,091,089)
– Lifetime ECL – credit-impaired	(7,003,680)	(3,899,224)
	<u>(9,110,820)</u>	<u>(5,857,684)</u>
Net balance		
– ECL over the next 12 months	116,556,343	138,669,671
– Lifetime ECL – not credit-impaired	12,055,409	8,975,780
– Lifetime ECL – credit-impaired	12,911,170	8,198,187
	<u>141,522,922</u>	<u>155,843,638</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's inside and outside the financial statements activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to identify, measure, monitor and control market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Control and Consumer Interest Protection Committee to supervise the market risk management conducted by the senior management. The Risk Management Department of the Bank is responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines, providing various data on market risks and other technical support.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

(i) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

(1) Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	30 June 2023					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	69,536,105	815,777	68,720,328	-	-	-
Deposits with banks and other financial institutions	12,961,617	1,313	12,910,310	49,994	-	-
Placements with banks and other financial institutions	14,875,910	179,062	10,097,622	4,599,226	-	-
Financial assets held under resale agreements	8,026,295	408	8,025,887	-	-	-
Loans and advances to customers (Note (i))	648,143,903	84,908,204	236,451,109	129,956,126	117,908,896	78,919,568
Financial investments (Note (ii))	312,131,917	20,807,177	137,464,909	40,067,872	32,360,166	81,431,793
Others	29,489,222	29,137,809	178,645	169,883	436	2,449
Total assets	1,095,164,969	135,849,750	473,848,810	174,843,101	150,269,498	160,353,810

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

	30 June 2023					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	
Liabilities						
Borrowings from central bank	(1,360,676)	(4,186)	(416,880)	(939,610)	-	-
Deposits from banks and other financial institutions	(48,304,117)	(234,323)	(32,009,794)	(15,960,000)	(100,000)	-
Placements from banks and other financial institutions	(8,100,797)	(49,076)	(350,000)	(7,701,721)	-	-
Financial assets sold under repurchase agreements	(108,369,416)	(569,841)	(83,039,356)	(24,760,219)	-	-
Deposits from customers	(825,397,833)	(16,565,184)	(297,172,695)	(169,302,455)	(325,820,437)	(16,537,062)
Debt securities issued	(13,884,313)	-	(4,488,369)	(4,396,887)	-	(4,999,057)
Others	(7,412,766)	(6,363,185)	(486,424)	(499,708)	(60,995)	(2,454)
Total liabilities	<u>(1,012,829,918)</u>	<u>(23,785,795)</u>	<u>(417,963,518)</u>	<u>(223,560,600)</u>	<u>(325,981,432)</u>	<u>(21,538,573)</u>
Asset-liability gap	<u>82,335,051</u>	<u>112,063,955</u>	<u>55,885,292</u>	<u>(48,717,499)</u>	<u>(175,711,934)</u>	<u>138,815,237</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

	Total	Non-interest bearing	31 December 2022			
			Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	75,258,358	816,008	74,442,350	-	-	-
Deposits with banks and other financial institutions	7,207,614	3,195	7,204,419	-	-	-
Placements with banks and other financial institutions	6,232,027	196,072	4,288,384	1,747,571	-	-
Financial assets held under resale agreements	9,377,937	2,413	9,375,524	-	-	-
Loans and advances to customers (Note (i))	630,599,417	16,444,699	249,532,241	186,806,221	149,274,710	28,541,546
Financial investments (Note (ii))	329,611,560	10,521,157	151,782,720	40,934,461	31,668,214	94,705,008
Others	24,126,196	23,460,201	361,536	236,755	65,867	1,837
Total assets	1,082,413,109	51,443,745	496,987,174	229,725,008	181,008,791	123,248,391

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

	Total	Non-interest bearing	31 December 2022			
			Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Liabilities						
Borrowings from central bank	(1,190,119)	(3,571)	(207,353)	(979,195)	-	-
Deposits from banks and other financial institutions	(52,716,547)	(328,421)	(38,898,126)	(13,490,000)	-	-
Placements from banks and other financial institutions	(2,838,696)	(3,866)	(1,060,000)	(1,774,830)	-	-
Financial assets sold under repurchase agreements	(128,661,609)	(461,877)	(87,247,691)	(40,952,041)	-	-
Deposits from customers	(788,752,335)	(17,186,234)	(338,390,870)	(160,442,794)	(271,898,176)	(834,261)
Debt securities issued	(16,979,868)	-	(4,455,496)	(7,525,315)	-	(4,999,057)
Others	(9,836,840)	(6,341,417)	(482,409)	(2,876,852)	(67,051)	(69,111)
Total liabilities	(1,000,976,014)	(24,325,386)	(470,741,945)	(228,041,027)	(271,965,227)	(5,902,429)
Asset-liability gap	81,437,095	27,118,359	26,245,229	1,683,981	(90,956,436)	117,345,962

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months (inclusive)" as at 30 June 2023 included overdue amounts (net of provision for impairment losses) of RMB18,913 million (31 December 2022: RMB16,148 million).
- (ii) Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(2) Interest rate sensitivity analysis

	30 June 2023	31 December 2022
	Increase/ (decrease)	Increase/ (decrease)
Change in profit after taxation		
Up 100 bps parallel shift in yield curves	674,527	344,475
Down 100 bps parallel shift in yield curves	(674,527)	(344,475)
	30 June 2023	31 December 2022
	Increase/ (decrease)	Increase/ (decrease)
Change in equity		
Up 100 bps parallel shift in yield curves	773,711	798,705
Down 100 bps parallel shift in yield curves	(633,759)	(710,807)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(2) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on simplified scenarios. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the mid of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies, setting limits on synthetic positions in the settlement and sale of foreign exchange, and setting country risk quota, etc.

The Group's currency exposures as at the end of the reporting period are as follows:

	30 June 2023			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	69,448,472	65,184	22,449	69,536,105
Deposits with banks and other financial institutions	11,186,824	766,203	1,008,590	12,961,617
Placements with banks and other financial institutions	14,875,910	–	–	14,875,910
Financial assets held under resale agreements	8,026,295	–	–	8,026,295
Loans and advances to customers	643,344,216	4,760,179	39,508	648,143,903
Financial investments (Note (i))	294,399,814	17,732,103	–	312,131,917
Others	26,781,089	334,731	2,373,402	29,489,222
Total assets	1,068,062,620	23,658,400	3,443,949	1,095,164,969

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	30 June 2023			
	RMB	USD <i>(RMB Equivalent)</i>	Others <i>(RMB Equivalent)</i>	Total <i>(RMB Equivalent)</i>
Liabilities				
Borrowings from central bank	(1,360,676)	-	-	(1,360,676)
Deposits from banks and other financial institutions	(48,304,117)	-	-	(48,304,117)
Placements from banks and other financial institutions	(8,100,797)	-	-	(8,100,797)
Financial assets sold under repurchase agreements	(108,369,416)	-	-	(108,369,416)
Deposits from customers	(824,486,939)	(744,854)	(166,040)	(825,397,833)
Debt securities issued	(13,884,313)	-	-	(13,884,313)
Others	(4,761,979)	(1,754,195)	(896,592)	(7,412,766)
Total liabilities	<u>(1,009,268,237)</u>	<u>(2,499,049)</u>	<u>(1,062,632)</u>	<u>(1,012,829,918)</u>
Net position	<u>58,794,383</u>	<u>21,159,351</u>	<u>2,381,317</u>	<u>82,335,051</u>
Off-balance sheet credit commitments	78,274,794	1,605,473	74,787	79,955,054

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	RMB	31 December 2022		
		USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	75,125,302	113,445	19,611	75,258,358
Deposits with banks and other financial institutions	5,353,962	901,041	952,611	7,207,614
Placements with banks and other financial institutions	5,877,811	354,216	–	6,232,027
Financial assets held under resale agreements	9,377,937	–	–	9,377,937
Loans and advances to customers	628,984,473	1,424,621	190,323	630,599,417
Financial investments (Note (i))	328,409,279	1,202,281	–	329,611,560
Others	21,013,356	931,695	2,181,145	24,126,196
Total assets	1,074,142,120	4,927,299	3,343,690	1,082,413,109

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	31 December 2022			
	RMB	USD <i>(RMB Equivalent)</i>	Others <i>(RMB Equivalent)</i>	Total <i>(RMB Equivalent)</i>
Liabilities				
Borrowings from central bank	(1,190,119)	–	–	(1,190,119)
Deposits from banks and other financial institutions	(52,716,547)	–	–	(52,716,547)
Placements from banks and other financial institutions	(2,838,696)	–	–	(2,838,696)
Financial assets sold under repurchase agreements	(128,661,609)	–	–	(128,661,609)
Deposits from customers	(787,633,818)	(930,114)	(188,403)	(788,752,335)
Debt securities issued	(16,979,868)	–	–	(16,979,868)
Others	(3,090,889)	(3,614,543)	(3,131,408)	(9,836,840)
Total liabilities	<u>(993,111,546)</u>	<u>(4,544,657)</u>	<u>(3,319,811)</u>	<u>(1,000,976,014)</u>
Net position	<u>81,030,574</u>	<u>382,642</u>	<u>23,879</u>	<u>81,437,095</u>
Off-balance sheet credit commitments	<u>97,250,314</u>	<u>1,135,899</u>	<u>94,716</u>	<u>98,480,929</u>

Note:

- (i) Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	30 June 2023	31 December 2022
	Increase/ (decrease)	Increase/ (decrease)
Change in profit after taxation and equity		
Up 100 bps parallel shift in yield curves	235,407	4,065
Down 100 bps parallel shift in yield curves	(235,407)	(4,065)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

Due to the assumptions adopted, actual changes in the Group's profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group centrally manages the Bank's liquidity risk at the head office through a liquidity risk governance structure consisting of Board of Directors, Board of Supervisors, senior management, as well as the liquidity risk management structure consisting of the Asset and Liability Management Committee, Planning and Financial Department and Risk Management Department at the head office:

- The Asset and Liability Management Committee is the Bank's liquidity risk management body that is responsible for developing, and regularly assessing and monitoring the implementation of liquidity risk management policies and measures;
- As the leading department in liquidity risk management, Planning and Financial Department is responsible for developing and implementing the relevant system; identifying, measuring and monitoring the liquidity risk and the implementation of limitations; performing stress testing, risk analysis and reporting; organising the daily management of the liquidity risk by business departments as well as the assessment and evaluation;
- The Group includes liquidity risk in a comprehensive risk management system. The Risk Management Department initiates ideas on limitation management of the liquidity risk, and arranges for performance evaluation.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The Group manages liquidity risk by managing the term structure of assets and liabilities, as well as dynamically monitoring liquidity indicators such as loan-to-deposit ratio, liquidity ratio, liquidity coverage ratio, excess reserves ratio, inter-bank loan to saving ratio, credit quality ratio, liquidity gap ratio, etc. The Group forecasts liquidity weekly, analyses liquidity monthly, and performs stress testing of liquidity risk quarterly.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	30 June 2023							Total
	Indefinite <i>(Note(ii))</i>	Repayable on demand <i>(Note(ii))</i>	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	59,683,540	9,852,565	-	-	-	-	-	69,536,105
Deposits with banks and other financial institutions	-	12,910,310	-	-	51,307	-	-	12,961,617
Placements with banks and other financial institutions	150,000	-	9,798,821	300,910	4,626,179	-	-	14,875,910
Financial assets held under resale agreements	-	-	8,026,295	-	-	-	-	8,026,295
Loans and advances to customers	21,477,152	10,718,484	204,611,054	53,969,237	142,118,567	128,943,851	86,305,558	648,143,903
Financial investments <i>(Note (i))</i>	42,222,212	-	50,543,656	63,981,373	40,655,171	32,762,070	81,967,435	312,131,917
Others	25,422,707	-	2,249,330	160,712	1,653,588	436	2,449	29,489,222
Total assets	148,955,611	33,481,359	275,229,156	118,412,232	189,104,812	161,706,357	168,275,442	1,095,164,969

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	30 June 2023							Total
	Indefinite (Note/ii)	Repayable on demand (Note/ii)	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Liabilities								
Borrowings from central bank	-	(3,436)	(39,781)	(377,327)	(940,132)	-	-	(1,360,676)
Deposits from banks and other financial institutions	-	(17,929,794)	(9,651,394)	(4,503,517)	(16,114,125)	(105,287)	-	(48,304,117)
Placements from banks and other financial institutions	-	-	(251,382)	(100,527)	(7,748,888)	-	-	(8,100,797)
Financial assets sold under repurchase agreements	-	-	(43,460,209)	(40,021,231)	(24,887,976)	-	-	(108,369,416)
Deposits from customers	-	(198,802,772)	(48,580,289)	(52,523,422)	(173,879,107)	(334,628,145)	(16,984,098)	(825,397,833)
Debt securities issued	-	-	(2,696,170)	(1,792,199)	(4,396,887)	-	(4,999,057)	(13,884,313)
Others	-	(4,797,524)	(1,071,956)	(259,829)	(634,206)	(469,701)	(179,550)	(7,412,766)
Total liabilities	<u>-</u>	<u>(221,533,526)</u>	<u>(105,751,181)</u>	<u>(99,578,052)</u>	<u>(228,601,321)</u>	<u>(335,203,133)</u>	<u>(22,162,705)</u>	<u>(1,012,829,918)</u>
Long/(short) position	<u>148,955,611</u>	<u>(188,052,167)</u>	<u>169,477,975</u>	<u>18,834,180</u>	<u>(39,496,509)</u>	<u>(173,496,776)</u>	<u>146,112,737</u>	<u>82,335,051</u>
Notional amount of derivatives	<u>-</u>	<u>-</u>	<u>26,584,878</u>	<u>13,830,909</u>	<u>37,397,206</u>	<u>1,101,007</u>	<u>100,000</u>	<u>79,014,000</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	31 December 2022							Total
	Indefinite <i>(Note(ii))</i>	Repayable on demand <i>(Note(ii))</i>	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	58,211,489	17,046,869	-	-	-	-	-	75,258,358
Deposits with banks and other financial institutions	745,405	6,252,140	60,020	30,010	120,039	-	-	7,207,614
Placements with banks and other financial institutions	150,000	-	3,666,402	654,715	1,760,910	-	-	6,232,027
Financial assets held under resale agreements	-	-	9,377,937	-	-	-	-	9,377,937
Loans and advances to customers	13,335,822	782,542	221,068,149	29,294,903	187,274,875	150,229,274	28,613,852	630,599,417
Financial investments <i>(Note (i))</i>	32,195,896	-	58,734,144	70,316,884	41,191,714	32,043,344	95,129,578	329,611,560
Others	18,016,097	-	4,194,713	79,766	1,767,916	65,867	1,837	24,126,196
Total assets	<u>122,654,709</u>	<u>24,081,551</u>	<u>297,101,365</u>	<u>100,376,278</u>	<u>232,115,454</u>	<u>182,338,485</u>	<u>123,745,267</u>	<u>1,082,413,109</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	31 December 2022							Total
	Indefinite (Note(ii))	Repayable on demand (Note(ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Liabilities								
Borrowings from central bank	-	(2,853)	(84,720)	(122,755)	(979,791)	-	-	(1,190,119)
Deposits from banks and other financial institutions	-	(30,458,126)	(7,013,850)	(1,536,126)	(13,708,445)	-	-	(52,716,547)
Placements from banks and other financial institutions	-	-	(660,900)	(400,546)	(1,777,250)	-	-	(2,838,696)
Financial assets sold under repurchase agreements	-	-	(42,295,776)	(45,269,731)	(41,096,102)	-	-	(128,661,609)
Deposits from customers	-	(206,368,235)	(59,462,401)	(76,574,706)	(165,321,453)	(280,165,911)	(859,629)	(788,752,335)
Debt securities issued	-	-	(2,824,630)	(1,629,342)	(7,526,839)	-	(4,999,057)	(16,979,868)
Others	-	(4,628,133)	(1,306,104)	(212,549)	(2,979,253)	(456,338)	(254,463)	(9,836,840)
Total liabilities	-	(241,457,347)	(113,648,381)	(125,745,755)	(233,389,133)	(280,622,249)	(6,113,149)	(1,000,976,014)
Long/(short) position	122,654,709	(217,375,796)	183,452,984	(25,369,477)	(1,273,679)	(98,283,764)	117,632,118	81,437,095
Notional amount of derivatives	-	-	5,385,823	6,179,235	36,800,303	11,178,512	100,000	59,643,873

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

Notes:

- (i) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period. For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance not impaired but overdue within one month is included in “repayable on demand”.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	30 June 2023					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(1,386,389)	(44,091)	(383,660)	(958,638)	-	-
Deposits from banks and other financial institutions	(48,542,082)	(27,613,069)	(4,547,711)	(16,270,646)	(110,656)	-
Placements from banks and other financial institutions	(8,218,168)	(254,688)	(101,786)	(7,861,694)	-	-
Financial assets sold under repurchase agreements	(108,839,900)	(43,482,021)	(40,217,064)	(25,140,815)	-	-
Deposits from customers	(908,166,169)	(276,202,715)	(52,524,890)	(178,809,798)	(380,187,177)	(20,441,589)
Debt securities issued	(16,294,026)	(2,702,703)	(1,808,328)	(4,501,351)	(1,200,000)	(6,081,644)
Other financial liabilities	(6,436,188)	(5,626,851)	(3,671)	(146,966)	(454,507)	(204,193)
Total non-derivative financial liabilities	(1,097,882,922)	(355,926,138)	(99,587,110)	(233,689,908)	(381,952,340)	(26,727,426)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities (Continued)

	31 December 2022					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(1,213,528)	(89,507)	(124,402)	(999,619)	-	-
Deposits from banks and other financial institutions	(52,846,466)	(37,479,584)	(1,539,007)	(13,827,875)	-	-
Placements from banks and other financial institutions	(2,890,241)	(662,260)	(405,090)	(1,822,891)	-	-
Financial assets sold under repurchase agreements	(129,446,800)	(42,324,296)	(45,464,886)	(41,657,618)	-	-
Deposits from customers	(839,705,540)	(288,752,629)	(78,658,529)	(171,031,324)	(300,258,103)	(1,004,955)
Debt securities issued	(19,632,166)	(2,840,958)	(1,657,025)	(7,733,525)	(1,200,000)	(6,200,658)
Other financial liabilities	(8,856,390)	(5,007,514)	(135,611)	(2,875,283)	(525,876)	(312,106)
Total non-derivative financial liabilities	(1,054,591,131)	(377,156,748)	(127,984,550)	(239,948,135)	(301,983,979)	(7,517,719)

This analysis of the non-derivative financial assets and liabilities by contractual undiscounted cash flow might vary from actual results.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives

The Group's derivatives that will be settled on a net basis include:

- Currency swaps
- Interest rate swaps
- Foreign forward contracts

The Group's derivatives that will be settled on a gross basis include:

- Option contracts
- Foreign forward contracts
- Precious metal derivatives
- Currency swaps

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period.

	30 June 2023					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Currency swaps	(398,854)	(174,104)	33,309	(258,059)	-	-
Interest rate swaps	4,844	4,547	12,275	6,757	(18,735)	-
Foreign forward contracts	13,225	-	1,970	11,255	-	-
Derivatives settled on gross basis						
Option contracts						
– cash outflow	(1,716,865)	(398,861)	(266,094)	(1,050,903)	(1,007)	-
– cash inflow	1,716,865	398,861	266,094	1,050,903	1,007	-
Foreign forward contracts						
– cash outflow	(682)	(682)	-	-	-	-
– cash inflow	680	680	-	-	-	-
Precious metal derivatives						
– cash outflow	(4,789,178)	-	-	(4,789,178)	-	-
– cash inflow	5,036,430	-	-	5,036,430	-	-

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)

	31 December 2022					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Currency swaps	85,275,150	10,120,150	12,685,000	62,470,000	-	-
Interest rate swaps	35,430	(1,872)	(12,989)	42,361	7,930	-
Foreign forward contracts	398	-	-	398	-	-
Derivatives settled on gross basis						
Option contracts						
- cash outflow	(2,914,503)	(733,488)	(818,085)	(1,344,418)	(18,512)	-
- cash inflow	2,914,503	733,488	818,085	1,344,418	18,512	-
Currency swaps						
- cash outflow	(1,367,450)	-	(1,367,450)	-	-	-
- cash inflow	1,368,060	-	1,368,060	-	-	-

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has built “Three Lines of Defense for Risk Management” mainly involving business departments, the Compliance Department and the Internal Audit Department in risk management, and established a reporting mechanism between the Compliance Department and business departments, as well as between the head office and branches.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group’s measures to manage the operational risk mainly include:

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(d) Operational risk (Continued))

- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. Return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 30 June 2023 and 31 December 2022 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the former CBRC in 2012 and relevant requirements promulgated by the former CBRC as follows:

	30 June 2023	31 December 2022
Total core tier-one capital		
– Share capital	8,796,680	8,796,680
– Qualifying portion of capital reserve	26,931,360	26,931,360
– Surplus reserve	7,476,710	7,411,839
– General reserve	15,308,222	14,797,531
– Fair value reserve	(1,243,490)	(1,274,532)
– Provision reserve	1,316,329	1,239,049
– Retained earnings	23,063,419	22,901,106
– Qualifying portions of non-controlling interests	165,248	160,618
– Others	(28,849)	(28,848)
Core tier-one capital	81,785,629	80,934,803
Core tier-one capital deductions	(364,345)	(385,544)
Net core tier-one capital	81,421,284	80,549,259
Other tier-one capital instruments and premium	15,000,000	–
Net tier-one capital	96,421,284	80,549,259

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

		30 June 2023	31 December 2022
Tier-two capital			
– Qualifying portions of tier-two capital instruments issued		4,999,057	4,999,057
– Surplus provision for loan impairment		8,429,975	8,529,017
Net tier-two capital		13,429,032	13,528,074
Net capital base		109,850,316	94,077,333
Total risk weighted assets	36(e)(i)	886,201,725	816,537,283
Core tier-one capital adequacy ratio		9.19%	9.86%
Tier-one capital adequacy ratio		10.88%	9.86%
Capital adequacy ratio		12.40%	11.52%

Notes:

- (i) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (ii) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the former CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 30 June 2023 and 31 December 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, which specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

The Group adopts the following methods and assumptions when evaluating fair values:

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(a) Methods and assumptions for measurement of fair value (Continued)

(i) Debt securities investments

The fair values of debt securities that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and the options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange forward rates, foreign exchange rate volatility, CFETS middle rate and Shanghai interbank offered rate yield curves, etc.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2023			Total
	Level 1	Level 2	Level 3	
Assets				
Derivative financial assets				
– Currency swaps	–	154,022	–	154,022
– Interest rate swaps	–	86,331	–	86,331
– Option contracts	–	93,861	–	93,861
– Foreign forward contracts	–	10,466	–	10,466
– Precious metal derivatives	–	6,733	–	6,733
Financial assets at fair value through profit or loss				
– debt instruments	–	4,253,592	–	4,253,592
– investment funds	25,736,382	–	–	25,736,382
– others	168,382	–	75,069,663	75,238,045
Financial assets at fair value through other comprehensive income				
– debt instruments	–	46,380,072	–	46,380,072
– equity instruments	2,333,049	–	16,667,855	19,000,904
Total	28,237,813	50,985,077	91,737,518	170,960,408

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	30 June 2023			Total
	Level 1	Level 2	Level 3	
Liabilities				
Derivative financial liabilities				
– Currency swaps	–	(387,836)	–	(387,836)
– Interest rate swaps	–	(81,487)	–	(81,487)
– Option contracts	–	(93,911)	–	(93,911)
– Foreign forward contracts	–	(8,046)	–	(8,046)
– Precious metal derivatives	–	(4,700)	–	(4,700)
Total	–	(575,980)	–	(575,980)

During the six months ended 30 June 2023, there were no significant transfers between instruments in Level 1 and Level 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Assets				
Derivative financial assets				
– Currency swaps	–	87,823	–	87,823
– Interest rate swaps	–	211,059	–	211,059
– Option contracts	–	365,717	–	365,717
– Foreign forward contracts	–	1,395	–	1,395
Financial assets at fair value through profit or loss				
– debt instruments	–	1,238,184	–	1,238,184
– investment funds	52,313,130	–	–	52,313,130
– others	113,781	–	75,070,558	75,184,339
Financial assets at fair value through other comprehensive income				
– debt instruments	–	36,000,018	–	36,000,018
– equity instruments	2,368,637	–	6,663,614	9,032,251
Total	54,795,548	37,904,196	81,734,172	174,433,916

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Liabilities				
Financial liabilities at fair value				
through profit or loss	–	(2,421,778)	–	(2,421,778)
Derivative financial liabilities				
– Currency swaps	–	(59,348)	–	(59,348)
– Interest rate swaps	–	(175,631)	–	(175,631)
– Option contracts	–	(365,723)	–	(365,723)
– Foreign forward contracts	–	(1,097)	–	(1,097)
Total	–	(3,023,577)	–	(3,023,577)

During the year ended 31 December 2022, there were no significant transfers between instruments in Level 1 and Level 2.

(c) Level 2 fair value measurement

A majority of the debt instruments classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level also includes a majority of OTC derivative contracts, the most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters. Financial liabilities at fair value through profit or loss mainly includes the financial liabilities related to precious metals, of which the fair value is determined with reference to the available market value. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(d) Level 3 fair value measurement

As at 30 June 2023 and 31 December 2022, unobservable inputs such as discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly wealth management plan, beneficial investment of trust and equity investments. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

(e) Fair value of financial assets and liabilities not carried at fair value

(i) *Cash and deposits with central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements, borrowings from central bank and financial investments measured as amortised cost*

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

(ii) *Loans and advances to customers*

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

(iii) *Financial assets measured at amortised cost*

The fair values of financial assets measured at amortised cost are estimated on the basis of pricing models or discounted cash flows in the absence of any other relevant observable market data if the market value is not available.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value (Continued)

(iv) Financial assets at fair value through other comprehensive income equity instruments

Financial assets at fair value through other comprehensive income equity instruments are unlisted shares. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

(v) Deposits from customers

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

(vi) Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value (Continued)

(vi) Debt securities issued (Continued)

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised cost and debt securities issued:

	30 June 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	141,522,922	142,036,976	–	59,676,544	82,360,432
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	4,999,057	5,047,030	–	5,047,030	–
– certificates of interbank deposit	8,885,256	8,849,881	–	8,849,881	–
Total	13,884,313	13,896,911	–	13,896,911	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value (Continued)

(vi) Debt securities issued (Continued)

	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured					
at amortised cost	155,843,638	155,480,694	–	68,671,673	86,809,021
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	4,999,057	4,883,155	–	4,883,155	–
– certificates of interbank deposit	11,980,811	11,841,072	–	11,841,072	–
Total	16,979,868	16,724,227	–	16,724,227	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

38 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, credit card limits, letters of credit and letters of guarantees.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	30 June 2023	31 December 2022
Bank acceptances	45,161,801	65,229,705
Letters of guarantees	5,153,631	6,338,078
Unused credit card commitments	20,377,348	19,231,905
Letters of credit	<u>9,262,274</u>	<u>7,681,241</u>
Total	<u><u>79,955,054</u></u>	<u><u>98,480,929</u></u>

The Group may be exposed to credit risk in all the above credit businesses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

38 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Credit risk-weighted amount

	30 June 2023	31 December 2022
Credit risk-weighted amount of contingent liabilities and commitments	24,593,612	30,600,001

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

(c) Capital commitments

As at 30 June 2023 and 31 December 2022, the authorised capital commitments of the Group are as follows:

	30 June 2023	31 December 2022
Contracted but not paid for	244,379	139,285
Approved but not contracted for	32,577	209,475
Total	276,956	348,760

(d) Outstanding litigations and disputes

As at 30 June 2023 and 31 December 2022, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

38 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(e) Pledged assets

	30 June 2023	31 December 2022
Investment securities	72,456,499	92,956,100
Discounted bills	<u>71,098,765</u>	<u>73,574,825</u>
Total	<u><u>143,555,264</u></u>	<u><u>166,530,925</u></u>

Some of the Group's assets are pledged as collateral under repurchase agreements and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 30 June 2023 and 31 December 2022, the pledged assets were not sold or repledged, which it has an obligation to repurchase on due.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 30 June 2023 and 31 December 2022 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2023		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	57,554,762	57,554,762	57,554,762
Investment management products under trust scheme	90,897,260	90,897,260	90,897,260
Total	148,452,022	148,452,022	148,452,022

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

(a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	31 December 2022		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	57,748,061	57,748,061	57,748,061
Investment management products under trust scheme	<u>100,975,837</u>	<u>100,975,837</u>	<u>100,975,837</u>
Total	<u><u>158,723,898</u></u>	<u><u>158,723,898</u></u>	<u><u>158,723,898</u></u>

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the consolidated statement of financial position.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. 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 issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

During the six months ended 30 June 2023, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB110.21 million (six months ended 30 June 2022: RMB44.79 million).

As at 30 June 2023, the amount of assets held by unconsolidated non-principal-guaranteed wealth management products (WMPs) which are sponsored by the Group is RMB39,850 million (31 December 2022: RMB43,819 million), The Group is not substantively bearing credit risk arising from the above-mentioned WMPs investment transactions.

There were no guarantees or other commitments between the Group and any third parties that could increase the level of the Group's risk from WMPs disclosed above during the six months period ended 30 June 2023 and for the year ended 31 December 2022. The Group was not required to absorb any losses incurred by WMPs.

During the six months ended 30 June 2023, the aggregated amount of non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2023, but matured before 30 June 2023, is RMB240 million (six months ended 30 June 2022: RMB2,755 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

40 FIDUCIARY ACTIVITIES

The Group commonly acts as a manager, trustee or agent for clients in fiduciary acts. These assets and any gains or losses arising thereon are not included in these consolidated financial statements as they are not the Group's assets.

As at 30 June 2023 and 31 December 2022, the Group has no entrusted loans.

41 TRANSFERRED FINANCIAL ASSETS

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the consolidated statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. As at 30 June 2023 and 31 December 2022, the Group doesn't have continuing involvement through acquiring some tranches.

42 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

As at the approval date of this financial report, the Group have no major financial report event after the reporting period that need to be disclosed.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

43 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2023.

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the six months ended 30 June 2023 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

	Effective for accounting period beginning on or after
<i>Amendments to IAS 1, Presentation of financial statements (issued in August 2020 and December 2022), Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants</i>	1 January 2024
<i>Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial instruments: disclosures, Supplier finance arrangements</i>	1 January 2024
<i>Amendments to IFRS 16, Leases, Lease liability in a sale and leaseback</i>	1 January 2024
<i>Amendments to IAS 21, Lack of Exchange ability</i>	1 January 2025
<i>Amendments to IFRS 10, Consolidated financial statements and IAS 28, Investments in associates and joint ventures, Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

(a) Liquidity coverage ratio

	As at 30 June 2023	Average for the period ended 30 June 2023	As at 31 December 2022	Average for the year ended 31 December 2022
Liquidity coverage ratio (RMB and foreign currency)	138.30%	137.11%	135.91%	141.58%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the National Administration of Financial Regulation Liaoning Regulatory Bureau (the former “CBRC”) and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”).

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

The Hong Kong Banking (Disclosure) Rules (the “Rules”) took effect on 1 January 2007. It requires the disclosure of an average liquidity coverage ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity coverage ratio on a semi-annual basis and the disclosed average liquidity coverage ratio is the arithmetic mean of two consecutive liquidity coverage ratios as at 30 June and 31 December.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO (CONTINUED)

(b) Leverage ratio

	30 June 2023	31 December 2022
Leverage ratio	8.33%	6.89%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio is calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	30 June 2023			
	US Dollars <i>(RMB Equivalent)</i>	HK Dollars <i>(RMB Equivalent)</i>	Others <i>(RMB Equivalent)</i>	Total <i>(RMB Equivalent)</i>
Spot assets	23,658,400	2,390,008	1,053,941	27,102,349
Spot liabilities	(3,106,323)	(9,878)	(1,052,754)	(4,168,955)
Net long position	<u>20,552,077</u>	<u>2,380,130</u>	<u>1,187</u>	<u>22,933,394</u>

	31 December 2022			
	US Dollars <i>(RMB Equivalent)</i>	HK Dollars <i>(RMB Equivalent)</i>	Others <i>(RMB Equivalent)</i>	Total <i>(RMB Equivalent)</i>
Spot assets	4,927,299	2,313,456	1,030,234	8,270,989
Spot liabilities	(4,544,657)	(2,289,464)	(1,030,347)	(7,864,468)
Net long position	<u>382,642</u>	<u>23,992</u>	<u>(113)</u>	<u>406,521</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

3 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 dominated in foreign currency on third parties in Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, and investments in debt securities.

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 transfers are only made if the claims are guaranteed by a party in a 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.

	As at 30 June 2023			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	172,906	785,486	4,958,357	5,916,749
North and South America	17,985,016	335,590	–	18,320,606
Europe	–	653,988	–	653,988
Total	<u>18,157,922</u>	<u>1,775,064</u>	<u>4,958,357</u>	<u>24,891,343</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

3 INTERNATIONAL CLAIMS (CONTINUED)

	As at 31 December 2022			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	133,056	1,118,148	1,957,066	3,208,270
North and South America	898,433	574,747	–	1,473,180
Europe	–	508,987	–	508,987
Total	<u>1,031,489</u>	<u>2,201,882</u>	<u>1,957,066</u>	<u>5,190,437</u>

4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS

	30 June 2023	31 December 2022
Northeast China	25,772,783	24,034,301
North China	3,555,109	4,886,478
Others	<u>1,483,874</u>	<u>1,396,901</u>
Total	<u>30,811,766</u>	<u>30,317,680</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES FOR MORE THAN 90 DAYS

	30 June 2023	31 December 2022
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	5,487,409	5,909,652
– between 6 months and 1 year (inclusive)	1,316,676	533,753
– over 1 year	12,274,309	12,451,672
Total	<u>19,078,394</u>	<u>18,895,077</u>
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.88%	0.96%
– between 6 months and 1 year (inclusive)	0.21%	0.09%
– over 1 year	1.98%	2.03%
Total	<u>3.08%</u>	<u>3.08%</u>

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, “our Bank”, or “Shengjing Bank” or “we”	Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and subbranches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	the former China Banking and Insurance Regulatory Commission
“CBIRC Liaoning Bureau”	the former Liaoning Bureau of the China Banking and Insurance Regulatory Commission
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITION (CONTINUED)

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	25 August 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement
“PBOC” or “Central Bank”	the People’s Bank of China
“PRC”	the People’s Republic of China, and for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
“Reporting Period”	the six months ended 30 June 2023
“RMB or Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	the shareholder(s) of the Bank
“Shares”	the Domestic Shares and the H Shares
“Supervisor(s)”	the supervisor(s) of the Bank
“%”	per cent