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CHINA BOHAI BANK CO., LTD.

渤海銀行股份有限公司

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

(Stock Code: 9668)

2023 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of CHINA BOHAI BANK CO., LTD. (the “**Bank**”) hereby announces the unaudited consolidated interim results of the Bank and its subsidiary for the six months ended June 30, 2023. This announcement, containing the full text of the 2023 interim report of the Bank, complies with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited relating to information to accompany preliminary announcements of interim results.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Chinese and English versions of this results announcement will be available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.cbhb.com.cn). If there are any discrepancies in interpretations between the Chinese and English versions, the Chinese version shall prevail. The printed version of the Bank’s 2023 interim report will be despatched to the holders of H shares of the Bank subsequently and will be available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.cbhb.com.cn) in due course.

By order of the Board
CHINA BOHAI BANK CO., LTD.
QU Hongzhi
Executive Director, President

Tianjin, China
August 28, 2023

As at the date of this announcement, the Board of the Bank comprises Mr. QU Hongzhi, Mr. DU Gang and Mr. ZHAO Zhihong as executive directors; Mr. FUNG Joi Lun Alan, Ms. YUAN Wei, Mr. YE Baishou, Mr. HU Aimin and Mr. ZHANG Yunji as non-executive directors; and Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick as independent non-executive directors.

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Definitions

Articles of Association	the Articles of Association of CHINA BOHAI BANK CO., LTD.
Bank, our Bank, Company, our Company	CHINA BOHAI BANK CO., LTD. (渤海銀行股份有限公司), a joint stock company established on December 30, 2005 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and its H Shares were listed on the Hong Kong Stock Exchange (Stock Code: 9668)
CBIRC	the former China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
Central Bank or PBoC	the People's Bank of China
China Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises – Basic Standards, specific accounting standards, application guidance and interpretations to the Accounting Standards for Business Enterprises and other regulations issued by the Ministry of Finance of the PRC on and after February 15, 2006
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Domestic Shares	ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
Fourth "Five-Year Plan"	the Plan for Development Strategy of CHINA BOHAI BANK CO., LTD. (2021-2025) (渤海銀行股份有限公司 2021-2025 年發展戰略規劃)
Group, our Group	the Bank and its subsidiary
H Shares	the overseas listed foreign shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed and traded on the Hong Kong Stock Exchange
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards, International Accounting Standards ("IAS"), the related standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB")
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
Reporting Date	the date on which this interim report was considered and approved by the Board of Directors of the Bank
Reporting Period	the six months ended June 30, 2023
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Tianjin SASAC	the State-owned Assets Supervision and Administration Commission of Tianjin People's Government

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and members of senior management of the Bank undertake that the information contained in this report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for the truthfulness, accuracy and completeness of the content of this report.

The Interim Report 2023 of the Bank was considered and approved at the 49th meeting of the fifth session of the Board of Directors held on August 28, 2023. Fourteen Directors should attend the meeting, among which fourteen Directors actually attended, of which, Mr. YE Baishou (a non-executive Director) authorized Ms. YUAN Wei (a non-executive Director) to exercise his voting right. Five Supervisors of the Bank attended the meeting as non-voting delegates.

Mr. QU Hongzhi, an executive Director and president of the Bank who acting as the acting chairman of the Board of Directors, Mr. DU Gang, the person in charge of accounting affairs of the Bank, and Ms. ZHANG Hui, the person in charge of accounting department, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this report.

The Bank does not propose to distribute dividend or capitalize the capital reserve for the interim period in 2023.

The Bank's 2023 interim financial report is unaudited.

Forward-looking statements such as future plans contained in this report do not constitute substantive commitments made by the Bank to its investors. Investors are cautioned against the investment risks and should understand the difference among plans, forecasts and commitments.

This report describes in detail the major risks that the Bank faces in its operational management, as well as the corresponding measures taken by the Bank. For details, please refer to the section "Management Discussion and Analysis – Comprehensive Risk Management" in this report.

Unless otherwise stated, financial data and indicators contained in this report are prepared in accordance with IFRS, and are consolidated data of the Group and are denominated in Renminbi (RMB). Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Any discrepancy between the sum and total amounts in the tables is due to rounding.

This annual report is prepared in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Corporate Profile

- I. Legal Chinese Name:** 渤海銀行股份有限公司 (Abbreviation: “渤海銀行”)
- II. Legal English Name:** CHINA BOHAI BANK CO., LTD. (Abbreviation: “CBHB”)
- III. Authorized Representatives:** DU Gang and ZHANG Xiao
- IV. Secretary to the Board of Directors:** DU Gang
Joint Company Secretaries: DU Gang and ZHANG Xiao
- V. Registered Address and Office Address:** 218 Haihe East Road, Hedong District, Tianjin, China
Postcode: 300012
International Website: www.cbhb.com.cn
Customer Service and Complaints Hotline: (86) 95541, (86) 400 888 8811
Investor Hotline: (86) 22-5878 9668
E-mail: IR@cbhb.com.cn
Fax: (86) 22-5831 6529
- VI. Principal Place of Business in Hong Kong:** Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, Central, Hong Kong
- VII. Websites for Information Disclosure:** Website of the HKEX (www.hkexnews.hk) and website of the Bank (www.cbhb.com.cn)
Place where the interim report is kept: Office of the Board of Directors of the Bank
- VIII. Listing Stock Exchange of H Shares:** Hong Kong Stock Exchange
Stock Short Name: CBHB
Stock Code: 9668
- IX. Share Registrar**
Domestic Shares: China Securities Depository and Clearing Corporation Limited
No.17 Tai Ping Qiao Street, Xicheng District, Beijing
H Shares: Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
- X. Legal Advisors**
As to PRC Laws: Commerce & Finance Law Offices
12-14th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
As to Hong Kong Laws: Paul Hastings
22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
- XI. Auditors**
Domestic Accounting Firm: Deloitte Touche Tohmatsu Certified Public Accountants LLP
30/F, 222 Yan An Road East, Huangpu District, Shanghai
International Accounting Firm: Deloitte Touche Tohmatsu
35/F, One Pacific Place, 88 Queensway, Hong Kong
- XII. Other Relevant Information**
Initial Registration Date: December 30, 2005
Registered Capital: RMB17,762 million
Unified Social Credit Code: 911200007109339563
Financial License Institution Serial Number: B0017H112000001

Summary of Accounting Data and Financial Indicators

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

(Unit: RMB'000)

	January to June 2023	January to June 2022	Increase (decrease) (%)
Operating results data:			
Operating income	13,082,522	13,490,708	(3.03)
Profit before taxation	4,658,582	5,026,840	(7.33)
Net profit	4,098,828	4,402,916	(6.91)
Indicators per share (RMB):			
Basic earnings per share attributable to ordinary Shareholders of the Bank	0.23	0.25	(8.00)
Diluted earnings per share attributable to ordinary Shareholders of the Bank	0.23	0.25	(8.00)
Financial ratios⁽¹⁾ (%):			
Average return on total assets ⁽²⁾	0.49	0.54	a decrease of 0.05 percentage point
Weighted average return on net assets ⁽³⁾	8.91	9.91	a decrease of 1.00 percentage point
	June 30, 2023	December 31, 2022	Increase (decrease) (%)
Scale indicators:			
Total assets	1,690,558,156	1,659,459,902	1.87
Gross loans and advances to customers ⁽⁴⁾	955,012,746	957,216,978	(0.23)
Total liabilities	1,576,335,777	1,549,508,868	1.73
Gross deposits from customers ⁽⁴⁾	902,752,781	843,873,695	6.98
Total equity	114,222,379	109,951,034	3.88
Net assets per share attributable to ordinary Shareholders of the Bank ⁽⁵⁾ (RMB)	5.31	5.07	4.73

Notes: (1) Interim financial ratios are all annualized.

(2) Average return on total assets equals net profit divided by average value of total assets at the beginning and end of the period.

(3) Weighted average return on net assets is calculated pursuant to the Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第 9 號—淨資產收益率和每股收益的計算及披露(2010 年修訂)》) issued by the CSRC.

(4) Gross loans and advances to customers and gross deposits from customers exclude interests accrued.

(5) Net assets per share attributable to ordinary Shareholders of the Bank equal equity attributable to holders of ordinary shares of the Bank at the end of the period, which has excluded other equity instruments, divided by total share capital at the end of the period.

II. SUPPLEMENTARY FINANCIAL INDICATORS

(Unit: %)

	January to June 2023	January to June 2022	Changes	January to June 2021
Profitability indicators⁽¹⁾:				
Net interest spread ⁽²⁾	1.24	1.49	a decrease of 0.25 percentage point	1.79
Net interest margin ⁽³⁾	1.21	1.55	a decrease of 0.34 percentage point	1.92
Cost-to-income ratio ⁽⁴⁾	38.69	33.85	an increase of 4.84 percentage points	27.55
	June 30, 2023	December 31, 2022	Changes	June 30, 2022
Asset quality indicators:				
NPL ratio ⁽⁵⁾	1.84	1.76	an increase of 0.08 percentage point	1.76
Allowance coverage ratio ⁽⁶⁾	144.42	150.95	a decrease of 6.53 percentage points	136.30
Allowance to gross loan ratio ⁽⁷⁾	2.65	2.65	–	2.39
Capital adequacy indicators⁽⁸⁾:				
Capital adequacy ratio	11.55	11.50	an increase of 0.05 percentage point	11.52
Tier 1 capital adequacy ratio	10.13	9.94	an increase of 0.19 percentage point	10.17
Core tier 1 capital adequacy ratio	8.28	8.06	an increase of 0.22 percentage point	8.26

- Notes: (1) Interim profitability indicators are all annualized.
- (2) Net interest spread is calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (3) Net interest margin is calculated by dividing net interest income by the average balance of total interest-earning assets.
- (4) Cost-to-income ratio is calculated by dividing total operating expenses (excluding tax and surcharges, etc.) by total operating income.
- (5) NPL ratio equals the balance of non-performing loans divided by gross loans and advances to customers (excluding interests accrued).
- (6) Allowance coverage ratio equals the sum of allowance for impairment losses on the loans measured at amortized cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by the NPL balances.
- (7) Allowance to gross loan ratio equals the sum of allowance for impairment losses on the loans measured at amortized cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by gross loans and advances to customers (excluding interests accrued).
- (8) The Group calculates the capital adequacy ratios for each tier according to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), China Accounting Standards for Business Enterprises (中國企業會計準則) and other relevant regulations.

Management Discussion and Analysis

I. ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT OF THE FIRST HALF OF 2023

A slowdown in downward trend was seen as the world economy has gradually got over the negative impact of the pandemic since this year. However, risk factors such as the Russian-Ukrainian conflict, the tightening of monetary policies, and stubbornly high inflation continued to pose major challenges to the global economy. With the increasing divergence between economic trends in various countries, the global manufacturing and commodity trade sectors were relatively weak, and the growth of countries in the Asia-Pacific region and other export-oriented economies was under pressure. The US banking crisis spread to Europe, which once caused market concern. In the first half of 2023, the US dollar index fluctuated within a certain range, with increasing volatility in the international financial market.

In the first half of 2023, China's economy continued to recover in an overall favorable momentum after lifting the pandemic lockdown. China continued to boast its fundamentals of strong resilience, great potential and long-term improvement. In the first half of the year, China GDP grew at 5.5%. The total retail sales of consumer goods increased by 8.2% year on year. The national fixed assets investment increased by 3.8% year on year, and the total value of import and export of trade in goods increased by 2.1% year on year. The commodity prices hovered around a low level, and insufficient demand in general remains a prominent macro-economic problem. From January to June, China's CPI and PPI increased by 0.7% and decreased by 3.1% year on year, respectively.

In the first half of 2023, the precise and effective prudent monetary policy intensified the countercyclical adjustment to promote the overall economic improvement, which resulted in reasonably ample liquidity, further optimized credit structure, and enhanced stability and sustainability in the total credit growth. At the end of June 2023, the M2 balance was RMB287.3 trillion, a year-on-year increase of 11.3%; the existing social financing scale amounted to RMB365.45 trillion, a year-on-year increase of 9%; RMB loans increased by RMB15.73 trillion in the first half of the year, a year-on-year increase of RMB2.02 trillion. The balance of RMB loans issued to the real economy was RMB228.86 trillion, a year-on-year increase of 11.2%. The RMB exchange rate remained basically stable at a reasonable and balanced level.

In the first half of 2023, the financial industry was stable as a whole, and the risks were under control in general, which supported the recovery and expansion of effective demand, and promoted the sustainable economic recovery. The CPC Central Committee and the State Council deepened institutional reform by establishing the National Financial Regulatory Administration, which strengthened institutional, behavioral, functional, penetrating and continuous supervision. The formation and transmission mechanism of market-oriented interest rates continued to improve. The PBoC lowered the reserve requirement ratio by 0.25 percentage point, and the one-year and five-year LPRs both dropped by 10 basis points, steadily reducing the real economy financing cost. As to the structural monetary policy tools, the inclusive micro-loan support tool and the property delivery guarantee loan support plan were sustained, and key areas and weak links of the national economy such as inclusive finance, technological innovation, green development, infrastructure received greater support, which assisted the accelerated construction of a modern industrial system, and enhanced the economic development momentum.

II. DEVELOPMENT STRATEGIES

The Bank's strategic vision is to become "a modern wealth and treasury manager offering the best experience (最佳體驗的現代財資管家)", its mission is to "serve the national strategy, serve the real economy and serve the good life, create sustainable value for shareholders, create a broad stage for employees and fulfill legal person responsibility for society (服務國家戰略、服務實體經濟、服務美好生活，為股東創造持續價值，為員工打造廣闊舞台，為社會履行法人責任)", and its value is "customer first, struggle-oriented, agility as the essence, innovation as the soul, and compliance as the lifeblood (客戶為先，奮鬥為本，敏捷為要，創新為魂，合規是命)". Setting foot on the new development stage, the Bank is adhering to the new development philosophy and integrating itself into the new development pattern. During the Fourth "Five-Year Plan" period, the Bank insisted on transforming into a retail bank, a transaction bank and a light-model bank. The Bank focuses on building an eco-banking model of "Bank the world" to create five strategic capabilities of "Ecosystem", "Engaged", "Enable", "Everywhere" and "Engined", achieving comprehensive upgrade of business model. The Bank always insists on the unification of economic responsibility and social responsibility, comprehensively pushes forward the construction of a green financial system, prevents and controls environmental and social risks, and contributes financial strength to accelerate the formation of green production and lifestyle, peak carbon emissions and achieve carbon neutrality. It is committed to promoting the green adjustment of the credit structure, cultivating new business growth points, establishing a diversified green financial product system, and continuously optimizing the green financial comprehensive service model.

During the Fourth "Five-Year Plan" period, the Bank has accelerated the formation of a trinity of corporate, retail, and financial market business development. The corporate banking business adheres to the transformation direction of "Transaction Banking + FPA", and it realizes the change from asset pulling to asset leveraging through the "Platform Boosting" business model, which lays a solid foundation for the Bank's business transformation. The retail banking business insists on using MAU operation as the starting point, AUM operation as the cornerstone and enhancing customer value as the goal, providing customers/users with personalized, differentiated, and customized products and services through the "Plug & Play" business model to build the distinct competitive advantages. The financial market business insists on taking trading as its soul, returning to its origin and creating value as its starting and ending point, and effectively helps the Bank's strategic transformation and business development through the "Supportive Activation" business model.

In the last three years of the Fourth "Five-Year Plan" period, as guided by the spirit of the 20th National Congress of the Communist Party of China, the Bank will continue to thoroughly study and pursue Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and focus on implementing the national strategy and Tianjin's "Ten Actions". By knowing the situation well, taking advantage of the trend, and giving full play to its advantages, the Bank will make accurate planning on the strategic direction of business development, and firmly seize serving high-quality development as the vital link, in order to win the "Ten Major Battles" of "full and rigorous Party governance, recovery of distressed assets, capital replenishment, liquidity, customer base and business structure, asset circulation, risk control and compliance, cost reduction and efficiency enhancement, talent recruitment, and self-improvement at branch level" and start a new journey to high-quality development with transformation and revitalization. Meanwhile, the Bank will further build a strategic support system with "Seven New Infrastructure Construction" as the main body. The "Seven New Infrastructure Construction" includes FinTech, creative R&D, operation system, incentives and constraints, internal control & compliance, risk management, as well as training and education. The FinTech system is positioned to strengthen technology empowering and drive the "light front platform, fast middle platform, strong back platform" comprehensive digital transformation. The creative R&D system is positioned to drive development with innovation, to better meet market demand and user needs with agile and innovative rapid response capabilities, and to better improve the quality and efficiency of financial services. The major operation system is located at "lifting weights as lightness". With the goal of building an all-scenario, all-channel, all-service, all-user, all-chain, all-product, all-cycle and all-process system, the Bank is committed to building a highly adaptable delivery capability so that the "weights" of operation will enable the "lightness" of business. The incentives and constraints system is fighter-oriented, and gives play to the advantage of the flexible mechanism of a joint-stock bank, widening the gap of performance assessment, and transforming the advantages in resource allocation into the efficiency of operation and development. The major compliance system is positioned as the "repair system", "prevention system" and "immune system" of the Bank. Focusing on the main theme of "compliance is lifeblood" and taking systems, models and data as the starting point, a bank-wide compliance defense line is built so that no one dares, can and wants to violate compliance regulations. The risk management system is designed to enhance the ability of "risk control for the Bank's protection", build an overall framework of intelligent risk control, and deeply apply big data and artificial intelligence technology to realize the transformation from "management" to "empowerment". The training system is positioned as a "charging station" and "booster" for the growth of cadres and employees, with project- and data-based operation as the starting point to effectively enhance Bohai Bank's advantages in talents.

III. SCOPE OF BUSINESSES

The business scope of the Bank includes: absorbing public deposits; offering short-term, medium-term and long-term loans; arranging settlement of domestic and international accounts; handling acceptance and discount of bill; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds and proprietary trading bonds issued by government and financial institutions; inter-bank borrowing and lending; trading of foreign currencies by itself and on behalf of its customers; bank card business; letters of credit and financial guarantees; acting as agent on inward and outward payments and insurance agency; offering safe-deposit facilities and other business approved by the regulatory authority.

IV. OVERALL OPERATING PERFORMANCE

During the Reporting Period, targeting at consistent implementation of the spirit of the 20th National Congress of the Communist Party of China and the major decision-making and deployment of the State Council, the Group took the lead to follow regulatory requirements, adhered to the general principle of pursuing progress while ensuring stability, actively served the national strategy, stepped up efforts to serve the real economy, and took various measures to support economic and social development. At the same time, the Group steadily promoted the transformation under its Fourth "Five-Year Plan". Focusing on the requirements of high-quality development, it continued to adjust business structure, optimized business layout, actively promoted green finance, increased investment in financial innovation, and strengthened comprehensive risk management, which achieved steady growth in the size of assets, brought the liability business back to its origin, and maintained stable asset quality. During the Reporting Period, the Group achieved an operating income of RMB13,083 million and a net profit of RMB4,099 million, showing steady improvement in overall operation in terms of quality and efficiency.

Steady growth in the size of assets and liabilities

As of the end of the Reporting Period, the total assets of the Group amounted to RMB1,690,558 million, representing an increase of RMB31,098 million or 1.87% as compared to the end of the previous year, among which net loans and advances to customers amounted to RMB941,761 million, representing a decrease of RMB962 million or 0.10% as compared to the end of the previous year. Total liabilities amounted to RMB1,576,336 million, representing an increase of RMB26,827 million or 1.73% as compared to the end of the previous year, among which deposits from customers amounted to RMB924,438 million, representing an increase of RMB60,504 million or 7% as compared to the end of the previous year. The size of deposits maintained steady growth.

Focus on serving key sectors

During the Reporting Period, the Group actively implemented major national and regional strategies, and increased investment in key sectors such as manufacturing, private enterprises, green finance, and rural revitalization. The growth of loans in key sectors outpaced the growth of general loans. As of the end of June 2023, the medium- and long-term manufacturing loan balance was RMB36,909 million, representing an increase of 15.2% as compared to the end of the previous year; the agriculture-related loan was RMB51,628 million, representing an increase of 2.1% as compared to the end of the previous year; the green loan balance was RMB30,261 million, representing an increase of 10.8% as compared to the end of the previous year. The alignment between business layout and real economy continued to improve.

Continuous optimization of business and revenue structures

The Group continued to optimize its liability development mechanism, focused on the development of basic customer groups, consolidated customer infrastructure, and strengthened product and service capabilities, which achieved sustained and stable growth in customer deposits. During the Reporting Period, the customer deposits increased by 7% as compared to the end of the previous year, and the liability structure was fundamentally improved. The Group focused on improving quality and efficiency. As of the end of June 2023, the net fee and commission income amounted to RMB1,765 million, representing an increase of RMB338 million or 23.72% as compared to the same period of the previous year. The revenue structure became increasingly diversified.

Asset quality risks under control

As of the end of the Reporting Period, the balance of the non-performing loans of the Bank amounted to RMB17,553 million, representing an increase of RMB746 million as compared to the end of the previous year. The NPL ratio was 1.84%, representing an increase of 0.08 percentage point as compared to the end of the previous year. Allowance for loans loss was adequate, and the allowance for loan impairment of the Bank was RMB25,349 million, representing a slight decrease of RMB21 million as compared to the end of the previous year. The allowance to gross loan ratio was 2.65%, and the allowance coverage ratio was 144.42%. All the indicators met the regulatory requirements.

V. ANALYSIS OF FINANCIAL STATEMENTS

(I) Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

1. *Changes in items in the consolidated statement of profit or loss and other comprehensive income*

During the Reporting Period, the Group realized a net profit of RMB4,099 million, representing a year-on-year decrease of 6.91%.

The following table sets forth the changes in key items in the consolidated statement of profit or loss and other comprehensive income of the Group for the periods indicated:

(Unit: RMB'000)

	January to June 2023	January to June 2022	Change (decrease)	Increase (%)
Net interest income	9,327,727	11,351,479	(2,023,752)	(17.83)
Net non-interest income	3,754,795	2,139,229	1,615,566	75.52
Operating income	13,082,522	13,490,708	(408,186)	(3.03)
Operating expenses	(5,360,226)	(4,811,922)	(548,304)	11.39
Impairment losses on assets	(3,063,714)	(3,651,946)	588,232	(16.11)
Profit before taxation	4,658,582	5,026,840	(368,258)	(7.33)
Income tax expense	(559,754)	(623,924)	64,170	(10.28)
Net profit	4,098,828	4,402,916	(304,088)	(6.91)
Total comprehensive income	4,271,345	4,404,463	(133,118)	(3.02)

2. *Net interest income*

During the Reporting Period, the net interest income of the Group amounted to RMB9,328 million, representing a year-on-year decrease of 17.83%.

(1) *Net interest spread and net interest margin*

During the Reporting Period, the net interest spread of the Group was 1.24%, representing a year-on-year decrease of 0.25 percentage point; and the net interest margin was 1.21%, representing a year-on-year decrease of 0.34 percentage point.

The following table sets forth the interest-earning assets and interest-bearing liabilities of the Group for the periods indicated:

(Unit: RMB'000)

	January to June 2023			January to June 2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Assets:						
Loans and advances to customers	950,008,424	22,541,753	4.78	956,712,194	23,035,254	4.86
Financial investments	434,224,052	6,616,298	3.07	384,805,196	6,125,364	3.21
Deposits with the central bank	78,678,502	524,423	1.34	78,707,203	468,560	1.20
Deposits with banks and other financial institutions	33,375,314	146,433	0.88	35,341,158	116,326	0.66
Placements with banks and other financial institutions	23,849,921	477,992	4.04	15,959,455	286,417	3.62
Financial assets held under resale agreements	29,106,237	254,569	1.76	9,573,128	80,353	1.69
Total interest-earning assets	1,549,242,450	30,561,468	3.98	1,481,098,334	30,112,274	4.10
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Liabilities:						
Deposits from customers	892,488,690	12,304,689	2.78	804,633,811	10,290,369	2.58
Deposits from banks and other financial institutions	202,051,507	2,637,715	2.63	204,940,799	2,771,934	2.73
Placements from banks and other financial institutions	31,967,307	589,700	3.72	46,060,403	238,811	1.05
Financial assets sold under repurchase agreements	38,327,084	335,898	1.77	48,864,744	479,967	1.98
Debt securities issued	267,084,850	3,599,145	2.72	254,803,917	3,656,998	2.89
Borrowing from the central bank	128,293,768	1,766,594	2.78	89,904,972	1,322,716	2.97
Total interest-bearing liabilities	1,560,213,206	21,233,741	2.74	1,449,208,646	18,760,795	2.61
Net interest income		9,327,727			11,351,479	
Net interest spread			1.24			1.49
Net interest margin			1.21			1.55

(2) Interest income

During the Reporting Period, the interest income of the Group amounted to RMB30,561 million, representing a year-on-year increase of 1.49%.

Interest income arising from loans and advances to customers

During the Reporting Period, the Group's interest income arising from loans and advances to customers amounted to RMB22,542 million, representing a year-on-year decrease of 2.14%, primarily due to the decrease in the interest income of personal loans and discounted bills as compared to the same period of the previous year.

The following table sets forth the average balance, interest income and average yield for components of loans and advances to customers of the Group for the periods indicated:

(Unit: RMB'000)

	January to June 2023			January to June 2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	544,414,694	12,397,633	4.59	525,485,338	11,761,619	4.51
Personal loans	329,455,130	9,551,365	5.85	341,523,736	10,324,967	6.10
Discounted bills	76,138,600	592,755	1.57	89,703,120	948,668	2.13
Gross loans and advances to customers	950,008,424	22,541,753	4.78	956,712,194	23,035,254	4.86

Interest income arising from deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and interest income arising from financial assets held under resale agreements

During the Reporting Period, the Group's interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions totaled RMB1,149 million, representing a year-on-year increase of 31.85%; and the interest income arising from financial assets held under resale agreements amounted to RMB255 million, representing a year-on-year increase of 216.81%.

Interest income arising from financial investments

During the Reporting Period, the Group's interest income arising from financial investments amounted to RMB6,616 million, representing a year-on-year increase of 8.01%.

(3) Interest expense

During the Reporting Period, the Group's interest expense amounted to RMB21,234 million, representing a year-on-year increase of 13.18%.

Interest expense on deposits from customers

During the Reporting Period, the Group's interest expense on deposits from customers amounted to RMB12,305 million, representing a year-on-year increase of 19.57%.

The following table sets forth the average balance, interest expense and average cost on deposits from customers of the Group for the periods indicated:

(Unit: RMB'000)

	January to June 2023			January to June 2022		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	561,100,337	7,727,198	2.78	548,376,459	7,405,463	2.72
Of which: Demand deposits	189,814,574	1,238,272	1.32	153,447,383	721,656	0.95
Time deposits	371,285,763	6,488,926	3.52	394,929,076	6,683,807	3.41
Personal deposits	197,699,371	2,914,643	2.97	135,113,984	1,883,307	2.81
Of which: Demand deposits	39,153,964	149,277	0.77	39,663,532	66,192	0.34
Time deposits	158,545,407	2,765,366	3.52	95,450,452	1,817,115	3.84
Pledged deposits and others	133,688,982	1,662,848	2.51	121,143,368	1,001,599	1.67
Gross deposits from customers	892,488,690	12,304,689	2.78	804,633,811	10,290,369	2.58

Interest expense on borrowing from the central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions and interest expense on financial assets sold under repurchase agreements

During the Reporting Period, the Group's interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions totaled RMB4,994 million, representing a year-on-year increase of 15.24%; interest expense on financial assets sold under repurchase agreements amounted to RMB336 million, representing a year-on-year decrease of 30.02%.

Interest expense on debt securities issued

During the Reporting Period, the Group's interest expense on debt securities issued amounted to RMB3,599 million, representing a year-on-year decrease of 1.58%.

(4) Impact of changes in volume and interest rate on interest income and interest expense

The following table sets forth the allocation of changes in the interest income and interest expense of the Group due to changes in volume and changes in rate for the periods indicated:

(Unit: RMB'000)

	January to June 2023 vs. January to June 2022 due to changes in volume	January to June 2023 vs. January to June 2022 due to changes in rate	Net increase (decrease) (%)
Loans and advances to customers	(113,961)	(379,540)	(2.14)
Financial investments	758,084	(267,150)	8.01
Deposits with the central bank	1,221	54,642	11.92
Deposits with banks and other financial institutions	(8,449)	38,556	25.88
Placements with banks and other financial institutions	158,336	33,239	66.89
Financial assets held under resale agreements	170,893	3,323	216.81
Changes in interest income	966,124	(516,930)	1.49
Deposits from customers	1,216,300	798,020	19.57
Deposits from banks and other financial institutions	(32,591)	(101,628)	(4.84)
Placements from banks and other financial institutions	(258,963)	609,852	146.93
Financial assets sold under repurchase agreements	(93,183)	(50,886)	(30.02)
Debt securities issued	156,950	(214,803)	(1.58)
Borrowing from the central bank	528,586	(84,708)	33.56
Changes in interest expense	1,517,099	955,847	13.18
Changes in net interest income	(550,975)	(1,472,777)	(17.83)

Note: Changes in interest income and expense caused by both changes in volume and changes in rate have been allocated to the amount of impact of changes in volume on changes in interest income and expense.

3. Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB3,755 million, representing a year-on-year increase of 75.52%.

(1) Net fee and commission income

During the Reporting Period, the net fee and commission income of the Group amounted to RMB1,765 million, representing a year-on-year increase of 23.72%, primarily due to the increase in agency service fees income.

The following table sets forth the principal components of the Group's net fee and commission income for the periods indicated:

(Unit: RMB'000)

	January to June 2023	January to June 2022	Increase (decrease) (%)
Fee and commission income	2,305,676	1,888,967	22.06
Of which: Agency service fees	1,061,631	677,746	56.64
Settlement and clearing fees	567,086	489,911	15.75
Credit commitments and loan service fees	367,658	203,693	80.50
Custodian service fees	151,704	241,511	(37.19)
Consulting service fees	94,112	144,725	(34.97)
Bank card fees	41,961	44,737	(6.21)
Others	21,524	86,644	(75.16)
Fee and commission expense	540,510	462,167	16.95
Net fee and commission income	1,765,166	1,426,800	23.72

(2) Other net non-interest income

During the Reporting Period, other net non-interest income of the Group amounted to RMB1,990 million, representing a year-on-year increase of 179.27%, primarily due to the increase in net trading gains and net gains arising from financial investments as compared to the same period of the previous year.

The following table sets forth the principal components of other net non-interest income of the Group for the periods indicated:

(Unit: RMB'000)

	January to June 2023	January to June 2022	Increase (decrease) (%)
Net trading gains/(losses)	501,268	(320,715)	N/A
Net gains arising from financial investments	1,453,143	993,051	46.33
Other operating income	35,218	40,093	(12.16)
Total	1,989,629	712,429	179.27

4. Operating expenses

During the Reporting Period, the operating expenses of the Group amounted to RMB5,360 million, representing a year-on-year increase of 11.39%, which was mainly due to the increase in staff costs and other general and administrative expenses.

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

(Unit: RMB'000)

	January to June 2023	January to June 2022	Increase (decrease) (%)
Staff costs	3,202,892	2,850,279	12.37
Depreciation and amortization	858,178	793,337	8.17
Taxes and surcharges	224,515	208,045	7.92
Interest expense on lease liabilities	82,199	82,564	(0.44)
Other general and administrative expenses	992,442	877,697	13.07
Total	5,360,226	4,811,922	11.39

5. Impairment losses on assets

The Group strictly followed the regulatory requirements to provide impairment losses on credit based on the principle of prudence. During the Reporting Period, the impairment losses on credit provided by the Group amounted to RMB3,064 million, representing a year-on-year decrease of 16.11%, among which the provision for impairment losses on loans and advances to customers amounted to RMB1,589 million, the impairment losses on investments amounted to RMB1,251 million, and other impairment losses on credit amounted to RMB224 million.

6. Income tax expense

During the Reporting Period, the income tax expense of the Group amounted to RMB560 million, representing a year-on-year decrease of 10.28%, and the effective tax rate was 12.02%. The income tax expense decreased primarily due to a decrease in the profit before taxation.

(II) Items in the Consolidated Statement of Financial Position

1. Items of assets

As of the end of the Reporting Period, the total assets of the Group amounted to RMB1,690,558 million, representing an increase of 1.87% as compared to the end of the previous year, which was mainly due to an increase in asset scale led by the rapid development of financial investments.

The following table sets forth the composition of total assets of the Group as of the dates indicated:

(Unit: RMB'000)

	June 30, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Cash and deposits with the central bank	96,699,571	5.72	108,394,184	6.53	(10.79)
Deposits with banks and other financial institutions	22,491,874	1.33	16,074,856	0.97	39.92
Placements with banks and other financial institutions and financial assets held under resale agreements	27,184,543	1.61	18,333,936	1.10	48.27
Derivative financial assets	2,064,051	0.12	1,211,516	0.07	70.37
Loans and advances to customers	941,761,074	55.71	942,723,216	56.81	(0.10)
Financial investments	569,788,397	33.70	544,533,823	32.81	4.64
Property and equipment	3,609,536	0.21	3,740,467	0.23	(3.50)
Deferred tax assets	14,038,686	0.83	13,105,211	0.79	7.12
Right-of-use assets	4,166,730	0.25	4,024,889	0.24	3.52
Other assets	8,753,694	0.52	7,317,804	0.45	19.62
Total assets	1,690,558,156	100.00	1,659,459,902	100.00	1.87

(1) Loans and advances to customers

As of the end of the Reporting Period, the Group's gross loans and advances to customers (including discounts) amounted to RMB955,013 million, representing a decrease of 0.23% as compared to the end of the previous year.

The following table sets forth the distribution of loans and advances to customers of the Group by product type as of the dates indicated:

(Unit: RMB'000)

	June 30, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Corporate loans and advances	551,426,770	57.74	535,149,187	55.90	3.04
Discounted bills	81,561,885	8.54	85,532,135	8.94	(4.64)
Personal loans	322,024,091	33.72	336,535,656	35.16	(4.31)
Gross loans and advances to customers	955,012,746	100.00	957,216,978	100.00	(0.23)
Interests accrued	10,659,383		9,338,023		
Total	965,672,129		966,555,001		

(2) Financial investments

As of the end of the Reporting Period, the financial investments of the Group amounted to RMB569,788 million, representing an increase of 4.64% as compared to the end of the previous year.

The following table sets forth the composition of financial investments of the Group as of the dates indicated:

(Unit: RMB'000)

	June 30, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Financial investments measured at fair value through profit or loss	147,658,045	25.92	120,542,087	22.14	22.50
Financial investments measured at fair value through other comprehensive income	86,560,506	15.19	101,487,369	18.64	(14.71)
Financial investments measured at amortized cost	335,569,846	58.89	322,504,367	59.22	4.05
Total	569,788,397	100.00	544,533,823	100.00	4.64

Further details of the Group's financial investments are set forth in "Review Report and Interim Financial Report – Notes to the Unaudited Consolidated Financial Statements" in this report.

(3) Financial derivatives transactions

The Group's financial derivatives transactions mainly consist of interest rate swaps, foreign exchange swaps and foreign exchange forwards, etc. The Group flexibly uses various derivative financial instruments to hedge exchange rate and interest rate risks, carries out strategic transactions and reasonably manages the portfolio of derivative financial instrument position, and keeps a sound trading style.

As of the end of the Reporting Period, the contractual amounts and fair value of the main types of unexpired derivative financial instruments held by the Group are set out as follows:

(Unit: RMB'000)

	June 30, 2023			December 31, 2022		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate swaps	257,253,213	24,706	(4,032)	203,353,923	34,495	(32,018)
Exchange rate swaps	54,866,317	748,936	(1,255,897)	34,618,545	635,722	(202,165)
Exchange rate forwards	49,756,077	953,244	(854,787)	52,699,856	471,433	(371,794)
Precious metal swaps	4,305,600	322,246	–	3,319,785	69,866	(7,196)
Option contracts	1,136,844	14,919	(13,060)	–	–	–
Total	367,318,051	2,064,051	(2,127,776)	293,992,109	1,211,516	(613,173)

2. Items of liabilities

As of the end of the Reporting Period, the total liabilities of the Group amounted to RMB1,576,336 million, representing an increase of 1.73% as compared to the end of the previous year, which was mainly due to an increase in total liabilities led by the increase of deposits from customers and the increase in borrowing from the central bank.

The following table sets forth the composition of total liabilities of the Group as of the dates indicated:

(Unit: RMB'000)

	June 30, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Borrowing from the central bank	134,439,888	8.53	117,858,168	7.61	14.07
Deposits from banks and other financial institutions	157,889,895	10.02	181,175,967	11.69	(12.85)
Placements from banks and other financial institutions	29,376,156	1.86	29,434,826	1.90	(0.20)
Derivative financial liabilities	2,127,776	0.13	613,173	0.04	247.01
Financial assets sold under repurchase agreements	37,393,938	2.37	60,223,721	3.89	(37.91)
Deposits from customers	924,437,903	58.64	863,934,028	55.76	7.00
Income tax payable	557,187	0.04	1,124,939	0.07	(50.47)
Debt securities issued	272,647,197	17.30	276,680,991	17.86	(1.46)
Lease liabilities	4,354,940	0.28	4,229,676	0.27	2.96
Other liabilities	13,110,897	0.83	14,233,379	0.91	(7.89)
Total liabilities	1,576,335,777	100.00	1,549,508,868	100.00	1.73

Note: As of June 30, 2023, borrowing from the central bank of RMB134,439,888,000 included the principal amount at a fixed interest rate of RMB132,352,000,000, and the interest payable on the borrowing from the central bank of RMB2,087,888,000.

Deposits from customers

As of the end of the Reporting Period, the gross deposits from customers of the Group amounted to RMB902,753 million, representing an increase of 6.98% as compared to the end of the previous year.

The following table sets forth the distribution of deposits from customers of the Group by product type and customer type as of the dates indicated:

(Unit: RMB'000)

	June 30, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Corporate deposits	577,728,101	64.00	538,102,666	63.77	7.36
Of which: Demand deposits	231,026,345	25.59	174,481,455	20.68	32.41
Time deposits	346,701,756	38.41	363,621,211	43.09	(4.65)
Personal deposits	204,552,301	22.66	168,724,081	19.99	21.23
Of which: Demand deposits	36,376,991	4.03	35,665,919	4.22	1.99
Time deposits	168,175,310	18.63	133,058,162	15.77	26.39
Pledged deposits	120,300,136	13.32	136,752,076	16.20	(12.03)
Fiscal deposits	125,421	0.01	214,725	0.03	(41.59)
Inward and outward remittances	46,822	0.01	80,147	0.01	(41.58)
Gross deposits from customers	902,752,781	100.00	843,873,695	100.00	6.98
Interests accrued	21,685,122		20,060,333		
Total	924,437,903		863,934,028		

3. Total equity

As of the end of the Reporting Period, the total equity of the Group amounted to RMB114,222 million, representing an increase of RMB4,271 million or 3.88% as compared to the end of the previous year, primarily due to an increase of retained earnings of the Group during the Reporting Period.

4. Pledge of assets

Details for the pledge of assets of the Group are set out in "Review Report and Interim Financial Report – Notes to the Unaudited Consolidated Financial Statements" in this report.

5. Overdue and outstanding debts

The Group had no overdue and outstanding debts as of the end of the Reporting Period.

VI. ANALYSIS OF CAPITAL ADEQUACY RATIOS

As of the end of the Reporting Period, the Group calculated the capital adequacy ratios at all levels in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory requirements. In calculating its capital adequacy ratios, the Bank considers itself and the financial institutions it invests directly or indirectly in compliance with the requirements of the regulations. The items related to capital adequacy ratios at all levels calculated by the Group and the Bank in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and the relevant requirements are as follows:

(Unit: RMB'000)

	June 30, 2023		December 31, 2022	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital	94,260,775	94,136,950	89,989,430	89,970,089
Core tier 1 capital regulatory deductions	(4,861,053)	(7,069,840)	(4,362,055)	(6,561,145)
Net core tier 1 capital	89,399,722	87,067,110	85,627,375	83,408,944
Other tier 1 capital	19,961,604	19,961,604	19,961,604	19,961,604
Net tier 1 capital	109,361,326	107,028,714	105,588,979	103,370,548
Tier 2 capital	15,360,503	15,360,503	16,525,540	16,525,540
Of which: Qualifying portion of tier 2 capital instruments enjoying favorable policies during the transitional period	-	-	-	-
Tier 2 capital regulatory deductions	-	-	-	-
Net capital	124,721,829	122,389,217	122,114,519	119,896,088
Capital adequacy ratio^{Note} (%)	11.55	11.34	11.50	11.30
Tier 1 capital adequacy ratio (%)	10.13	9.92	9.94	9.74
Core tier 1 capital adequacy ratio (%)	8.28	8.07	8.06	7.86

Note: Capital adequacy ratio equals net capital/risk-weighted assets*100%. See table below for details of risk-weighted assets.

The following table sets forth the risk-weighted assets calculated by the Group and the Bank in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), among which, credit risk-weighted assets are calculated using the method of weighting, market risk-weighted assets are calculated using the standardized approach, and operational risk-weighted assets are calculated using basic indicator approach.

(Unit: RMB'000)

	June 30, 2023		December 31, 2022	
	The Group	The Bank	The Group	The Bank
Credit risk-weighted assets	1,018,246,312	1,017,697,502	1,003,182,997	1,002,646,155
Of which: On-balance sheet credit risk	950,580,191	950,031,381	938,335,166	937,798,324
Off-balance sheet credit risk	65,132,440	65,132,440	62,706,781	62,706,781
Counterparty credit risk	2,533,681	2,533,681	2,141,050	2,141,050
Market risk-weighted assets	7,011,112	7,011,112	4,233,476	4,233,476
Operational risk-weighted assets	54,462,589	54,462,589	54,462,589	54,462,589
Total risk-weighted assets	1,079,720,013	1,079,171,203	1,061,879,062	1,061,342,220

According to the information disclosure requirements on asset securitization in Appendix 15 of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), as of the end of the Reporting Period, the Group's on-balance sheet credit risk exposure included RMB70,400 million of on-balance sheet asset securitization risk exposure and RMB15,100 million of risk-weighted assets.

VII. LEVERAGE RATIO

The Group measured the leverage ratio pursuant to the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) and relevant regulatory rules as follows:

(Unit: RMB'000)

	June 30, 2023	December 31, 2022
Tier 1 capital	114,222,379	109,951,034
Tier 1 capital deductions	(4,861,053)	(4,362,055)
Total adjusted on-balance sheet and off-balance sheet assets	1,935,361,177	1,943,617,486
Of which: Total adjusted on-balance sheet assets	1,672,365,322	1,653,886,331
Total adjusted off-balance sheet assets	249,912,769	287,609,535
Others ^{Note}	13,083,086	2,121,620
Leverage ratio (%)	5.65	5.43

Note: Others include the assets balance of derivatives and securities financing transactions.

VIII. SEGMENT REPORTING

The following table shows the segment performance of the Group by business segment for the periods indicated:

(Unit: RMB'000)

	January to June 2023		January to June 2022	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Corporate banking	7,177,329	3,591,324	7,006,009	2,279,156
Retail banking	4,656,861	1,302,341	4,829,281	1,155,981
Financial markets	1,219,655	(167,148)	1,616,647	1,662,805
Others	28,677	(67,935)	38,771	(71,102)
Total	13,082,522	4,658,582	13,490,708	5,026,840

The following table shows the segment performance of the Group by geographic region for the periods indicated:

(Unit: RMB'000)

	January to June 2023		January to June 2022	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Northern and Northeastern China	7,169,164	1,405,221	7,291,946	2,892,794
Eastern China	2,532,926	1,904,713	2,821,303	896,748
Central and Southern China	2,514,847	820,731	2,481,217	1,032,944
Western China	865,585	527,917	896,242	204,354
Total	13,082,522	4,658,582	13,490,708	5,026,840

IX. LOAN QUALITY ANALYSIS

(I) Distribution of Loans by Five-category Classification

(Unit: RMB'000)

	June 30, 2023		December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Normal loans	910,341,503	95.32	912,701,089	95.35
Special mention loans	27,118,483	2.84	27,709,018	2.89
NPLs	17,552,760	1.84	16,806,871	1.76
Of which: Substandard loans	5,705,130	0.60	5,763,962	0.61
Doubtful loans	6,562,632	0.69	6,141,332	0.64
Loss loans	5,284,998	0.55	4,901,577	0.51
Gross loans and advances to customers	955,012,746	100.00	957,216,978	100.00

(II) Loan Migration

(Unit: %)

	June 30, 2023	December 31, 2022	December 31, 2021
Migration rate of normal loans	1.17	1.33	3.00
Migration rate of special mention loans	11.31	19.93	19.62
Migration rate of substandard loans	91.45	74.56	89.73
Migration rate of doubtful loans	30.53	15.65	17.24

(III) Distribution of Loans and NPLs by Product Type

(Unit: RMB'000)

	June 30, 2023				December 31, 2022			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Corporate loans and advances	551,426,770	57.74	9,637,928	1.75	535,149,187	55.90	10,007,974	1.87
Of which: Short-term corporate loans	199,291,008	20.87	4,912,262	2.46	191,629,085	20.02	5,311,928	2.77
Medium- and long-term corporate loans	352,135,762	36.87	4,725,666	1.34	343,520,102	35.88	4,696,046	1.37
Discounted bills	81,561,885	8.54	-	-	85,532,135	8.94	5,787	0.01
Of which: Bank acceptance bills	80,656,600	8.45	-	-	84,325,036	8.81	-	-
Commercial acceptance bills	905,285	0.09	-	-	1,207,099	0.13	5,787	0.48
Personal loans	322,024,091	33.72	7,914,832	2.46	336,535,656	35.16	6,793,110	2.02
Of which: Residential and commercial housing loans	171,178,799	17.93	1,748,989	1.02	179,624,947	18.77	1,379,772	0.77
Personal consumption loans	105,469,609	11.04	5,368,526	5.09	104,693,328	10.94	4,852,040	4.63
Personal business loans	45,375,683	4.75	797,317	1.76	52,217,381	5.45	561,298	1.07
Gross loans and advances to customers	955,012,746	100.00	17,552,760	1.84	957,216,978	100.00	16,806,871	1.76

(IV) Distribution of Corporate Loans and NPLs by Industry

(Unit: RMB'000)

	June 30, 2023				December 31, 2022			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Lease and business services	194,623,105	20.38	1,392,333	0.72	187,018,161	19.54	1,489,632	0.80
Real estate	89,857,889	9.41	2,788,274	3.10	92,621,820	9.68	2,656,910	2.87
Manufacturing	81,898,155	8.58	1,853,733	2.26	82,907,974	8.66	2,040,884	2.46
Water conservancy, environment and public facilities management	60,560,642	6.34	32,330	0.05	60,278,167	6.30	27,684	0.05
Wholesale and retail	38,973,582	4.08	1,693,430	4.35	35,853,747	3.75	1,742,906	4.86
Construction	24,909,226	2.61	773,421	3.10	25,013,619	2.61	930,127	3.72
Transportations and communications, storage and post	12,308,303	1.29	429,844	3.49	12,309,380	1.29	425,846	3.46
Finance	11,980,080	1.25	-	-	7,355,225	0.77	-	-
Production and supply of electricity, heat, gas and water	10,712,107	1.12	105,936	0.99	10,304,895	1.08	125,939	1.22
Mining	6,269,461	0.66	115,829	1.85	7,873,478	0.82	117,479	1.49
Information transmission, software and IT services	4,448,110	0.47	48,405	1.09	2,103,520	0.22	81,252	3.86
Agriculture, forestry, animal husbandry and fishery	4,105,637	0.43	15,000	0.37	3,242,134	0.34	15,000	0.46
Scientific research and technical services	3,566,679	0.37	101,327	2.84	2,070,561	0.22	100,154	4.84
Others	7,213,794	0.75	288,066	3.99	6,196,506	0.62	254,161	4.10
Gross corporate loans and advances	551,426,770	57.74	9,637,928	1.75	535,149,187	55.90	10,007,974	1.87

(V) Distribution of Loans and NPLs by Geographical Areas

(Unit: RMB'000)

	June 30, 2023				December 31, 2022			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Northern and Northeastern China	433,025,660	45.35	7,043,088	1.63	426,563,367	44.57	6,550,635	1.54
Eastern China	218,811,002	22.91	2,835,378	1.30	222,939,866	23.29	2,812,813	1.26
Central and Southern China	222,357,592	23.28	6,904,194	3.10	224,585,557	23.46	6,801,970	3.03
Western China	80,818,492	8.46	770,100	0.95	83,128,188	8.68	641,453	0.77
Gross loans and advances to customers	955,012,746	100.00	17,552,760	1.84	957,216,978	100.00	16,806,871	1.76

(VI) Distribution of Loans and NPLs by Security Type

(Unit: RMB'000)

	June 30, 2023				December 31, 2022			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Collateralized loans	299,293,726	31.34	6,341,028	2.12	307,784,561	32.15	5,486,068	1.78
Pledged loans	160,554,002	16.81	1,452,990	0.90	166,710,257	17.42	1,534,545	0.92
Guaranteed loans	289,047,737	30.27	3,955,389	1.37	295,736,739	30.90	4,529,245	1.53
Unsecured loans	206,117,281	21.58	5,803,353	2.82	186,985,421	19.53	5,257,013	2.81
Gross loans and advances to customers	955,012,746	100.00	17,552,760	1.84	957,216,978	100.00	16,806,871	1.76

(VII) Distribution of Loans by Overdue Period

As of the end of the Reporting Period, the overdue loans amounted to RMB28,833.41 million, representing an increase of RMB2,182.94 million as compared to the end of the previous year.

(Unit: RMB'000)

	June 30, 2023		December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Overdue within three months	12,438,923	1.30	12,218,342	1.28
Overdue more than three months to one year	5,678,756	0.60	4,544,252	0.47
Overdue more than one year to three years	7,830,297	0.82	8,019,592	0.84
Overdue more than three years	2,885,433	0.30	1,868,287	0.20
Total overdue loans	28,833,409	3.02	26,650,473	2.79
Gross loans and advances to customers	955,012,746	100.00	957,216,978	100.00

(VIII) Loans to Ten Largest Customers Who Are Single Borrowers

(Unit: RMB'000)

Borrower	Industry	June 30, 2023			
		Amount	NPL amount	% of net capital base	% of gross loans
Customer A	Lease and business services	7,940,000	–	6.37	0.83
Customer B	Manufacturing	7,459,997	–	5.98	0.78
Customer C	Lease and business services	7,243,424	–	5.81	0.76
Customer D	Lease and business services	6,700,678	–	5.37	0.70
Customer E	Lease and business services	6,095,000	–	4.89	0.64
Customer F	Construction	5,582,000	–	4.47	0.58
Customer G	Lease and business services	4,400,000	–	3.53	0.46
Customer H	Manufacturing	4,358,160	–	3.49	0.46
Customer I	Manufacturing	4,212,888	–	3.38	0.44
Customer J	Lease and business services	3,600,000	–	2.89	0.38
Total	–	57,592,147	–	46.18	6.03

(IX) Restructured Loans

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorates, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As of the end of the Reporting Period, the balance of restructured loans amounted to RMB1,095.7972 million, representing a decrease of 9.70% as compared to the end of the previous year.

(X) Repossessed Assets

As of the end of the Reporting Period, the Bank had no repossessed assets.

(XI) Disposal of Non-Performing Assets

As of the end of the Reporting Period, the Bank had disposed of RMB5,278 million of non-performing assets through means such as cash collection, write-off of bad debts, and others.

(XII) Allowance for Loan Impairment

1. Loans and advances to customers measured at amortized cost

(Unit: RMB'000)

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Opening balance	23,831,785	22,744,711
Charge	1,688,906	2,585,271
Transfer out	–	(93,980)
Write-off	(1,806,412)	(3,098,998)
Recoveries	188,274	153,903
Exchange rate changes and others	8,502	9,415
Closing balance	23,911,055	22,300,322

2. Loans and advances to customers measured at fair value through other comprehensive income

(Unit: RMB'000)

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Opening balance	1,538,132	87,437
(Reversal)/charge	(100,080)	1,250,851
Transfer out	–	–
Write-off	–	–
Recoveries	–	–
Exchange rate changes and others	–	–
Closing balance	1,438,052	1,338,288

(XIII) Large Exposure

The Bank has strictly implemented the regulatory requirements of the Rules on Large Exposure of Commercial Banks (《商業銀行大額風險暴露管理辦法》) and established a large exposure management system. According to its own risk appetite, risk profile, management level and capital strength, the Bank sets internal management limits that are more stringent than the regulatory limits, and conducts continuous monitoring, early warning and control of large exposures. During the Reporting Period, all concentration indicators of large exposures of the Bank met regulatory requirements.

X. MAIN BUSINESS OPERATION AND MANAGEMENT

(I) Corporate Banking Business

During the Reporting Period, the corporate banking adhered to its fundamental purpose of serving the national strategic objectives and the real economy, focused on creating three featured services of “industry banking, professional banking, and ecological banking” around the strategic planning of corporate business, insisted on transforming to FPA and transaction banking, and continued to improve the four major systems of customer base, channel, product and management, accelerated the construction of a digital platform for corporate business, and realized the healthy and orderly development of corporate banking business while maintaining effective risk control.

Customer development

During the Reporting Period, the corporate banking adhered to customer-centric operation, continued to strengthen the development of corporate customers, strengthened comprehensive customer services, and continuously consolidated the customer base. For strategic customers, it has gradually built a strategic customer marketing management system. For institutional customers, it made significant customer expansion in education, people’s livelihood, government affairs and other fields, obviously promoted the contracting of customers for payroll service, and soundly linked the wholesale and retail banking businesses. For basic customers, it focused on high-quality small, medium and micro customer groups, accurately targeted customers, strengthened customer acquisition through channels, and pursued customer planning from the source.

Liability business

During the Reporting Period, the corporate banking insisted on “developing bank by deposit”, and enhanced the stability and increase of deposits. It continuously broadened the sources of liabilities, optimized the liability structure, increased the proportion of demand deposits, and promoted the increase in both the quantity and quality of corporate liabilities. Meanwhile, it made great efforts in expanding institutional deposits, and, with finance as the core, made breakthroughs in special bonds, government guidance funds, bankruptcy administrators and other business fields. As of the end of the Reporting Period, the gross corporate deposits amounted to RMB577,728 million, representing an increase of RMB39,625 million or 7.36% as compared to the end of the previous year.

Asset business

During the Reporting Period, in accordance with the national macro-control policies and industrial development direction, the corporate banking continued to improve the alignment between its business layout and the real economy, and continued to grant more loans in manufacturing, green finance, rural revitalization and other fields. At the same time, in order to follow the national financial policy on real estate, it maintained reasonable and moderate real estate financing, supporting the stable and healthy development of the real estate market. As of the end of the Reporting Period, the gross corporate loans amounted to RMB551,427 million, representing an increase of RMB16,278 million or 3.04% as compared to the end of the previous year.

Transaction banking business

During the Reporting Period, the transaction banking served the real economy, vigorously developed asset-light business, continuously improved its digital level, and continued to optimize its customer base and business structure. It established the brand of "Boyin Global Express Remittance" and launched the industry-pioneering "transparent showcase + dynamic map navigation" function to offer customers a brand new cross-border payment and settlement experience. It upgraded the PBoC's electronic L/C and electronic forfaiting system, expanded the application scenarios of the electronic letter of guarantee business, and introduced "Boyin Swift Top-up (渤銀閃電充)" and "Boyin L/C Acceptance (渤銀證兌通)" products, which provided financing convenience for enterprises. It continuously improved the online and automated service capabilities of the new generation of bill products and systems, gave full play to the detachable and transferable nature of the new generation of bills, and enriched the embedding of bills into transaction scenarios, returning to the essence of settlement, and reducing the financing cost of corporate supply chains.

During the Reporting Period, the transaction banking achieved a non-interest income of RMB869 million, representing a year-on-year increase of 13%. The volume of domestic trade financing such as domestic L/C, forfaiting and factoring achieved substantial growth, with a total financing amount of RMB130.1 billion, representing a year-on-year increase of 224%. The new generation of bill business has been fully implemented in 34 tier-one branches across the country, steadily accumulating high-quality basic bill customer groups, with 4,648 contracted customers. The domestic L/C business has acquired a total of 725 customers, representing a year-on-year increase of 373.9%. The number of international settlement customers increased by 559, representing an increase of 105% over the same period last year. Electronic channels such as corporate online banking, direct Bank-Corporation Connection APIs and mobile banking continued to iterate their functions. In pursuit of customer experience as always, the transaction banking continuously iterated and upgraded transaction banking products, improved the level of professional service, and met the multi-dimensional financial needs of enterprises.

Investment banking business

During the Reporting Period, the investment banking business firmly adhered to the FPA business development concept, focused on customer demand, started from both debts and assets, and diversified the fund sources and asset allocation in the direct financing and indirect financing markets. Starting from various aspects such as general loans, bond underwriting, transaction facilitation, corporate financing and asset securitization, with reference to the changes in market condition and the characteristics of different financing channels, and following the service concept of integrating investment banking and commercial banking, the Bank made efforts to improve the comprehensive financial service capabilities of serving listed companies and companies to be listed, and provided full-cycle, three-dimensional and multi-level financing support for corporate customers, in order to accelerate the transformation of comprehensive service for corporate customers. In particular, the M&A and syndicated loan businesses meet the core needs of customers by focusing on key strategic customers and characteristic service scenarios, and actively built “headquarters-to-headquarters, branches-to-branches” marketing and distribution channels with various peer banks. The bond underwriting business gave full play to its role as a “hook” and actively expanded high-quality customer base. While improving the comprehensive income level, the Bank expanded the supply chain finance, corporate finance and other businesses for core enterprises by introducing a group of large and medium-sized customers. The transaction facilitation business focused on building cooperation with non-bank peers, integrating the external superior market resources for internal use, and “bridging the way” for enterprises to form a linkage ecosystem of “channel-funds-deposit/customers”. For corporate wealth management business, the Bank continued to improve the product portfolio, gave full play to the advantages of acting as a link between organization and sales of assets, and achieved efficient matching of different types of high-quality assets and funds with different risk preferences through a series of measures such as diversifying product portfolio and optimizing institutional processes, so as to meet the diverse needs of corporate customers on wealth management and become a “gold medal wealth management service provider”. The asset securitization business is committed to opening up the circulation channels of public credit asset securitization, revitalizing the existing credit resources, and enhancing the Bank’s service capacity to customers.

Asset custodian business

During the Reporting Period, the asset custodian business focused on the four strategic products, namely wealth management products, trust plans, mutual funds and private funds, in terms of marketing, and strengthened the services of cross-border custody business such as QDII and QFII, which further enriched its business variety and strengthened the customer base. It strengthened the digital construction of custody business services, and was committed to continuous optimization of customer service experience and iterative upgrade of the whole process business management system. A sound system for the asset custody business was established and the ability to operate in compliance with regulation of the asset custody business was enhanced. As of the end of the Reporting Period, the custodian and outsourcing business reached RMB2,004,772 million, generating revenue of RMB152 million from the intermediary custodian and outsourcing business for the first half of the year.

Inclusive finance business

During the Reporting Period, the Bank actively implemented the decisions and deployments made by the Party Central Committee and the State Council on inclusive finance, strengthened its responsibility and accountability, and continuously strengthened and deepened the financial services for small and micro enterprises. It always took serving the real economy as the starting point and goal, and fully supported the relief and recovery of small and micro enterprises. Focusing on “two districts” (communities and parks), “two chains” (supply chain and industry chain) and ecological customer groups, the Bank continuously improved its products, markets, and pricing strategies, and further strengthened team building, process optimization, risk management, and system construction. As of the end of the Reporting Period, the balance of inclusive small and micro loans of the Bank was RMB61.227 billion, and the number of loan accounts was 140,262. At the same time, the Bank continued to strengthen fee reduction and interest concession, further reducing the financing costs of small and micro enterprises. In the first half of 2023, the average interest rate of inclusive small and micro loans decreased by 0.84 percentage point from the beginning of the year, which strongly supported the high-quality development of small and micro enterprises.

(II) Retail Banking Business

The retail banking implemented the strategic deployment of the Fourth “Five-Year Plan”, continued to build retail business infrastructure, focused on basic capacity building, and accelerated the transformation of integrated retail operations and management. During the Reporting Period, the retail banking achieved operating income of RMB4,657 million; the balance of retail deposits amounted to RMB204,552 million, representing an increase of RMB35,828 million or 21.23% as compared to the end of the previous year. The total number of retail customers was 7,328,700, representing a net increase of 607,300 or 9.03% as compared to the beginning of the year.

Customer development

During the Reporting Period, the Bank focused on the construction of customer acquisition system through retail channels, and strengthened efforts to expand customers through channels. Firstly, the Bank firmly established the core customer management logic of “customer expansion, acquisition, activation, stickiness, retention, and transmission with the use of channels, products, innovation, experience, services, and reputation”. Starting from customer expansion with the use of channels, the Bank enriched the construction of scenarios of business outlets and circles, which facilitated the steady increase in retail customers. Secondly, the Bank strengthened the application of fintech means, accelerated the application of automatic marketing tools for customer expansion with the use of channels, and provided customers with customized, frictionless and ubiquitous financial service experience. Thirdly, the Bank continued to enrich the construction of the three-level customer expansion system, with the headquarters, branches and sub-branches coordinating promotion efforts to improve quality and efficiency of retail customer expansion. Fourthly, the Bank strengthened the public-private linkage to accelerate the development of agency business, continued to optimize the function of the agency service, provided online exclusive management, and improved the management of individual agency customers. As of the end of the Reporting Period, the total number of retail customers was 7,328,700, representing a net increase of 607,300 or 9.03% over the beginning of the year, or a period-on-period increase of 20.40%. The Bank served a total of 25,131,600 individual customers, representing an increase of 12.38% over the beginning of the year.

Wealth management business

During the Reporting Period, the agency wealth management business had made a breakthrough and launched its first agency wealth management product. The agency standardized trusts covered the entire market, strategy and pipeline, and were available on a regular basis to meet customers’ diversified wealth management needs. As of the end of the Reporting Period, the Bank’s assets under management amounted to RMB349,000 million. The Bank adhered to professional empowerment and built a team of professional customer managers. The agency insurance business achieved breakthroughs. During the Reporting Period, revenue from the intermediary business under the agency insurance business was RMB57.082 million, representing a year-on-year increase of 178.61%. The Bank continued to improve our comprehensive service system for private banking and developed four major types of value-added services, namely, health butler, travel butler, intelligent butler and education butler, so as to continuously enhance the comprehensive ability to serve private banking customers. During the Reporting Period, the average wealth assets of private banking customers increased by 5.04%.

Asset business

During the Reporting Period, following China's credit policy, the retail asset business continuously improved the spectrum of consumer loan products and broadened the scenario ecosystem to maintain steady development. Firstly, the Bank diversified new products and new models for mortgage loans, promoted personal judicial auction housing mortgage loans, second-hand housing mortgage transfer loans and exclusive repayment methods for new citizens, reasonably arranged allocation of mortgage loans, and fully supported rigid and improved housing loan needs. During the Reporting Period, mortgage loans of RMB9,026 million were granted. Secondly, the Bank fully leveraged the advantages of its blockbuster product Golden Lending Loan to improve product integration capabilities, in-depth marketing capabilities and risk control capabilities. Thirdly, the Bank actively promoted the implementation of the "bank-government interaction" projects, continued to connect with public information data providers in relation to government affairs in various regions, and created and launched regionally customized, differentiated, and personalized public credit products.

As of the end of the Reporting Period, the Bank's gross retail loan was RMB322,024 million, which was relatively stable.

Credit card business

During the Reporting Period, revenue from the credit card business was RMB111 million, representing a year-on-year increase of 8.55%.

During the Reporting Period, the credit card business gave full play to the role of credit cards in acquiring customers, generating revenue, and enriching the brand, deepened the scenarios of customer acquisition, and developed credit cards into an important channel for expanding retail customers and an effective carrier for enriching the brand of the whole bank. The Bank accelerated digital transformation, focused on creating a new generation of digital credit card product Hi Card, and launched the Himi Club on the basis of fully integrating the deep operation of the Internet and customer life cycle management to create a Hi Card membership system to achieve comprehensive and effective customer base management. The Bank also introduced cash rebates for every transaction, consumption discount coupons and other privileges, so as to improve customer life cycle management capabilities. As of the end of the Reporting Period, the Bank had issued an aggregate of 1,257,300 credit cards, representing an increase of 21.58% as compared to the end of the previous year. Credit card loan balance was RMB5,567 million, representing an increase of 5.15% as compared to the end of the previous year.

(III) Financial Market Business

During the Reporting Period, in response to the macroeconomic situation and regulatory guidance, the financial market business of the Bank continuously optimized the asset-liability structure, deepened the customer base, ensured the safety of liquidity across the bank, enriched financial market products, improved market rankings, and served the real economy under the premise of operating in accordance with laws and regulations and keeping the bottom line of risk. It pushed ahead with various business plans in an orderly manner, with remarkable achievements in transformation and development.

Wealth management business

During the Reporting Period, in order to meet the demands for high-quality wealth management products and diverse wealth management services of customers, the Bank continued to enrich our wealth management product type and optimize product functions. It actively expanded out-of-bank agency sales channels and reached agency sales cooperation with a number of consignment agencies. During the Reporting Period, the Bank launched 238 non-principal guaranteed wealth management products within the scope of consolidation with a total sales amount of RMB341,677 million. As of the end of the Reporting Period, the Bank had 363 existing non-principal guaranteed wealth management products within the scope of consolidation with a balance of RMB137,951 million, of which net-worth wealth management products accounted for 85.22%. Among wealth management products, closed-end products accounted for 37.77%, and open-end products accounted for 62.23%. The assets of wealth management products were mainly allocated in the fixed income category, 63.66%, 19.05% and 4.52% of which were invested in bonds, non-standardized bonds and equity assets, respectively, while the remaining assets, including cash and interbank assets purchased under resale agreements, public funds and interbank deposit, accounted for 12.77%.

Treasury business

The Bank paid close attention to the market trends, strengthened market research and judgment, actively carried out various currency market transactions, earnestly fulfilled the duties of primary dealers, expanded transaction scale and counterparties, and actively participated in various transactions of the China Foreign Exchange Trade System. In the first half of 2023, the pledged repo trading volume of RMB bonds amounted to approximately RMB5.25 trillion, representing a year-on-year increase of nearly 50%. The Bank won the award of repo active trader from the China Foreign Exchange Trade System, which significantly enhanced its influence in the interbank market.

Facing the complex and volatile financial environment in both domestic and overseas markets, the Bank grasped the market opportunities, strengthened the study and judgment of trends of exchange rate and foreign currency market interest rates, flexibly adjusted trading strategies, actively carried out transactions in the interbank foreign exchange market, continuously improved its own trading capabilities, and enthusiastically participated in various standardized trading operations in the China Foreign Exchange Trade System. During the Reporting Period, the Bank's ranking in all terms of foreign exchange transactions improved to varying degrees compared to the same period of the previous year, in which, the Bank ranked among the top 45 in terms of RMB foreign exchange swap market transactions.

Bond business

In the face of the complex and volatile bond market, the Bank has focused the development of its bond business, flexibly utilized a different set of strategies for asset allocation, actively explored bond trading value, and steadily improved comprehensive income from bonds. As a general market maker in the interbank bond market, the Bank effectively fulfilled its obligations as a market maker, actively improved the bilateral quotation model, enriched the types of market-making transactions, improved market pricing capabilities and promoted the Bank as a comprehensive and competitive bond market maker. During the Reporting Period, the Bank maintained steady growth in the volume of various financial market bond business, and recorded spot trading volume of nearly RMB1.7 trillion, representing a year-on-year increase of 47.33%.

During the Reporting Period, the Bank significantly improved our market ranking in bond business. In the first half of 2023, the Bank ranked 21st in the Export-Import Bank of China Financial Bond Underwriting Group, representing an improvement of 25 places from 2022, and underwrote the Export-Import Bank of China Green Financial Bonds as the lead underwriter for the first time. The Bank continued to strengthen financial support for key areas such as the rural areas, agriculture and farmers, rural revitalization, green industry development, and urban infrastructure construction through interest rate debt undertaking and distribution, helping to open up the credit transmission mechanism.

Interbank business

During the Reporting Period, apart from effective prevention and control of financial risks, the Bank promoted the transformation of asset allocation to a "light capital and light asset" approach, reduced the scale of non-standard asset business, increased the proportion of standardized and low risk weight assets, and continued to promote the development of interbank credit investment and financing business. The Bank continued to enrich the varieties of interbank liabilities business, strengthened cost control, optimized business processes, improved electronic transaction channels, such as online and internet banking, enhanced customer experience, returned to the origin of interbank business, and supported the real economy.

During the Reporting Period, the Bank continued to explore and promote the integrated operating system for interbank customers. By strengthening the application of customer territorial management and classification and stratification, the Bank selected core and key interbank customers based on quantitative data, continued to build customer KYP profiles to continuously improve the average contribution of interbank customers. During the Reporting Period, the Bank achieved a coverage rate of 31.49% of target territorial interbank customers. At the same time, the Bank launched Phase II of the Interbank Online Banking, an exclusive platform for the management of interbank customers, which improved the exclusive electronic business channels for interbank customers to be line with the industry benchmark, enhanced digital operation capabilities, updated interbank product marketing manuals, and enhanced our management capability in terms of customer expansion, acquisition, activation, stabilization, stickiness and transmission by integrating online and offline operations.

Bill transactions business

During the Reporting Period, the Bank timely seized the favorable trading opportunities, and actively conducted transactions on bill markets to enlarge transaction volume. Meanwhile, the Bank extensively contacted all kinds of transaction entities in the bill market, which expanded our market influence, and improved customer acquisition and profitability. The commencement of operation of the new generation of bill system of Shanghai Commercial Paper Exchange enabled the Bank to fully achieve online transaction process, standardized transaction nodes, paperless transaction information and intelligent quota occupation, which enhanced our transaction capability in the second-tier bill market.

Interbank credit

During the Reporting Period, the Bank was granted sufficient credit limits by domestic and foreign banks with a wide range of products to maintain a stable development of all its businesses. As of the end of the Reporting Period, more than 1,500 banking institutions provided credit to the Bank in total, with an aggregate amount of nearly RMB1.6 trillion.

Agency business

During the Reporting Period, the Bank continued to focus on our agency business of treasury transactions, and the head office and branches cooperated in multiple directions to promote the healthy and rapid business development. The Bank carried out customer research in various ways to look into customer needs. The Bank assisted its branches to strengthen customer marketing and provided customers with personalized business solutions. The Bank stepped up product development and realized the transformation from basic agency trading products to a combination of products that fully meet customer needs. The Bank promoted the construction of the agency capital trading system, enriched product functions and improved business efficiency. The Bank insisted on carrying out product training, compliance training, and qualification certification examinations to improve the skills of product managers. The Bank also actively implemented the self-regulatory mechanism for foreign exchange, increased our effort in the promotion of exchange rate risk awareness and helped establish risk-neutral concept for exchange rate among real enterprise customers.

(IV) Online Financial Business

During the Reporting Period, adhered to the aspiration of “putting people first”, the online financial business of the Bank implemented the strategic deployment of the Fourth “Five-Year Plan”, developed the “Boyin E-home” retail banking business philosophy and service brand, solidly promoted the progress of integration, digitalization and ecosystem construction, and provided customers with all-round, three-dimensional and zero-distance comprehensive financial services.

Intensive cultivation in digital engine to help upgrade service experience

As our major channel of customer service, the major battlefield of product innovation and the major front of ecosystem construction, our mobile banking has been iteratively upgraded around the “finance + life” dual model. The Bank focused on refining high-frequency scenarios such as wealth companionship, financing installment, payment and settlement, life rights services, and content information, enriched our product portfolio of “Boyin E-finance”, “Boyin E-loan” and “Boyin E-payment”, created special sessions for pension, private banking, agency payment and smart campus, and provided butler-style services integrating exclusive products, market information, industry analysis and special privileges. Our “Bo Lan Hui (渤攬惠)” life rights services platform focuses on services with local characteristics, covering high-quality life scenarios such as culture and entertainment, rural revitalization, transportation and living payment, and providing convenient and beneficial services for consumers. With the development goal of “Better Finance for Better Life”, our mobile banking helps every family to make better use of their wealth and optimize their lives, and comprehensively creates a new service experience of inclusive, intelligent, frictionless and warm “family culture” in Bohai Bank.

Being customer-oriented, our mobile banking leverages integrated marketing, integrated risk control and integrated data system, and has established an online integrated service platform integrating product, content and customer operation, as well as security control, which is in line with users' thinking process. Equipped with a package of agile and efficient online digital marketing tools, we established a customer portrait model for intelligent and accurate delivery. Through our multi-channel linkage mechanism with Bohai on the Palm (掌上渤海), WeCom account and 5G messaging bank, we achieved accurate and rapid access to multiple customers and multiple customer groups. We customized the asset allocation plan based on customer group features, provided customers with the ultimate service experience with refined and differentiated services, and reshaped the business and service journey with consistency of use, continuity of concept and foresight of innovation.

Keeping innovation to promote the traffic value conversion with ecosystem scenarios

Adhering to the "people-oriented payment" service concept, the Bank has continuously introduced various collection and payment functions, such as order payment, online credit, personal and corporate entrusted collection, to meet the fund settlement needs of customers in different scenarios. Based on "account + payment + financial products", the Bank actively embraced big data, artificial intelligence, cloud computing, blockchain and other technologies, deeply explored and understood the financial needs of customers, embedded digital and intelligent financial services such as intelligent marketing and intelligent risk control, built a closed-loop ecosystem with the "mobile banking" APP as the core, and constructed an open ecosystem with "open platform" API as the starting point, and strived to provide customers with customized, invisible and ubiquitous financial services.

Focusing on the financial needs of different customer groups, the Bank carried out three-dimensional, in-depth and all-round operational services, and developed ecosystem service scenarios such as smart business circle, smart campuses and smart canteens. The "smart business circle" scenario connects outlets, neighboring supermarkets and customers to establish a relationship bond and build an outlet-centered community convenience financial ecosystem. The Bank simultaneously established a "mobile business circle" in mobile banking, which gathered high-quality business circle services and rights service resources, and created an online-offline integrated marketing system of user traffic acquisition, intensive customer cultivation and value mining. The "smart campus" scenario focuses on the campus business such as education payment and daily consumption, and provides integrated campus financial service solutions including account system, fee payment and deposits for schools, teachers, students and parents with "1+N+X" system, which has covered more than 300 campuses in various provinces across the country. For different fields such as government and daily life, retail consumption, industry and banking peers, the Bank will continue to build industry scenario service platforms, provide products and service solutions, and achieve mutual assistance and success with ecosystem partners in terms of traffic, brand and technology resources.

(V) The Construction of Branches

During the Reporting Period, the Bank newly established 17 sub-branches.

As of the end of the Reporting Period, the Bank has established outlets in 25 provinces, municipalities and autonomous regions, 5 sub-provincial cities and the Hong Kong Special Administrative Region, covering 65 key cities nationwide, and has established 36 tier-one branches (including 3 branches in Suzhou, Qingdao and Ningbo under direct management of the Head Office and 1 overseas branch), 33 tier-two branches, 261 sub-branches, and 21 small and micro community sub-branches. The total number of officially opened outlets reached 351.

(VI) Information Technology Construction

In 2023, adhering to the development vision of a “modern wealth and treasury manager offering the best experience”, the Bank considered digital transformation as one of the key drivers to achieve high-quality financial development. It closely focused on the financial technology transformation work ideas of “middle-end platform architecture, data-driven, intelligent operation and maintenance, agile and proactive”, and continued to promote technology innovation and application through cloud computing, artificial intelligence, natural language processing, knowledge graphs, big data and other technologies, which provided strong technological support for business development, and supported the Bank to embark on a new journey of transformation, revitalization and high-quality development.

During the Reporting Period, the Bank continued to consolidate the foundation of the technology talent team, stimulated the innovation vitality of technology talents, and strengthened the innovation of technology talents. As of the end of the Reporting Period, the Bank had 1,317 technology personnel, accounting for 9.91% of its contract employees. The Bank optimized the structure of technology talents, focused on increasing investment in technology talents in terms of customers, marketing, channels, and risk control, strengthened enterprise-level sharing capacity building, and improved digital support for business.

During the Reporting Period, the Bank made every effort to promote high quality development in terms of information technology construction, with an investment in technology of RMB530 million as of the end of the Reporting Period. The Bank paid close attention to promoting innovation with science and technology and improved business development in terms of quality and efficiency with technological means, focusing on serving the real economy: the Bank launched the Global Express Remittance 3.0 project to start a new journey of cross-border remittance experience with the industry-pioneered “global navigation – transparent window”, and simultaneously offered the “Hundred Currency Connect” service, effectively helping small and medium-sized enterprises to achieve “one account with one hundred currencies to reach the world” in the planning for international industrial chain. The Bank created a blockchain financial platform to provide new economic settlement tools for enterprises, which improved settlement efficiency, and created a convenient and low-cost new financing channel. The Bank continued to enrich the Boyin E-finance product system to integrate the trust system with asset allocation, and provide differentiated wealth management services for mid-to high-end customers. The Bank promoted the construction of the Boyin E-payment product system, opened up the agent collection channel, developed standardized products, and provided customers with flexible, convenient and safe agent collection services. Further, the Bank continued to accelerate the construction of key projects such as the financial market agency fund trading system, Boyin E Butler, the new version of corporate mobile banking and corporate WeChat banking, comprehensively enhancing the customer service experience, and helping the Bank to build its digital financial service capabilities.

During the Reporting Period, the Bank continued to establish a comprehensive and proactive safety production operation system, reinforced the foundation of production operation safety, and achieved the operation indicator of 99.99% key system availability rate. The Bank accelerated the key infrastructure construction, continuously improved the multi-active cloud computing platform based on Bohai Cloud (渤海雲) with four centers in two places, and consolidated the same-city, multi-site resilience capability. The Bank accelerated the technological upgrading of cloud architecture, promoted the mixed deployment of one cloud and multiple cores of Bohai Cloud platform, improved the ability to comprehensively manage multiple chip servers, and laid a solid foundation for upgrading the production environment. Further, the Bank refined safe operation management, comprehensively strengthened daily monitoring and protection, and ensured the safe and stable information system operation.

(VII) Business Profiles of Overseas Branch

The Hong Kong Branch of the Bank was established in 2020 and is the first overseas branch of the Bank. The Hong Kong Branch, as a licensed bank, operates a full range of commercial banking services. Presently, its scope of operations mainly involves wholesale banking and treasury business. The Hong Kong Branch is focusing on cross-border banking services and business development opportunities such as the “Belt and Road”, RMB internationalization and the Guangdong-Hong Kong-Macao Greater Bay Area, to enhance the Bank’s international business and provide one-stop services for domestic and foreign customers, including a wide range of wholesale banking services and products, such as integrated account management, cross-border RMB, deposits, treasury settlement and clearing, corporate financing business including but not limited to cross-border business, green financing, trade financing, bilateral loans, syndicated loans, collateral loans, guarantee business, etc. At the same time, it is involved in money market business, bond investments, certificate of deposit issuance, notes issuance and foreign exchange transactions, etc. At the end of the Reporting Period, total assets of Hong Kong Branch of the Bank equivalent of HK\$12.181 billion.

(VIII) Business Profile of Subsidiary

Established in September 2022 with a registered capital of RMB2 billion, CBHB Wealth Management Co., Ltd. (渤海理財有限責任公司) (“CBHB Wealth Management”) is a wholly-owned subsidiary of the Bank. As of the end of the Reporting Period, CBHB Wealth Management had total assets of RMB2,200 million and net assets of RMB2,124 million. During the Reporting Period, it achieved operating income of RMB174 million and net profit of RMB104 million.

Centering around the strategic goal of “becoming the most trusted asset management institution with the best experience”, CBHB Wealth Management focuses on its principal business of asset management and wealth management, forges ahead with professional, unique, digital and brand development, and strives to develop itself as an excellent wealth management subsidiary with a stronger investment research system, a better sales system, a more refined product system, and a better risk control and compliance system. CBHB Wealth Management has outstanding profitability in wealth management products. In the “Ranking of 280 Banks in China in Terms of Wealth Management Ability in the First Quarter of 2023” released by PYSTANDARD, the company ranked fourth among national financial institutions in terms of the profitability indicators of its wealth management products. It also received industry awards for many times, demonstrating that its professional ability has been fully recognized by the market and third-party research institutions. During the Reporting Period, CBHB Wealth Management won the “Excellent Wealth Management Subsidiary of Bank Award” and the “Excellent Net Worth Wealth Management Product Award” in the “14th Fund and Wealth Management • Jiefu award”, the “Excellent Bond Investment and Trading Institution” from the Shenzhen Stock Exchange, the “Excellent Wealth Management Company in Terms of Investment Return Award” and the “Excellent Fixed Income Bank Wealth Management Products Award” in the third “Golden Honor Award” hosted by PYSTANDARD, and other major industry awards.

XI. COMPREHENSIVE RISK MANAGEMENT

(I) Comprehensive Risk Management Summary

During the Reporting Period, the Bank continued to improve its comprehensive risk management system, enhanced the forward-looking and effective risk management, practiced the risk management concept of “comprehensive, proactive, agile and effective (全面、主動、敏捷、到位)”, and promoted the implementation of various requirements of the Board of Directors and regulatory agencies. The Bank deeply cultivated nine categories of risk management, strictly upheld compliance operation, continuously improved the effectiveness of risk management, and built a professional and refined risk management system to construct a digital ecological bank.

The Bank's Board of Directors, the Risk Management and Green Finance Committee of the Board of Directors (and the Related Party Transactions Control Committee subordinated to it), the Audit and Consumer Rights Protection Committee of the Board of Directors, the Board of Supervisors, senior management and its Risk Control Committee, the Assets and Liabilities Management Committee, the Information Technology Committee, as well as the Risk Management Department, the Credit Review and Approval Department (including the Regional Approval Centers), the Asset Monitoring Department, the Retail Risk Management Department, the Assets and Liabilities Management Department, the Internal Control and Compliance Department, the Legal Affairs Department and other functional risk departments, the Information Technology Department, the General Office (Public Relations Department), the Strategic Development and Investment Management Office, the Audit Department, the Regional Audit Centers and other departments of the head office, as well as the risk management functional departments of subsidiaries and branches constitute the main organizational structure of the Bank's risk management.

The Board of Directors of the Bank is responsible for the ultimate responsibility for comprehensive risk management. The Risk Management and Green Finance Committee of the Bank are set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and implementing the resolutions of the Board of Directors.

The Bank has senior management personnel (the chief risk officer) in charge of risk management, who shall be responsible for leading the relevant departments of the risk management line to carry out work under the risk management framework of the Bank. The chief risk officer maintains independence and can directly report the overall risk management to the Board of Directors.

The Bank has established a risk prevention system consisting of three lines of defense against each main risk to which it is exposed. The first line of defense of risk management is formed by various business departments, divisions, branches and sub-branches, which are directly responsible for carrying out their risk management functions. The second line of defense is departments of risk management line, Assets and Liabilities Management Department, Internal Control and Compliance Department, the General Office (Public Relations Department) and Strategic Development and Investment Management Office, which assume responsibilities for formulating policies and procedures, supervising and managing risk. The third line of defense of risk management is the Audit Department, which assumes audit responsibilities for the performance of the first and second lines of defense.

(II) Credit Risk

The Bank adhered to a comprehensive, vertical and independent management model for credit risk, and continuously improved and optimized the "residence system" of risk management personnel. At the head office, the Risk Management Department, the Credit Review and Approval Department (including the Regional Approval Centers), the Asset Monitoring Department and the Retail Risk Management Department were established. At the branches, there are risk directors who report to the chief risk officer.

During the Reporting Period, the Bank responded to constant changes in the internal and external operating conditions, focused on deepening innovation and transformation, strengthened risk identification and strategic orientation in key areas, key businesses and key customer groups, enhanced the ability to proactively manage risks and create value, and further improved credit risk management system. Our credit risk management technologies and means were further optimized. The management process was gradually digitalized. The credit approval efficiency was further improved. Asset quality remained stable, while the overall credit risk was controllable.

Firstly, consolidating asset quality. The Bank put greater efforts on the supervision and inspection of post-loan management, thereby realizing systematic management of post-loan supervision. The Bank tracked and analyzed the completion of monitoring reports of key customers, post-loan inspection reports and financial statement entry, thus further improving the level of post-loan management. We implemented list-based dynamic management, strengthened continuous tracking and special monitoring of key customers, strengthened off-site monitoring and on-site inspections in key areas, standardized operational behavior, and ensured that risk internal control requirements were met. In accordance with the principle of prudence, the ten-level asset quality classification management was implemented. As of the end of the Reporting Period, the non-performing loan ratio of the Bank was 1.84%. We fully implemented the new financial instrument standards, followed the principles of prudence, timeliness, effectiveness and objectivity to make provision for impairment of financial assets included in the scope of impairment provision, and further increased the provision for impairment, to ensure that the Bank can strengthen its risk resistance ability under unfavorable environment of continuous slowdown in economic growth. As of the end of the Reporting Period, the Bank had a total balance of impairment provision for financial assets of RMB37,840 million, representing an increase of RMB1,468 million over the balance at the end of the previous year.

Secondly, strengthening basic management. The Bank strengthened the standardized and comprehensive credit management, further enhanced the management and control on the total amount of credit, reinforced the low credit risk limit and business management, and fully implemented compliance management requirements. We regulated the management of group customers, applied policies to group customers by category, and enhanced the ability to manage risks in a proactive manner. We optimized the credit application process and comprehensively improved the efficiency of credit application. We iterated and upgraded the standardized credit management system, and made preparations for launching the system. The Bank comprehensively improved the quality of credit management, and continued to strengthen the management of credit approval by strengthening the tracking and monitoring of approved credit, organizing regular supervision and inspection of credit approval process in branches, carrying out credit analysis of existing customers, establishing a regular review mechanism, and strengthening the qualification management of credit approval personnel, so as to improve credit approval behavior and enhance risk management and control. The Bank made every effort to improve the retail inclusive automated approval system, agilely iterated the retail inclusive approval thinking and approval process, and created an intelligent risk control “foundation” for competitive retail inclusive business.

Thirdly, optimizing the credit structure. The “Bohai Bank 2023 Credit Policy” was formulated, which specified the overall credit strategy of the whole bank in 2023, including policies in terms of industry, region, product and customer credit, proposed supporting measures to ensure the implementation of policies from multiple perspectives, strengthened the transmission of risk preference, and fully supported the development of front-line business. With the key support for retail inclusive business development, we followed the business direction of “housing mortgage, big data and strong guarantee (住房抵、大數據、強擔保)”, and focused on achieving “high quality, high volume, and profit creation” of the basic high-quality customer groups. According to the current status and reserves of basic customers of the branches, the list of regional key customers and target customers was released so as to achieve precise and targeted business development.

Fourthly, improving the system model. The Bank completed the iterative upgrade and commissioning of the first phase of the real estate credit business decision support engine, which achieved full-process application of pre-lending marketing decision-making assistance, risk decision-making and comprehensive evaluation during lending, and regular automatic monitoring and analysis after lending for corporate real estate credit business in terms of customers, regions and projects. The Bank completed the commissioning and launch of the risk management cockpit of the government debt solvency evaluation model, which introduced the function of model running status query and monitoring, specified the model application criteria for customer access, and focused on optimizing user experience and improving efficiency of model application. The Bank realized the connection between the financial reporting risk intelligent identification system and the CRMS system, actively carried out promotion and training, continued to optimize and improve the system functions based on the system usage, and promoted the effective use of financial anti-fraud capabilities. The Bank promoted the optimization and upgrading of the retail risk management cockpit, and improved the quality and efficiency of inputting real-time tracking and monitoring into credit approval and business marketing.

(III) Liquidity Risk

The Bank adopts a centralized approach with respect to its liquidity risk management and has established a sound governance structure, with clear duties for the Board of Directors, senior management, special committees and other relevant management departments. The Board of Directors assumes the ultimate responsibility for liquidity risk management, reviews the Bank's acceptable liquidity risk appetites, management strategies, policies, and procedures, supervises the effective management and control of liquidity risk, and approves information disclosure contents, etc. The senior management authorizes its Assets and Liabilities Management Committee to implement specific management work under the liquidity management system and methods approved by the Board of Directors, timely understands and evaluates the liquidity risk level and management status of the Bank, as well as reports to the Board of Directors, etc. The Assets and Liabilities Management Department at the head office is responsible for leading the organization of liquidity risk management for the Bank, formulating liquidity risk management strategies, policies and procedures, and conducting qualitative and quantitative analysis of liquidity risk and other specific management tasks. The departments of corporate banking, retail banking and financial market businesses, among others at the head office, and the branches and sub-branches engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and senior management.

The Bank adheres to prudent liquidity risk management strategies, and clarifies the overall objective, management mode, and main policies and procedures of liquidity risk management. The overall objective of the Bank's liquidity risk management is to reasonably arrange the asset and liability structure and future cash flows, to fulfill the fund payment needs of each business and to ensure compliance with liquidity regulatory indicators, and to reduce extra costs arising from liquidity as much as possible, including the opportunity cost of reserve funds, market financing premium, and loss on realization of assets. The Bank has established a tier-one liquidity reserve mainly consisting of cash and excess reserves, short-term interbank deposits, treasury bonds and policy bank bonds, a tier-two liquidity reserve mainly consisting of local government bonds and high-grade corporate bonds, and a tier-three liquidity reserve mainly consisting of other assets such as monetary funds and bond funds. The allocation of liquidity assets was constantly adjusted for addressing the mismatches between short-term and medium-to-long-term liquidity. In accordance with internal and external requirements and actual business development, through following liquidity risk management policies and procedures, such as cash flow estimate and calculation and analysis, liquidity risk limit management, financing management, daytime liquidity risk management, qualified high-quality liquid asset management, liquidity early warning management, stress tests, and emergency plans, and under the premise of ensuring liquidity safety, the Bank effectively balances the relationship among liquidity, safety and efficiency, so as to promote sustainable and healthy development of business.

Under the guidance of the liquidity risk management policies determined by the Board of Directors, the Bank implements effective identification, measurement, monitoring and control of liquidity risk. Based on cash flow gap analysis, the Bank realizes the liquidity risk management and control under normal circumstances with the help of intraday position management, maturity mismatch management, liquid asset portfolio management and financing strategy management. As for managing intraday positions, it reasonably manages cash flows to balance liquidity and profitability, which is based on the principle of ensuring safety payment and on the integration management of local and foreign currency. As for liquidity mismatch management, it adopts active management methods, such as continuous optimization of internal limit management, early warning indicators monitoring, and dynamic simulation of regulatory indicators, which not only achieves accurate measurement of static liquidity mismatch, but effectively manages and controls the future liquidity mismatch. As for liquid asset portfolio management and financing strategy management, it timely monitors and optimizes its asset-liability structure, strengthens active liability management, enhances inter-bank customer relationship management, expands active liability channels, and promotes the steady growth of core liabilities. As for emergency management for liquidity risk, it regularly conducts liquidity risk stress tests, carefully evaluates future liquidity needs, maintains sufficient high-quality liquid assets and continuously improves liquidity risk resistance capacity. At the same time, it organizes liquidity crisis response exercises on a regular basis, continuously optimizes the liquidity emergency management system, evaluates the effectiveness of various emergency measures, and ensures the liquidity safety in an emergency environment. The liquidity stress test of mature cash flow gap covers the window periods of 7 days, 30 days and 90 days. During the Reporting Period, the Bank was able to meet the minimum lifetime requirement of not less than 30 days under various stress scenarios, and with the availability of sufficient quality liquid assets which are readily realizable at any time, it could meet the potential liquidity needs under stress conditions. The Bank formulated the Liability Quality Management Measures of CHINA BOHAI BANK CO., LTD., which was reviewed and approved by the Board of Directors, established a comprehensive and systematic liability business management and risk control system, continued to promote the improvement of liability business management, and enhanced the efficiency and level of financial services to the real economy.

During the Reporting Period, the Group's liquidity remained reasonably adequate with a stable and controllable liquidity risk level. All liquidity regulatory indicators were met or beyond regulatory requirements, and major monitoring indicators operated smoothly. As of the end of June 2023, the Group's liquidity ratio reached 59.07%, representing a decrease of 10.09 percentage points as compared to last quarter; the liquidity coverage ratio was 125.07%, representing a decrease of 1.57 percentage points as compared to last quarter; the net stable funding ratio was 102.65%, representing a decrease of 1.67 percentage points as compared to last quarter; the liquidity matching ratio (on a legal person basis) was 119.90%, representing a decrease of 1.62 percentage points as compared to the beginning of the year, and an increase of 0.01 percentage point as compared to last quarter.

According to the requirements of the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》), the following table sets out the Group's net stable funding ratio indicator, available stable funding for the numerator item, and required stable funding for the denominator item at the end of March and June 2023:

(Unit: RMB'000)

	June 30, 2023	March 31, 2023
Net stable funding ratio (%)	102.65	104.32
Available stable funding (converted to RMB)	951,717,104.02	988,928,508.36
Required stable funding (converted to RMB)	927,107,956.17	947,934,233.81

The following table shows the Group's liquidity coverage ratio indicator:

(Unit: RMB'000)

	June 30, 2023	March 31, 2023
Liquidity coverage ratio (%)	125.07	126.64
Qualified high-quality liquid assets (converted to RMB)	133,060,038.10	164,162,780.10
Net cash outflow in the next 30 days (converted to RMB)	106,390,531.90	129,626,684.10

The following table shows the analysis of the Group's non-derivative financial assets and financial liabilities based on the relevant remaining maturity dates:

(Unit: RMB'000)

	Repayable on demand	Within one month	Between			More than five years	Indefinite	Total
			one month and three months	three months and one year	one year and five years			
Financial assets	112,762,848	204,992,689	115,902,576	318,763,630	521,722,766	286,384,660	127,964,936	1,688,494,105
Financial liabilities	283,124,080	169,363,076	248,748,084	570,806,194	286,537,062	1,961,421	13,668,084	1,574,208,001
Net liquidity	(170,361,232)	35,629,613	(132,845,508)	(252,042,564)	235,185,704	284,423,239	114,296,852	114,286,104

(IV) Market Risk (Including the Interest Rate Risk in the Banking Book)

The Bank, in strict compliance with relevant requirements such as the Guidance on Market Risk Management of Commercial Banks (《商業銀行市場風險管理指引》) and the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revised) (《商業銀行銀行賬簿利率風險管理指引(修訂)》), implements an independent and comprehensive market risk (including interest rate risk in the banking book, similarly hereinafter) management mode. The Board of Directors is responsible for reviewing and approving the market risk management strategies, policies and procedures, so as to define the acceptable market risk level of the Bank. The Assets and Liabilities Management Committee under the senior management is responsible for developing, regularly reviewing and overseeing the policies, procedures and workflows relating to market risk, and delineates market risk limits based on the risk appetite outlined by the Board of Directors. The Assets and Liabilities Management Department at the head office is responsible for establishing the market risk identification, measurement, monitoring, reporting and control mechanisms to ensure that the market risk borne by the Bank is controlled within the risk appetite set by the Board of Directors.

The Bank's market risk management is governed by a comprehensive, sound and prudent principle, and its overall goal is to control the market risk level within its tolerance, by organically combining the identification, measurement, monitoring and control of market risks with the Bank's major operational and management activities including strategic planning, business decision-making and financial budgeting.

The Bank has formulated the Market Risk Management Policy and Administrative Measures for the Classification of Bank Accounts and Transaction Accounts (Revised) on this basis, actively implemented relevant market risk (including interest rate risk in the banking book) regulatory requirements, and established a market risk management system covering all aspects of market risk identification, measurement, monitoring and control. The Bank uses gap analysis, duration analysis, foreign exchange exposure analysis, and scenario analysis to identify and measure market risk, conducts regular stress tests, and monitors and controls risk through limit management.

In respect of the interest rate risk in the banking book, the Bank primarily applies measurement tools such as gap management, sensitivity analysis and duration analysis to manage it. The Bank constantly optimizes a net interest margin analysis system that combines dynamic and static conditions. On the basis of quantitative models and qualitative analysis, the Bank continuously reinforces the research and judgment of interest rate trends, so as to provide decision-making basis for tasks such as allocation of asset-liability structure. As for trading books, the Bank mainly measures, manages and controls through basis point value, value at risk (VAR), position limit, duration and stop-loss limits to ensure that the anticipated income of the trading books matches the trading exposure. In response to exchange rate risk, the Bank sets market risk limits, and effectively manages on-balance sheet and off-balance sheet foreign exchange risk exposure through derivative financial instruments, such as exchange rate swaps and exchange rate forwards, so as to keep its total foreign currency exposures to a low level. During the Reporting Period, in accordance with regulatory standards, the Group's interest rate risk measurement indicator, namely the maximum economic value change under the framework of standardized measurement, accounted for 9.49% of tier 1 capital, and the cumulative foreign exchange exposure ratio was 1.15%. Both interest rate risk and exchange rate risk were kept within the internal limits and controllable on the whole.

The market risk-weighted assets measurement uses the standardized approach, and the market risk capital provision covers interest rate risk and specific risks in the trading books, as well as all exchange rate risks and commodity risks. As the trading position is relatively small, the market risk capital occupation is low.

The Group's interest rate sensitivity gap

The Group's on-balance sheet interest rate sensitivity gap is classified according to assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date as follows:

(Unit: RMB'000)

	Less than three months	Between three months and one year	Between one year and five years	More than five years	Non-interest bearing	Total
Total assets	518,154,541	653,488,889	376,172,094	69,242,738	73,499,894	1,690,558,156
Total liabilities	696,633,014	562,217,633	272,971,742	1,811,500	42,701,888	1,576,335,777
Total interest rate sensitivity gap	(178,478,473)	91,271,256	103,200,352	67,431,238	30,798,006	114,222,379

The Group's interest rate sensitivity

The following table sets forth the results of the Group's interest rate sensitivity analysis on profit before taxation and equity (without tax effect) with an assumption that all other variables held constant:

(Unit: RMB'000)

	(Decrease)/Increase on June 30, 2023
Change in profit before taxation	
Up 100 bps parallel shift in yield curves	(1,846,965)
Down 100 bps parallel shift in yield curves	1,846,965
Change in equity (without tax effect)	
Up 100 bps parallel shift in yield curves	(2,799,413)
Down 100 bps parallel shift in yield curves	2,799,413

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized profit before taxation and shareholder's equity (without tax effect) would have been affected by repricing of the Group's assets and liabilities within the one-year period.

Due to possible inconsistencies between actual conditions and assumptions, the actual changes in the Group's profit before taxation and shareholder's equity (without tax effect) caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

The Group's exchange rate risk exposure

The following table sets forth the Bank's foreign exchange rate risk exposure as at June 30, 2023:

(Unit: RMB'000)

	RMB	USD equivalent to RMB	Other currency equivalent to RMB	Aggregate RMB
Total assets	1,586,629,851	92,442,057	11,486,248	1,690,558,156
Total liabilities	1,484,005,435	83,707,212	8,623,130	1,576,335,777
Net exposure amount of balance sheet	102,624,416	8,734,845	2,863,118	114,222,379

(V) Operational Risk

Operational risk is the risk of losses due to inadequate or flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

During the Reporting Period, the Bank continued to strengthen operational risk monitoring and control. The head office optimized the operational risk management indicators of the departments/lines. When revising the indicators, attention was paid to regulatory case risk warnings, regulatory penalties, and operational risks in existing cases and audit findings. The first line of defense completed the operational risk assessment on time and timely reported on assessment results and problem findings. The Bank also launched and promoted the enterprise-level inspection management system across the whole bank, coordinated its on-site inspection work, connected on-site inspection planning, execution and supervision, and carried out a series of training to actively create a sound operational risk management culture.

(VI) Capital Management

The Bank implemented comprehensive capital management, including capital planning, capital allocation and evaluation, capital monitoring and early warning, internal capital adequacy assessment, capital replenishment and emergency measures, capital measurement and reporting, information disclosure, etc. The capital management objectives of the Bank are to stabilize the capital base, enhance capital strength, promote bank value creation with economic capital as the core, achieve a beneficial balance among capital constraints, risk management, and shareholders' returns, and maintain a satisfactory level of capital adequacy, so as to effectively deal with the major risks and unexpected losses faced by the Bank and ensure the steady operation and sustainable and healthy development of the Bank. The Bank calculated, managed and disclosed capital adequacy ratio based on the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory rules.

As of the end of the Reporting Period, the Group's capital adequacy ratio at all levels met the minimum capital requirements, reserve capital requirement and countercyclical capital requirement of regulatory authorities. Capital adequacy ratio was 11.55%, representing an increase of 0.05 percentage point as compared to the end of the previous year. Tier 1 capital adequacy ratio was 10.13%, representing an increase of 0.19 percentage point as compared to the end of the previous year. Core tier 1 capital adequacy ratio was 8.28%, representing an increase of 0.22 percentage point as compared to the end of the previous year. Capital adequacy ratios at all levels experienced changes as compared with the end of last year, mainly due to: firstly, the replenishment from the Group's endogenous profit in the first half of the year facilitated the steady growth of all tiers of capital. Secondly, the Group took the lead to optimize the asset structure on and off the balance sheet, resulting in a slowdown in the growth rate of risk-weighted assets during the quarter. Thirdly, the Group steadily promoted the disposal and elimination of distressed assets. Changes in the scale of asset impairment provisions and write-offs of non-performing assets also had a certain impact on the capital structure.

In order to achieve the capital management objectives, the Bank adopted the following management measures during the Reporting Period: formulating capital budgeting and capital planning based on development strategy objectives, risk appetite, financial budget and other factors, arranging the asset structure rationally under capital constraints, revitalizing the existing assets, at the same time, improving the year-by-year rolling mechanism for mid- and long-term capital planning, and making a forward-looking layout for the Bank's mid- and long-term capital management work; strengthening the core concept of capital value creation, improving the capital allocation and assessment system with capital efficiency indicator as the core, strengthening the promotion of reform and transformation as well as the guidance and support to key businesses by resource allocation, and continuously improving the efficiency of capital use; perfecting the internal capital adequacy assessment system, improving the comprehensive risk management framework, regularly carrying out internal capital adequacy assessment procedures, and formulating emergency plans in response to stressful situations; actively cooperating with various capital replenishment work, continuing to explore capital instrument innovation, and gradually forming a long-term capital replenishment mechanism that mainly replenishes endogenous capital and supplemented by external capital.

(VII) Information Technology Risk

During the Reporting Period, in accordance with regulatory requirements such as comprehensive risk management and internal control, as well as internal requirements such as risk appetite and information technology risk management policies, the Bank implemented the financial technology transformation and development strategy, effectively performed its duties on the three lines of defense of information technology risk management, continuously improved information technology risk management methods and management mechanism, and continued to promote the rectification of information technology risk issues. There were no major information technology emergencies. The information technology risk was controllable as a whole, and the information technology risk preference had not been broken, providing a guarantee for the realization of the financial technology strategic goals.

(VIII) Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties, significant financial loss and reputational loss as a result of failure to comply with laws, rules and guidelines.

Compliance risk status

The Bank's compliance risk management structure is composed of the Board of Directors, Board of Supervisors, senior management, Risk Control Committee, Internal Control and Compliance Department, Audit Department, as well as various business lines and branches and sub-branches. Our Board of Directors is responsible for reviewing and approving our compliance risk management policies and assumes ultimate responsibility for the compliance of the operational and management activities with relevant applicable laws and regulations. Our senior management is responsible for formulating and implementing compliance risk management policies and organizing the implementation of compliance risk management, whereas the Internal Control and Compliance Department assists our senior management in leading and promoting the daily management of the compliance risk across the bank. Each of the business lines is principally responsible for its compliance with the applicable laws and regulations and compliance risk management.

During the Reporting Period, the Bank deepened the compliance review with system review as the main body, proactively identified, assessed and controlled the compliance risks of new products, new businesses and major projects, strictly controlled the advance pass of compliance risks, and kept the bottom line of compliance; the Bank internalized the external regulations in a timely manner, made express and summary of regulations, and continuously paid attention to and tracked the introduction and changes of regulations; the Bank carried out rules and regulations planning, clarified system revisions and formulated plans.

Anti-money laundering management status

The Bank continues to strengthen its major responsibility for the prevention and control of money laundering and terrorist financing risks, adheres to the risk-based and problem-oriented working approach, improves the construction of systems and mechanisms, and continuously improves the management of anti-money laundering. During the Reporting Period, the Bank organized its branches to carry out comprehensive self-inspection on anti-money laundering, covering key areas and key processes, and intensified investigation and rectification efforts especially for common problems in supervision and punishment, so as to comprehensively improve the internal management efficiency of anti-money laundering. The Bank continued to optimize the anti-money laundering business system, and improved data security and information protection, reports on large and suspicious transactions, customer due diligence, customer risk rating and other functions, which effectively improved the ability of technology to support anti-money laundering. The Bank promoted the publicity and training of anti-money laundering in various forms. Internally, it carried out quarterly special training on anti-money laundering, specific training for individual branches, training for product managers, training on preventing illegal fund-raising, etc. Externally, it carried out a number of publicity activities such as drug control, national security, and prevention of illegal fund-raising to effectively enhance the ability to actively perform duties in anti-money laundering across the whole bank. At the same time, the Bank earnestly fulfilled social obligations and enhanced public awareness of risk prevention and control. The Bank promoted the construction of the anti-money laundering center of the head office in a timely manner. The department adjustment plan was submitted to the Party committee of the head office for review and approval, and the system reform and system drafting for the anti-money laundering center have been started.

(IX) Strategic Risk

During the Reporting Period, the Bank deeply comprehended the spirit of the 20th National Congress of the Communist Party of China, thoroughly followed the major instructions of the Party Central Committee, the State Council, the Tianjin Municipal Party Committee and Tianjin Government, and effectively integrated thoughts and actions into the major goals and missions for future economic and financial works of the central and Tianjin Municipal Party Committee. In addition, the Bank earnestly studied and evaluated domestic and overseas macroeconomic situation, adopted industry-leading practices, linked up and down, implemented policies accurately, and seized opportunities of digital development, so as to effectively carry out strategic risk management and promote high-quality development of Bohai Bank.

During the Reporting Period, the Bank tracked major national strategic deployments and specific requirements in a timely manner, and ensured that the positioning and development direction of the Fourth “Five-Year Plan” were consistent with relevant national requirements. At the same time, the Bank adhered to new development concept, grasped the opportunities arising from the new development stage, and integrated itself into the new development pattern. Based on the actual situation of Bohai Bank, in accordance with the general concept of “building a framework, mechanism, improving ability and strengthening assessment”, the Bank gradually promoted the implementation of the Fourth “Five-Year Plan” and strategically revised it on a dynamic basis to ensure the effectiveness and guiding nature of the strategy. The Bank scientifically carried out annual strategic insight, strategy revision, strategy decoding and monitoring supervision, implementation evaluation and assessment, and enhanced the execution capability of strategic planning, so as to continuously improve the ability to serve the national strategy, the real economy and people’s better life.

(X) Reputational Risk

Reputational risk refers to the risk of forming negative evaluation of the Bank by stakeholders, public or media due to the Bank’s behaviors, employees’ behavior or external events, etc., which in turn damages the brand value, has an adverse effect on the normal operation, and even affects market stability and social stability. During the Reporting Period, the overall public opinion of the Bank was good, and no major reputation incident occurred.

The Bank always attaches great importance to reputational risk management and regards reputational risk management as an important task to ensure the normal development of business, create a harmonious public opinion environment, and maintain a good image of the company and the industry.

During the Reporting Period, the Bank adhered to the forward-looking, comprehensive, proactive and effective management principle for reputational risk, strictly implemented regulatory requirements, continuously optimized the working mechanisms, strengthened whole-process management, and actively promoted the improvement of reputational risk management capabilities and professionalism: Firstly, it continuously upgraded the reputational risk management system, revised and circulated new systems and work notices to the whole bank, continued to improve the reputational risk response and handling mechanism, and consolidated the foundation of the whole-process reputational risk management. Secondly, it continued to pursue forward-looking management, adhered to the prevention-oriented reputational risk management concept, strengthened investigation, early warning and alerts, and promoted the advancement of reputational risk management. Thirdly, it strengthened the regular reputational risk management, effectively reinforced the accountability of the party in charge of managing the units causing the incident, strengthened the prevention and control of risk sources, and continuously improved the quality and efficiency of management. Fourthly, it actively responded to social concerns and properly handled various public opinion incidents by establishing a unified information publication mechanism. Fifthly, by organizing bank-wide special reputational risk training, sand table deduction, scenario drills, etc., it continuously strengthened the awareness of reputational risk prevention throughout the bank, and improved the ability of the units causing the incident to respond to and handle emergency public opinion incidents. Sixthly, focusing closely on the positive initiatives adopted, and featured products and high-quality services introduced by the Bank in serving national strategies, supporting the real economy, serving rural revitalization and fulfilling social responsibilities, it organized positive publicity, and actively spoke out. By telling the “Bohai Story”, the Bank enhanced the brand image and accumulated reputation capital.

(XI) Country Risk

The Bank incorporated country risk management into its comprehensive risk management system. The Board of Directors undertakes the ultimate responsibility for the effectiveness of monitoring country risks. The senior management is responsible for implementing the country risk management policies approved by the Board of Directors.

The Bank continued to strengthen its management on country risks. Pursuant to the Country Risk Management Measures of CHINA BOHAI BANK CO., LTD., the Bank formulated the Country Risk Rating and Quota Management Scheme of CHINA BOHAI BANK CO., LTD. for 2023, which specified the objects, responsibilities and procedures, rating methods and risk limit management methods of country risk management. At the same time, we established a country risk reporting, stress test, supervision and inspection mechanism. During the Reporting Period, the Bank had a low country risk level in terms of the final overseas claim involving the country or region where the debtor is located. There were no overseas claims involving countries with higher and high-level country risk, and the final balance of overseas claims met the Bank's country risk limit requirements. The overall country risks were controllable.

(XII) ESG Risk

During the Reporting Period, the Bank actively fulfilled its environmental and social responsibilities, created social value, and built itself as a responsible bank with leading concepts, sustainable economy and outstanding ESG performance, which improved its own ESG performance.

The Bank actively promoted the construction of the ESG risk management system, formulated the "ESG Risk Management Policy of CHINA BOHAI BANK CO., LTD.", introduced ESG risk (including climate related risk) management into the comprehensive risk management system, established and improved the ESG risk management decision-making mechanism, and strengthened the major decision-making functions of the Board of Directors and special committees in ESG management. The Bank established and improved the ESG risk management system of the investment and financing business, and revised and published the "Management Measures of ESG Risk of Credit Business of Bohai Bank", which orderly embedded ESG risk management requirements into the entire process of investment and financing business risk management, established differentiated credit granting policies for Class A, B, and C customers (projects) to effectively identify, manage and control ESG risks of customers (projects).

Taking comprehensive consideration of its business development needs under the goals of carbon peaking and carbon neutrality, the Bank fully supported green and sustainable business development, implemented differentiated and dynamic ESG risk management policies, enhanced support for green transportation, energy conservation and emission reduction, ecological restoration, pollution prevention and other fields, gradually incorporated ESG evaluation into the entire credit process, and promoted the implementation of the green financial transformation indicators under the Fourth "Five-Year Plan".

XII. OUTLOOK OF THE SECOND HALF OF 2023

(I) Economic, Financial and Banking Industry Outlook

Looking forward to the second half of 2023, the recovery and divergence of global service and manufacturing industry will continue, and the continuous tightening in global liquidity will have a greater impact on investment and financing, household consumption and economic growth. The cooling trend of the US economy, employment and inflation now seems a certainty, and the Fed interest rate hikes may approach the end, with a persistent US economic recession risk. European and other regional or national central banks are expected to continue to raise interest rates to fight inflation. Some developing economies are likely to face intensified sluggish growth, persistently high inflation and other problems. Coupled with the uncertainty in Russia-Ukraine conflict and other factors, it is expected that the overall world economy growth this year will be slower than last year. The IMF released the latest World Economic Outlook report on July 25, 2023, forecasting that the global economy will grow by 3.0% in 2023.

In the second half of 2023, China's export growth may face pressure, and the domestic demand recovery will be the key factor affecting China's economic growth. It is expected that the macro-policy adjustment will be strengthened in the second half of the year. The liquidity will remain reasonably abundant. The dual functions of monetary policy tools in terms of the aggregate amount and the structure will be better brought into play to effectively support domestic demand and promote a virtuous economic cycle. As the proactive fiscal policy will further exert its force, the consumption is expected to maintain moderate recovery, and the infrastructure investment will continue to grow rapidly, so as to support the growth of manufacturing investment, gradually warm up the real estate market in expectation, and promote the annual GDP growth rate to reach the target. Further, CPI and PPI will rise steadily.

In the second half of 2023, the banking industry will continue to strengthen its support for the real economy and serve high-quality development. With the macro-economy recovery, the trend of term deposits will slow down, but the cost pressure on the debt side of the banks will subsist. The scale of the asset side will maintain steady expansion with the stabilization of credit demand, but there is still pressure from structural non-performing loans, and the narrowing of net interest margin will continue to test the refined management ability of banks. With the continuous economic improvement in expectation, and the stabilization of interest margin and non-performing loans, the operating performance and asset quality of banks will continue to improve. Commercial banks, especially small and medium-sized banks, will increase capital replenishment to better serve key areas and weak links such as inclusive small and micro loans, property delivery guarantee, green development, technological innovation, infrastructure construction, regional coordinated development and social consumption. The banks will also increase medium and long-term loans for manufacturing industries, support regulated and healthy development of platform enterprises, and back up the accelerated construction of a modern industrial system. Further, the banking capital management, comprehensive risk management and consumer protection will be further strengthened.

(II) Guiding Ideology and Major Measures for the Bank's Business Development in the Second Half of 2023

In the second half of 2023, the Bank will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, comprehensively and deeply study, promote and implement the spirit of the 20th National Congress of the Communist Party of China, resolutely implement the decisions and deployments of the Party Central Committee and the State Council, thoroughly implement the deployment requirements of the municipal party committee and the city government, adhere to the general tone of seeking progress while maintaining stability, and unwaveringly implement the strategy of transformation and revitalization. Taking the chance of deeply commencing themed education and inspection for rectification, the Bank will align its thought and action with the decisions and deployments of the Party Central Committee on economics. In respect of operation, the Bank will proactively alter operating modes, adjust structure, enhance momentum, create new situation, as well as adapt and respond to changes and strive for changes. The Bank will facilitate the effective improvement of operating efficiency by fully enhancing its asset and liability management, thereby comprehensively promoting the high-quality development of China Bohai Bank.

Major work measures: Firstly, strengthening the leadership of party building and continuously promoting the strict governance by the party. By enhancing its political standings and taking politics as top priority, the Bank will continuously deepen the results of themed education, strengthen the building of clean party culture, and rectify various issues including formalism, bureaucracy and failure in taking responsibility and action, aiming to create good political environment. Secondly, strengthening accountability mechanism and solidly serving real economy. By fully implementing national strategies and deployments, the Bank will put every effort in developing industrial finance, green finance, fintech and inclusive finance, and continuously improve its financial service capabilities. Thirdly, the focus is placed on improving operations and strengthening comprehensive asset and liability management. The Bank will implement FPA operational concepts, optimize asset structure, and put greater efforts in key industries, regions and customers. It will also optimize liability structure and enhance the initiative and stability of liability. The Bank will enhance the matching level between assets and liabilities, increase operating revenue and accelerate growth in non-interest-earning revenue. Fourthly, adhering to innovation while staying on the right track and accelerating the transformation of customer and industry strategies. By establishing and improving the territorial, tier and classified marketing management system, the Bank will continuously and duly implement special services for state-owned enterprises, listed companies and specialized and sophisticated enterprises etc., accelerate industrial finance development, duly provide integrated financial services for customers, and proactively provide services for the financial demands in new economic situation. Fifthly, strengthening risk control capabilities and continuously preventing and mitigating risk exposures. The Bank will enhance comprehensive risk management, fully resolve problematic assets, continuously stabilize asset quality level, optimize centralized credit management and improve approval efficiency. Sixthly, deepening active compliance and continuously improving the establishment of compliance system. The Bank will facilitate the internalization of external regulation, enhance operation and non-compliance inspection, strengthen employee behavior management, and implement strict and precise accountability mechanism on any acts in violation of regulation and disciplines. Seventhly, the focus is placed on improving quality through empowerment, and deepening measures on cost reduction and efficiency improvement. The Bank will enhance comprehensive budget management, strictly adopt the saving culture, focus on core operations, optimize resources allocation, improve appraisal incentive mechanism, and greatly improve input and output efficiency. Eighthly, increasing the awareness on limits and enhancing fundamental management standards. The Bank will strictly focus on safe production, prevent the occurrence of safety production incident, control public opinion risks, ensure system stability, and improve operational efficiency.

Changes in Share Capital and Information on Shareholders

I. CHANGES IN ORDINARY SHARES

There was no change in the Bank's ordinary Shares during the Reporting Period. The Bank's ordinary Shares are as follows:

	December 31, 2022		Changes during the Reporting Period (shares)	June 30, 2023	
	Number (shares)	Percentage (%)		Number (shares)	Percentage (%)
Domestic Shares	11,561,445,000	65.09	–	11,561,445,000	65.09
H Shares	6,200,555,000	34.91	–	6,200,555,000	34.91
Total ordinary Shares	17,762,000,000	100.00	–	17,762,000,000	100.00

Note: As of the end of the Reporting Period, the Bank had 76 Shareholders, including 11 holders of Domestic Shares and 65 holders of H Shares.

II. SHAREHOLDING OF TOP 10 SHAREHOLDERS OF ORDINARY SHARES

As of the end of the Reporting Period, shareholding of top 10 Shareholders of ordinary Shares of the Bank was as follows:

Name of Shareholder	Nature of Shareholder	Changes during the Reporting Period (shares)	Number of Shares held at the end of the period (shares)	Shareholding percentage (%)	Class of Shares
TEDA Investment Holding Co., Ltd. ⁽²⁾	State-owned legal person	–	3,612,500,000	20.34	Domestic Shares
HKSCC Nominees Limited ⁽³⁾	Overseas legal person	4,500	3,311,751,980	18.65	H Shares
Standard Chartered Bank (Hong Kong) Limited	Overseas legal person	–	2,888,555,000	16.26	H Shares
China Shipping Investment Co., Ltd.	State-owned legal person	–	1,975,315,000	11.12	Domestic Shares
State Development & Investment Corp., Ltd.	State-owned legal person	–	1,686,315,000	9.49	Domestic Shares
China Baowu Steel Group Corporation Limited	State-owned legal person	–	1,686,315,000	9.49	Domestic Shares
Oceanwide Industry Co., Ltd.	Domestic non-state-owned legal person	–	1,370,706,739	7.72	Domestic Shares
Tianjin Shanghui Investment Holding Company Limited	Domestic non-state-owned legal person	–	1,156,000,000	6.51	Domestic Shares
Shine Enterprise (Tianjin) Co., Ltd.	Domestic non-state-owned legal person	–	29,424,331	0.17	Domestic Shares
Tianjin Xianghe Enterprise Management Consulting Co., Ltd.	Domestic non-state-owned legal person	–	14,712,166	0.08	Domestic Shares
Tianjin Foster Wood Co., Ltd.	Domestic non-state-owned legal person	–	14,712,166	0.08	Domestic Shares

Notes: (1) The above information is prepared based on the share registration as of June 30, 2023 of the Bank's Share Registrar.

(2) TEDA Investment Holding Co., Ltd. confirmed that, as of the end of the Reporting Period, in addition to the 3,612,500,000 Domestic Shares of the Bank directly held, Jinlian (Tianjin) Finance Lease Co., Ltd., one of its subsidiaries, also held 48,438,000 H Shares of the Bank through HKSCC Nominees Limited. As such, TEDA Investment Holding Co., Ltd. and its subsidiary held a total of 3,660,938,000 Shares of the Bank, representing shareholding of 20.61%.

(3) The Shares held by HKSCC Nominees Limited as agent are the total amount of Shares in the Bank's H-share investors' accounts traded on the trading platform of HKSCC Nominees Limited.

III. INFORMATION OF SUBSTANTIAL SHAREHOLDERS UNDER THE INTERIM MEASURES FOR THE EQUITY MANAGEMENT OF COMMERCIAL BANKS

According to relevant requirements of the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), as of the end of the Reporting Period, the relevant information of substantial Shareholders of the Bank was as follows:

Name of Shareholder	Controlling shareholder	Actual controller	Pledged or frozen Shares held in the Bank		Nominated Directors/ Supervisors
			Status	Number (shares)	
TEDA Investment Holding Co., Ltd.	Tianjin SASAC	Tianjin SASAC	Pledged	1,651,173,678	Nominated Director ⁽²⁾
Standard Chartered Bank (Hong Kong) Limited	Standard Chartered PLC	Standard Chartered PLC	-	-	Nominated Director ⁽²⁾
China Shipping Investment Co., Ltd.	COSCO SHIPPING Development Co., Ltd.	SASAC	-	-	Nominated Director
State Development & Investment Corp., Ltd.	SASAC	SASAC	-	-	Nominated Director ⁽²⁾
China Baowu Steel Group Corporation Limited	SASAC	SASAC	-	-	Nominated Director
Oceanwide Industry Co., Ltd.	China Oceanwide Holdings Group Co., Ltd.	LU Zhiqiang	Frozen	1,370,706,739	Nominated Director ⁽²⁾
Tianjin Shanghui Investment Holding Company Limited	-	-	-	-	Nominated Director

Notes: (1) During the Reporting Period, each substantial Shareholder of the Bank did not authorize any other person to or accept any other person's authorization to hold Shares of the Bank, and there were no other ultimate beneficiaries; as of the end of the Reporting Period, except that TEDA Investment Holding Co., Ltd. and its subsidiary, Jinlian (Tianjin) Finance Lease Co., Ltd., held in total 3,660,938,000 Shares of the Bank, there is no person acting in concert among other substantial Shareholders.

(2) As of the Reporting Date, Mr. WANG Jinhong, Mr. QU Defu and Mr. ZHUANG Qifei were nominated by Shareholder TEDA Investment Holding Co., Ltd., Mr. AU Siu Luen was nominated by Shareholder Standard Chartered Bank (Hong Kong) Limited, Mr. DUAN Wenwu was nominated by Shareholder State Development & Investment Corp., Ltd., and Mr. LUAN Xianzhou was nominated by Shareholder Oceanwide Industry Co., Ltd., the qualification of whom is subject to approval by the regulatory authority.

The Bank has treated its substantial Shareholders and their controlling shareholders, actual controllers, persons acting in concert, ultimate beneficiaries etc., totaling 2,201 enterprises as related parties of the Bank in light of their relationship with the Shareholders. For details on related party transactions, please refer to "Review Report and Interim Financial Report – Notes to the Unaudited Consolidated Financial Statements: 'Related parties'" in this report.

IV. CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

During the Reporting Period, the Bank had no controlling Shareholder or actual controller.

V. INTERESTS AND SHORT POSITIONS OWNED BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE BANK'S SHARES UNDER HONG KONG LAWS AND REGULATIONS

As of the end of the Reporting Period, to the best knowledge of the Directors or chief executives of the Bank, according to the register kept under Section 336 of the SFO, the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have interests and short positions in the Shares or underlying Shares of the Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Long positions/ short positions	Number of Shares directly or indirectly held (shares)	% of interest in the Bank	% of the relevant class of Shares
TEDA Investment Holding Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	3,612,500,000	20.34	31.25
	Interest in controlled corporation ⁽¹⁾	H Shares	Long positions	48,438,000	0.27	0.78
Standard Chartered PLC ⁽²⁾	Interest in controlled corporation	H Shares	Long positions	2,888,555,000	16.26	46.59
Standard Chartered Bank (Hong Kong) Limited	Beneficial owner	H Shares	Long positions	2,888,555,000	16.26	46.59
China COSCO Shipping Corporation Limited ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Group Company Limited ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
COSCO SHIPPING Development Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Investment Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
State Development & Investment Corp., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
China Baowu Steel Group Corporation Limited	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
LU Zhiqiang ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
HUANG Qiongzi ⁽⁴⁾	Interest of spouse	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tohigh Holdings Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Group Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
China Oceanwide Holdings Group Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Industry Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tianjin Shanghui Investment Holding Company Limited	Beneficial owner	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Shandong Gold Financial Holdings Group (HongKong) Co., Limited	Beneficial owner	H Shares	Long positions	327,294,500	1.84	5.28
Yichang HEC Health Pharmaceutical Co., Ltd.	Beneficial owner	H Shares	Long positions	322,920,500	1.82	5.21

- Notes: (1) The interests are held by TEDA Investment Holding Co., Ltd. through its wholly-owned subsidiary, namely Jinlian (Tianjin) Finance Lease Co., Ltd.
- (2) Standard Chartered Bank (Hong Kong) Limited is wholly-owned by Standard Chartered PLC. As such, Standard Chartered PLC is deemed to be interested in all the Shares held by Standard Chartered Bank (Hong Kong) Limited for the purpose of the SFO.
- (3) China Shipping Investment Co., Ltd. is wholly owned by COSCO SHIPPING Development Co., Ltd., which is in turn owned by China Shipping Group Company Limited as to approximately 39.28%. China Shipping Group Company Limited is wholly-owned by China COSCO Shipping Corporation Limited. As such, each of China COSCO Shipping Corporation Limited, China Shipping Group Company Limited and COSCO SHIPPING Development Co., Ltd. is deemed to be interested in all the Shares held by China Shipping Investment Co., Ltd. for the purpose of the SFO.
- (4) Oceanwide Industry Co., Ltd. is owned by China Oceanwide Holdings Group Co., Ltd. and Oceanwide Group Co., Ltd. as to 60% and 40%, respectively. China Oceanwide Holdings Group Co., Ltd. is owned by Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. as to 98% and 2%, respectively. Oceanwide Group Co., Ltd. is wholly owned by Tohigh Holdings Co., Ltd. Tohigh Holdings Co., Ltd. is owned by Mr. LU Zhiqiang as to 77.14%. As such, each of Mr. LU Zhiqiang, Ms. HUANG Qiongzi (spouse of Mr. LU Zhiqiang), Tohigh Holdings Co., Ltd., Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. is deemed to be interested in all the Shares held by Oceanwide Industry Co., Ltd. for the purpose of the SFO.

Save as disclosed above, the Bank is not aware of any other person (other than Directors, Supervisors and chief executives of the Bank) who has any interest or short position in its Shares at the end of the Reporting Period which will be required to be entered in the register under section 336 of the SFO.

VI. ISSUANCE AND LISTING OF EQUITY SECURITIES

During the Reporting Period, the Bank has not issued any new Shares.

VII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank and its subsidiary had no purchase, sale or redemption of any listed securities of the Bank.

Directors, Supervisors, Members of Senior Management, Employees and Branches

I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

As of the Reporting Date, the Directors, Supervisors and members of senior management of the Bank are as follows:

The Board of Directors of the Bank consists of fourteen Directors, including three executive Directors: Mr. QU Hongzhi, Mr. DU Gang and Mr. ZHAO Zhihong, five non-executive Directors¹: Mr. FUNG Joi Lun Alan² (vice chairman of the Board of Directors), Ms. YUAN Wei, Mr. YE Baishou³, Mr. HU Aimin and Mr. ZHANG Yunji and six independent non-executive Directors: Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick.

The Board of Supervisors of the Bank consists of five Supervisors, including two employees' representative Supervisors: Mr. WANG Chunfeng (chairman of the Board of Supervisors) and Mr. MA Shuming, and three external Supervisors: Mr. QI Ershi, Mr. DIAO Qinyi and Mr. HUI Yung Chris.

The senior management⁴ of the Bank consists of five members, including: Mr. QU Hongzhi, the president, Mr. DU Gang (secretary to the Board of Directors), Mr. ZHAO Zhihong (chief risk officer), Mr. XIE Kai and Mr. JIN Chao, the vice presidents.

II. CHANGES IN DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

On April 26, 2023, Mr. AU Siu Luen was elected as vice chairman of the Bank at the 45th meeting of the fifth session of the Board of Directors of the Bank, with effect from the date of his election as a non-executive Director of the Bank at the Shareholders' general meeting and the date of the approval of his appointment qualification by the regulatory authority until the expiry of the term of the fifth session of the Board of Directors of the Bank. On May 18, 2023, Mr. AU Siu Luen was elected as a non-executive Director of the Bank at the 2022 annual general meeting of the Bank. The qualification of Mr. AU Siu Luen is subject to the approval by the regulatory authority.

¹ Mr. QU Defu, Mr. ZHUANG Qifei and Mr. LUAN Xianzhou were elected as non-executive Directors of the Bank at the 2021 annual general meeting of the Bank. The qualification of Mr. QU Defu, Mr. ZHUANG Qifei and Mr. LUAN Xianzhou is subject to the approval by the regulatory authority.

² On March 29, 2023, the Board of Directors of the Bank approved the resignation of Mr. FUNG Joi Lun Alan as the vice chairman, a non-executive Director, and a committee member each of the Development Strategy and Inclusive Finance Committee, the Risk Management and Green Finance Committee, the Related Party Transactions Control Committee and the Audit and Consumer Rights Protection Committee under the Board of Directors of the Bank due to his retirement, which shall come into effect from the date on which the successor non-executive Director, who would be elected at the Shareholders' general meeting of the Bank, obtains the qualification approval from the regulatory authority. During this period, Mr. FUNG Joi Lun Alan will continue to perform the duties of a non-executive Director and vice chairman of the Bank and a member of the above-mentioned special committees of the Board of Directors.

³ On July 18, 2023, the Board of Directors of the Bank approved the resignation of Mr. YE Baishou as a non-executive Director and a committee member of the Development Strategy and Inclusive Finance Committee under the Board of Directors due to his retirement, which shall come into effect from the date on which the successor non-executive Director, who would be elected at the Shareholders' general meeting of the Bank, obtains the qualification approval from the regulatory authority. During this period, Mr. YE Baishou will continue to perform the duties of a non-executive Director and a member of the Development Strategy and Inclusive Finance Committee under the Board of Directors.

⁴ At the 20th meeting of the fifth session of the Board of Directors of the Bank, Mr. ZHU Yingyu was appointed as the professional manager to serve as the vice president of the Bank. The qualification of Mr. ZHU Yingyu is subject to the approval by the regulatory authority.

The resignation of Mr. LI Fuan as the chairman, an executive Director of the Bank and the chairman of the Development Strategy and Inclusive Finance Committee under the Board of Directors, a member of the Nomination and Remuneration Committee under the Board of Directors due to his retirement was reviewed and approved at the 47th meeting of the fifth session of the Board of Directors of the Bank, with effect from July 18, 2023. To ensure the normal operation of the Bank, in accordance with relevant laws and regulations and the relevant provisions of the Articles of Association of the Bank, all Directors of the Board of Directors unanimously agreed to elect Mr. QU Hongzhi, an executive Director and the president of the Bank, to act as the acting chairman of the Board of Directors, until the date on which the qualification of the new chairman of the Board of Directors is approved by the regulatory authority.

On July 18, 2023, Mr. WANG Jinhong was elected as the chairman of the Board of Directors of the Bank at the 47th meeting of the fifth session of the Board of Directors of the Bank, with effect from the date of his election as an executive Director of the Bank at the Shareholders' general meeting and the date of the approval of his appointment qualification by the regulatory authority until the expiry of the term of the fifth session of the Board of Directors of the Bank. On August 7, 2023, Mr. WANG Jinhong was elected as an executive Director of the Bank at the 2023 first extraordinary general meeting of the Bank. The qualification of Mr. WANG Jinhong is subject to the approval by the regulatory authority.

On August 7, 2023, Mr. DUAN Wenwu was elected as a non-executive Director of the Bank at the 2023 first extraordinary general meeting of the Bank. The qualification of Mr. DUAN Wenwu is subject to the approval by the regulatory authority.

During the Reporting Period, there was no change to the Supervisors and members of senior management of the Bank.

III. CHANGES IN THE INFORMATION OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

Mr. MAO Zhenhua, an independent non-executive Director of the Bank, serves as an independent non-executive director of China SCE Group Holdings Limited.

Mr. MA Shuming, an employees' representative Supervisor of the Bank, serves as a member of the Party Committee of the Beijing Branch of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司北京分行委員會) and a member and secretary of the Party Committee for Discipline Inspection of the Beijing Branch of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司北京分行紀律檢查委員會), and ceased to be a director of the Inspection Office under the Party Committee of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司委員會巡察工作辦公室), a director (concurrent position) (主任(兼)) of the Discipline Inspection Liaison Office under the Party Committee of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司委員會紀律检查工作聯絡辦公室), a member of the Party Committee of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司機關委員會), a member and secretary (concurrent position) (書記(兼)) of the Party Committee for Discipline Inspection of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司機關紀律檢查委員會).

Mr. HUI Yung Chris, an external Supervisor of the Bank, ceased to be a director of Hong Kong Taigu (China) Group Co., Ltd (香港太谷(中國)集團有限公司).

IV. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES' INTERESTS IN THE BANK

As of the end of the Reporting Period, none of our Directors, Supervisors and chief executives of the Bank had any interests or short positions in the Shares, underlying Shares or debentures of the Bank or its associated corporations (as defined in Part XV of the SFO) which were required to be entered in the register kept by the Bank pursuant to section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

V. STAFF

(I) Number and Structure of Employees

As of the end of the Reporting Period, the Group had 13,400 employees, increased by 114 as compared to the end of the previous year, including 6,272 male employees and 7,128 female employees. The age structure, educational background and professional post structure of the employees are as follows:

1. Age structure of employees

Age	Number of employees	Structure (%)
Aged 30 or below	3,208	23.94
Aged 31-35	3,720	27.76
Aged 36-40	3,185	23.77
Aged 41-45	1,565	11.68
Aged 46-50	926	6.91
Aged over 50	796	5.94
Total	13,400	100.00

2. Educational background of employees

Educational background/degree	Number of employees	Structure (%)
Postgraduate/Master's degree and above	3,662	27.33
Undergraduate/Bachelor's degree	9,506	70.94
College and lower	232	1.73
Total	13,400	100.00

3. Professional post structure of employees

Professional post	Number of employees	Structure (%)
Corporate banking	2,907	21.70
Retail banking	3,223	24.05
Financial markets	259	1.93
Online finance	141	1.05
Finance and assets & liabilities	304	2.27
Risk management	852	6.36
Audit, legal, internal control & compliance	385	2.87
Business operation	2,407	17.96
Information technology	1,317	9.83
Others	1,499	11.19
Subsidiary	106	0.79
Total	13,400	100.00

In addition to the employees with whom the Group has entered into labor contracts, as of the end of the Reporting Period, the Group also engaged 228 dispatched workers through third-party human resources agencies and they generally hold non-essential positions at the Group.

(II) REMUNERATION POLICY FOR EMPLOYEES

Under the guidance of the Bank's development strategy and business objectives, the Bank establishes a remuneration system based on the principles of strategy, value and performance, and also establishes and improves a sound incentive and restraint mechanism to enhance the efficiency of remuneration resource allocation. The Bank implements risk responsibilities, and strictly executes the deferred payment and recourse deduction system of performance remuneration for employees in positions that have a significant impact on risks.

The Bank's post-employment benefit plans are defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Bank pays fixed contributions into a separate fund and will have no obligation to pay further contributions. During the Reporting Period, the Bank's post-employment benefits mainly include the social pension schemes, unemployment insurance and annuity plan. In particular, the pension schemes and unemployment insurance are calculated at the applicable rates based on the amounts stipulated by the government, while the annuity is contributed to the annuity plan in proportion to the employees' gross salaries in the prior year. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with corresponding amounts charged to the profit or loss.

(III) STAFF TRAINING

During the Reporting Period, regarding demand system, curriculum system, teaching system and platform system as the pillars, the Bank placed control on the whole process of training expenses, namely before, during and after incurring such expenses, standardized the curriculum system, accumulated curriculum resources, refined and improved the standards and levels of evaluation and incentives for internal trainers, strengthened the management of the training process, and optimized the platform operation process, which gave full play to the role of training in guaranteeing, motivating and guiding business development, and improved training efficiency.

Managed the demand system. Pursuant to the "Training Fee Management Measures of CHINA BOHAI BANK CO., LTD. (2022 Edition)", the Bank organized various departments of the head office to prepare and complete the 2023 training plan and expense budget, and provided policy guidance for the branches on preparing the 2023 training plan and expense budget. **Enhanced the curriculum system.** The Bank established development standards for courses of general business knowledge, formulated development plans, reviewed existing courses, supported various learning needs such as Party member training, young cadre training, new employee training, and professional talent training, and cooperated with business departments to improve the development and introduction of professional courses. **Strengthened the teaching system.** Pursuant to the "Internal Part-time Trainer Management Measures of Bohai Bank (2022 Revision)", the Bank rationalized the evaluation and application management of internal trainers, and refined and improved the standards and grades of evaluation incentives of internal trainers. **Promoted the platform system.** According to the established construction plan, the Bank launched market research on platform product selection, carried out exchanges and research on platform products with a relatively high market share in the training market and successful cases of focus, and further clarified the ideas and goals of training platform construction.

VI. BRANCHES

Institution name	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Head Office	2,547	218 Haihe East Road, Hedong District, Tianjin	–	–
Capital Operation Center	74	5F, Building 1, No. 28, Jianguomennei Avenue, Dongcheng District, Beijing	–	–
Tianjin Branch	383	8-15/F, Part 1/F, Part 2/F, China Bohai Bank Tower, 218 Haihe East Road, Hedong District, Tianjin	0/38	687
Tianjin Binhai New District Branch	180	North District, Financial Street, No. 9 Shengda Street, Tianjin Economic-Technological Development Area	0/11	148
Tianjin Pilot Free Trade Zone Branch	22	No. 3 Building, Financial Center, No. 158 West 3rd Road, Tianjin Pilot Free Trade Zone (Airport Economic Area)	0/01	18
Beijing Branch	287	1F-3F, East Tower C, Chemsunny World Trade Center, 28 Fuxingmennei Street, Xicheng District, Beijing	1/24	413
Hangzhou Branch	196	Bohai Bank Building, No. 117 Tiyuchang Road, Xiacheng District, Hangzhou City, Zhejiang Province	3/14	296
Taiyuan Branch	211	No. 308, Changzhi Road, Xiaodian District, Taiyuan City, Shanxi Province	2/10	227
Chengdu Branch	218	No. 87, Jinrongcheng South Road, High-Tech Zone, Chengdu City, Sichuan Province	1/14	229
Jinan Branch	195	Building 3, Lushang Olympic City, 9777 Jingshi East Road, Jinan City, Shandong Province	4/15	323
Shanghai Branch	181	No. 155 Yincheng Road, China (Shanghai) Pilot Free Trade Zone	0/16	182
Shanghai Pilot Free Trade Zone Branch	109	No. 1229 Century Avenue, China (Shanghai) Pilot Free Trade Zone	–	–
Shenzhen Branch	188	No. 4009 Shennan Avenue, Futian District, Shenzhen, Guangdong Province	0/11	173
Shenzhen Qianhai Branch	137	Block B, CNOOC Building (Shenzhen), No. 3168 Houhaibin Road, Nanshan District, Shenzhen, Guangdong Province	0/01	4
Nanjing Branch	202	No. 213 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	6/10	403
Suzhou Branch	198	Jianwu Financial Center Building, No. 710 Zhongyuan Road, Suzhou Industrial Park, Jiangsu Province	0/04	85
Dalian Branch	166	Yifang Building, No. 9 Yan'an Road, Zhongshan District, Dalian City, Liaoning Province	1/08	176
Guangzhou Branch	241	Nanya Zhonghe Plaza, 57 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province	4/13	336
Changsha Branch	168	Jiasheng Business Plaza, No. 289 Laodong West Road, Changsha City, Hunan Province	3/10	230
Shijiazhuang Branch	198	18 Zhonghua South Street, Shijiazhuang City, Hebei Province	3/15	317
Wuhan Branch	188	No. 29 Xinhua Road, Jiangnan District, Wuhan City, Hubei Province	2/20	238
Hohhot Branch	117	No. 85 Xinhua East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	1/03	80

Institution name	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Fuzhou Branch	138	Huaban Building, No. 363 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province	1/02	63
Hefei Branch	153	No. 269 Suixi Road, North First Ring, Hefei City, Anhui Province	0/04	60
Zhengzhou Branch	153	No. 88 Jinshui East Road, Zhengdong New District, Zhengzhou City, Henan Province	0/07	104
Xi'an Branch	159	1F-6F, Building 4, No. 31, Tangyan Road, High-Tech Zone, Xi'an City, Shaanxi Province	0/06	88
Changchun Branch	113	No. 2699 Xi'an Road, Lvyuan District, Changchun City, Jilin Province	0/02	25
Chongqing Branch	110	Building 2, Lifan Center, No. 6, Juxianyan Square, Jiangbei District, Chongqing	0/05	57
Shenyang Branch	95	No. 32 Yingbin Street, Shenhe District, Shenyang City, Liaoning Province	1/03	55
Xiamen Pilot Free Trade Zone Branch	85	Building A, Cross-strait Trade Center, No. 1-9 Yunan 4th Road, Xiamen Area of China (Fujian) Pilot Free Trade Zone (Bonded Area), Xiamen City, Fujian Province	0/01	15
Haikou Branch	81	S5 Podium Building, Guorui City, No. 11 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	0/01	10
Qingdao Branch	97	Office Building T8, Shangshi Center, 195 East Hong Kong Road, Laoshan District, Qingdao City, Shandong Province	0/03	49
Ningbo Branch	99	1F-3F, Emeke Building, No. 188 Dazha Road, Jiangbei District, Ningbo City, Zhejiang Province	0/01	13
Nanning Branch	83	1F-5F, Podium Building, King's International Merchant Center, 59 Jinhua Road, Qingxiu District, Nanning City, Guangxi Zhuang Autonomous Region	0/03	31
Nanchang Branch	105	Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province	0/06	51
Guiyang Branch	77	No. 1, 1F and No. 1, half B1, Building 9, Business District, One Guiyang International Finance Center, Lincheng Road, Guanshanhu District, Guiyang City, Guizhou Province	–	–
Kunming Branch	91	No. 393, Rixin Middle Road, Xishan District, Kunming City, Yunnan Province	–	–
Hong Kong Branch	63	Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	–	–

Note: The information in the above table does not include the subsidiary.

Corporate Governance

I. OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a corporate governance structure consisting of the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management. The shareholders' general meeting is the supreme authority of the Bank. The Board of Directors undertakes final responsibility of operation and management of the Bank, accountable to the shareholders' general meeting. The Board of Supervisors is the internal supervision body of the Bank, accountable to the shareholders' general meeting. The senior management is responsible for the operation and management of the Bank, accountable to the Board of Directors. For the corporate governance structure of the Bank, please refer to "Organizational Structure Chart" described in this report. For information on the responsibilities of each corporate governance entity, please refer to the Articles of Association published on the websites of the HKEX and the Bank.

During the Reporting Period, all corporate governance entities of the Bank performed their respective duties and responsibilities, communicated with each other and governed harmoniously, which further improved the efficiency of discussion and level of decision-making.

During the Reporting Period, the Bank convened 1 general meeting, at which 10 proposals were considered and 6 reports were heard; 4 meetings of the Board of Directors, at which 39 proposals were considered and 16 reports were heard; 16 meetings of special committees under the Board of Directors (including: 4 meetings of the Risk Management and Green Finance Committee, 2 meetings of the Related Party Transactions Control Committee, 4 meetings of the Audit and Consumer Rights Protection Committee, 3 meetings of the Nomination and Remuneration Committee, and 3 meetings of the Development Strategy and Inclusive Finance Committee), at which 40 proposals were considered and 7 reports were heard; 2 meetings of the Board of Supervisors, at which 8 proposals were considered and 29 reports were heard; and 3 meetings of special committees under the Board of Supervisors (including: 1 meeting of the Nomination Committee and 2 meetings of the Supervision Committee), at which 2 proposals were considered and 17 reports were heard. At the above meetings, the corporate governance entities made careful decisions on major issues of the Bank, and considered and approved important matters involving change of Directors, change of joint company secretaries, information disclosure, the report of the Board of Directors, the report of the Board of Supervisors, the work report of the senior management, the report on comprehensive risk management, the report on liability quality management, the report on internal capital adequacy, the work report on the interim evaluation of the Fourth "Five-Year Plan" and other important matters, and formulated the interim measures for anti-nepotism policies among employees, the ESG risk management policy, the administrative measures for the implementation of the expected credit loss method, the interim measures for Internet loan risk management and other systems, which promoted the continuous improvement of corporate governance.

II. INTRODUCTION TO THE GENERAL MEETING

During the Reporting Period, the Bank held 1 general meeting. The relevant information is as follows:

The Bank held the 2022 annual general meeting in Tianjin on May 18, 2023. Shareholders or their proxies attending the general meeting represented a total of 13,221,561,501 ordinary Shares with voting rights of the Bank. 12 Directors of the Bank attended the meeting and the Supervisors and secretary to the Board of Directors of the Bank were present at the meeting. 10 resolutions were considered and approved at the meeting and the matters considered included: the Report of the Board of Directors for 2022, the Report of the Board of Supervisors for 2022, the Report of Final Financial Accounts for 2022, the Profit Distribution Plan for 2022, the Financial Budget Report for 2023, the Investment Plan for 2023, appointment of external auditors for 2023, remuneration of Mr. LI Fuan for 2021, election of Mr. AU Siu Luen as a non-executive Director, and the general mandate granted to the Board of Directors to issue Domestic Shares and/or H Shares.

The meeting also reviewed 6 written reports, including the Report on Resignation of Mr. FUNG Joi Lun Alan as a Non-executive Director and Vice Chairman of the Bank, the Bank's 2021 Assessment Report on Major Shareholders and Substantial Shareholders, the Bank's 2022 Special Report on Related Party Transactions, the Bank's 2022 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and their Members issued by the Board of Supervisors, the Bank's 2022 Report on Self-evaluation of the Board of Supervisors and Assessment of the Performance of Duties of Supervisors, and the Report of the Board of Supervisors on Independent Opinions on Related Matters in 2022.

The PRC legal advisor of the Bank witnessed the convening of the meeting and other related matters in accordance with the law, and believed that the meeting was in compliance with relevant laws and regulations, regulatory documents and the Articles of Association. For details of the meeting, please refer to the circular, notice and the poll results announcement of the 2022 annual general meeting published on the websites of the HKEX and the Bank.

III. WORK OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank's Articles of Association stipulates that the independent non-executive Directors of the Bank shall represent at least one-third of the total members of the Board. As of the end of the Reporting Period, there were a total of 6 independent non-executive Directors in the Bank's Board of Directors. The chairmen of the Risk Management and Green Finance Committee (and the Related Party Transactions Control Committee subordinated to it), the Audit and Consumer Rights Protection Committee, and the Nomination and Remuneration Committee under the Board of Directors were all independent non-executive Directors, and the independent non-executive Directors accounted for no less than one-third of the committee members. During the Reporting Period, the independent non-executive Directors of the Bank fulfilled their duties of integrity and diligence towards the Bank and all shareholders, thought independently and deeply, expressed their independent opinions objectively and impartially, performed their duties independently under the principles of fairness, impartiality and openness, and paid close attention to the Bank's business development, operation and management by reviewing the Bank's meeting documents, information reports and other materials. They attended the Board meetings and special committee meetings on time, and conducted independent reviews and expressed professional opinions on matters under consideration. They paid attention to building their professional capacity and continuously improved their ability to perform duties. During the Reporting Period, the independent non-executive Directors expressed their independent opinions on the Bank's material related party transactions, profit distribution, election of Directors and asset disposal.

IV. WORK OF EXTERNAL SUPERVISORS

According to the Articles of Association, the Bank has three external Supervisors. The chairmen of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all external Supervisors. During the Reporting Period, the external Supervisors of the Bank strictly complied with the laws and regulations and the Articles of Association, performed their duties conscientiously, diligently and independently, attended the meetings of the Board of Supervisors and special committees on time, actively attended general meetings, meetings of the Board of Directors and special committees, carefully reviewed proposals before meetings, actively spoke at the meetings, and provided professional advice to the Board of Directors and senior management. They continued to pay attention to the Bank's operation, management and risk status, and actively protected the legitimate rights and interests of minority shareholders and other stakeholders. During the Reporting Period, they mainly conducted the following work: They attended all meetings of the Board of Supervisors held during the Reporting Period that should be attended, and complied with regulatory requirements on in-person attendance rate; presided over and convened 1 meeting of the Nomination Committee and 2 meetings of the Supervision Committee; observed 1 shareholders' general meeting, 4 meetings of the Board of Directors and 6 meetings of special committees under the Board of Directors; reviewed the voting materials of the meetings of the Board of Directors and its special committees by correspondence, and supervised the operation of the meetings, and the performance of duties by Directors during the meetings. They continued to promote the implementation of regulatory opinions by the Board of Directors and senior management, and timely issued the Letter on Stepping up the Implementation of New Regulatory Regulations and Strengthening Steady Operations. They reviewed the minutes of the president's office meetings, minutes of special meetings conducted by the president, monthly financial statements, internal control compliance risk alerts, consumer rights protection risk alerts and other materials to strengthen daily supervision on performance.

V. INTERNAL CONTROL

The Bank has established a “four-in-one” internal control system consisting of process execution, functional management, second-line supervision and internal audit. The Bank adheres to the “comprehensive, whole-process, and whole-workforce” control principle in internal control management, compliance support, operational risk prevention, case prevention and control, anti-money laundering management, business continuity management, auditing and inspection and other aspects, to promote compliance and orderly management and steady development of all operations.

During the Reporting Period, the Bank continued to improve the long-term mechanism of internal control and compliance management, optimized the internal control and compliance management structure, and strengthened business line management; strengthened assessments and incentives to enhance the accuracy and effectiveness of the assessment of internal control and compliance management; continued to compile and issue the Internal Control Compliance Risk Alerts (《內控合規風險提示》) and conducted various forms of internal control and compliance training to continuously enhance the employees’ awareness of compliance and cultivate a compliance culture; improved inspection mechanism, strengthened inspection management, and coordinated on-site inspections across the bank to realize the organic linkage of on-site inspection planning, execution and supervision; strengthened rectification and supervision, reinforced accountability, and precisely focused on violations; established an enterprise-level on-site inspection system, continuously optimized the internal control compliance model, and continuously improved the intelligent level of internal control compliance management.

VI. INTERNAL AUDIT

The Bank has adopted a risk-based auditing model in internal audit. Based on the division of audit units and risk assessment of audit units, the Bank determines audit items according to regulatory requirements, key tasks of the whole bank, risk level and the principle of materiality, formulates annual plan for internal audit work, and actively performs the duties of audit and oversight on key businesses and major risk areas within its scope of responsibility. By tracking the rectification of audit findings, the Bank strives to promote the continuous improvement of the internal control and risk management system.

During the Reporting Period, the Bank carried out 19 special audits and 7 regular audits to tier-one branches in accordance with the plan for internal audit work approved by the Audit and Consumer Rights Protection Committee under the Board of Directors, the work arrangements of the Board of Supervisors and regulatory requirements, focusing on the Bank’s central tasks on the “Ten Major Battles”, and completed exit audits in a timely manner according to the Bank’s actual situation. In response to the control weaknesses identified by internal audits, relevant departments or branches formulated remedial measures, and the audit department of the Bank has tracked the implementation of the remedial measures. The tracking results showed that, as of the end of the Reporting Period, the problems identified by internal audits of the Bank had been basically rectified before the deadline.

VII. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted the Model Code as the code of conduct for the supervision of securities transactions by Directors and Supervisors of the Bank. Following specific inquiries with all Directors and Supervisors of the Bank, the Directors and Supervisors of the Bank confirmed that they have complied with the Model Code during the Reporting Period.

VIII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Bank did not amend the Articles of Association.

In 2022, in accordance with the Code of Corporate Governance of Banking and Insurance Institutions, the Provisional Measures for the Evaluation of Performance of Duties by Directors and Supervisors of Banking and Insurance Institutions, the Provisional Rules on Major Shareholders' Conduct of Banking and Insurance Institutions, the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions and other relevant laws, regulations and regulatory documents, and based on the actual condition of the Bank, the Bank has made amendments to the Articles of Association, which have been considered and approved at the 2021 annual general meeting, the first domestic shareholders' class meeting of 2022 and the first H shareholders' class meeting of 2022 and will become effective upon approval by the regulatory authority. For details, please refer to the relevant announcements and circulars published by the Bank on the websites of the HKEX and the Bank.

IX. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Bank has adopted the code provisions set out in Part 2 of Appendix 14 to the Listing Rules. Pursuant to code provision B.2.2, every director (including those appointed for a specific term) should be subject to retirement by rotation at least once every three years. The term of the fifth session of the Board of Directors of the Bank expired on December 15, 2022. Given that the re-election of the Board of Directors is still in preparation, the re-election of the Board of Directors has been postponed in order to maintain the continuity of the relevant work of the Bank. The Bank will publish announcements and circulars containing details of candidates for the new session of the Board of Directors as soon as practicable. Save and except for disclosed above, the Bank has complied with the code provisions set out in Part 2 of Appendix 14 to the Listing Rules during the Reporting Period. The Bank has also complied with certain recommended best practices set out in the Code.

Important Events

I. MATERIAL LITIGATIONS AND ARBITRATIONS

As of the end of the Reporting Period, the Bank as the plaintiff or claimant has involved in a total of 85 litigations with the amount in dispute of over RMB30 million each, most of which were routine litigations and settlements initiated by the Bank, and no provisions will be made.

As of the end of the Reporting Period, the Bank as the defendant or respondent has involved in a total of 5 litigations with the amount in dispute of over RMB10 million each. Among them, 1 case has been closed, 1 case has completed the first-instance judgment, and the Bank does not need to bear any responsibility. The remaining three cases have not yet entered the substantive trial stage. Currently, no provisions will be made.

As of the end of the Reporting Period, the Bank as the third party has involved in a total of 3 litigations with the amount in dispute of over RMB10 million each. Among them, 1 case has been closed, 1 case has completed the first-instance judgment, and the Bank does not need to bear any responsibility. The remaining 1 case has not yet entered the substantive trial stage. Currently, no provisions will be made.

According to the above, the Bank considers that the above-mentioned litigations and arbitrations will not have any material impact on our operating activities and financial position.

In 2021, the Bank had a dispute with individual corporate customers over the business of bank acceptance bills pledged by certificates of deposit and reported the case to the security authorities. In 2022, the Bank filed a civil lawsuit with the People's Court in this regard. As of the Reporting Date, the case was in the judicial process. The outcome of the case is subject to the judgment of the court, and the Bank is of the view that the financial impact of the above dispute cannot be reliably estimated.

II. INCREASE OR REDUCTION IN THE REGISTERED CAPITAL, ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, there was no change in the registered capital of the Bank, nor were there any material acquisition and disposal of assets or business merger.

III. IMPLEMENTATION OF EQUITY INCENTIVE PLANS

During the Reporting Period, the Bank did not implement any equity incentive plans.

IV. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Reporting Period, all related party transactions of the Bank were conducted in accordance with relevant laws and regulations as well as relevant provisions of domestic and overseas regulatory authorities and the Bank's rules for related party transactions. These transactions were conducted in adherence to the general business principles, and based on conditions which were not superior to those granted to an independent third party, and their terms were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The related party transactions of the Bank were mainly the credit business with the members of the Shareholders' group. Please refer to "Review Report and Interim Financial Report – Notes to the Unaudited Consolidated Financial Statements: 'Related parties'" in this report.

(I) Related Party Transactions Relating to Daily Operation

According to the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions issued by the CBIRC, the material related party transactions of the Bank were all credit business. All credit-granting related party transactions were conducted in accordance with relevant laws and regulations, external regulatory requirements, the Bank's credit conditions and review procedures. During the Reporting Period, the Board of Directors of the Bank approved one resolution on material related party transactions, which were the related party transactions on credit business of CBHB Wealth Management Co., Ltd. (渤海理财有限公司) considered and approved at the 45th meeting of the fifth session of the Board of Directors.

As of the end of the Reporting Period, the Bank's net credit amount granted to all related parties were RMB23,021 million according to the standards of the National Financial Regulatory Administration. Specifically, the net credit amount granted to TEDA Investment Holding Co., Ltd. and its related parties was RMB12,430 million, that granted to China Shipping Investment Co., Ltd. and its related parties was RMB700 million, that granted to State Development & Investment Corp., Ltd. and its related parties was RMB415 million, that granted to China Baowu Steel Group Corporation Limited and its related parties was RMB618 million, that granted to Oceanwide Industry Co., Ltd. and its related parties was RMB8,403 million, and that granted to other related parties reached RMB455 million.

According to the standards of Hong Kong Stock Exchange, the Bank's net credit amount granted to all connected persons amounted to RMB13,130 million. Specifically, the Bank extended RMB12,430 million of net credits to TEDA Investment Holding Co., Ltd. and its connected persons, RMB700 million to China Shipping Investment Co., Ltd. and its connected persons, and RMB40,000 to other connected persons. The above-mentioned connected transactions are transactions conducted by the Bank with its connected persons in the ordinary course of business on general commercial terms or better terms for the Bank, which are fully exempted in accordance with Chapter 14A of the Listing Rules.

Non-credit transactions between the Bank and related parties, such as deposits, services, leasing, agency sales, custody and entrusted management of wealth management products, and other daily related party transactions, are subject to general commercial terms and conditions no superior to those granted to independent third parties. None of the above-mentioned transactions constitute material related party transactions under the standards of the National Financial Regulatory Administration, and they are connected transactions meeting the minimum exemption level under Chapter 14A of the Listing Rules.

(II) Related Party Transactions Involving Disposal and Acquisition of Assets or Equity

During the Reporting Period, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets or equity.

(III) Related Party Transactions in Joint External Investment

During the Reporting Period, the Bank was not engaged in any related party transactions in joint external investment.

V. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Material Custody, Contracting or Leasing Matters

During the Reporting Period, the Bank had no material custody, contracting or leasing matters which were required to be disclosed.

(II) Material Guarantees

During the Reporting Period, save as normal operation activities, the Bank had no material guarantee matters which were required to be disclosed.

(III) Other Material Contracts

During the Reporting Period, the Bank had no other material contract matters which were required to be disclosed.

VI. SIGNIFICANT INVESTMENT AND MAJOR INVESTMENT PLAN

During the Reporting Period, the Bank had no significant external equity investment or major external equity investment plans.

VII. PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

During the Reporting Period, the Bank was not subject to any investigation due to suspected crimes according to law, or any criminal penalty. The Bank was not subject to any investigation or administrative penalty by the CSRC due to suspected violations of laws and regulations, or any administrative penalty by other competent authorities that has a significant impact on the operation and management of the Bank. During the Reporting Period, none of the Directors, Supervisors or members of senior management was subject to any coercive measures due to suspected crimes according to law, any criminal penalty, any investigation or administrative penalty by the CSRC and other competent authorities due to suspected violations of laws and regulations in their performance of duties in the Bank, any confinement measures by disciplinary inspection authorities due to suspected serious violations of discipline, law or duty crimes which affect their performance of duties, or any coercive measures by other competent authorities due to suspected violations of laws and regulations which affect their performance of duties in the Bank. During the Reporting Period, neither the Bank nor any of its Directors, Supervisors or members of senior management was subject to any administrative and regulatory measures or disciplinary actions taken by the CSRC, other competent authorities or the stock exchange.

VIII. OTHER MATERIAL EVENTS

The Bank issued three-year financial bonds with a face value of RMB10 billion on May 12, 2023, with a fixed coupon rate of 2.88% per annum.

IX. SUBSEQUENT EVENTS

The Bank issued three-year financial bonds with a face value of RMB10 billion on July 25, 2023, with a fixed coupon rate of 2.72% per annum.

X. REVIEW OF INTERIM RESULTS

The Bank's external auditor Deloitte Touche Tohmatsu has reviewed the interim financial report prepared by the Bank in accordance with IFRS and the disclosure requirements of the Listing Rules. Meanwhile, the Audit and Consumer Rights Protection Committee under the Board of the Bank has reviewed and approved the Bank's results and financial report for the six months ended June 30, 2023.

XI. PUBLICATION OF THE INTERIM REPORT

The English and Chinese versions of the interim report prepared by the Bank pursuant to the IFRS and the Listing Rules are available on the website of the HKEX and the Bank's website.

Review Report and Interim Financial Report

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Report on Review of Consolidated Financial Statements

To the Board of Directors of CHINA BOHAI BANK CO., LTD.
(A joint stock company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the consolidated financial statements of CHINA BOHAI BANK CO., LTD. (the "Bank") and its subsidiary (collectively the "Group") set out on pages 70 to 168, which comprise the consolidated statement of financial position as of 30 June 2023 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of the interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of these consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2023

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Interest income		30,561,468	30,112,274
Interest expense		(21,233,741)	(18,760,795)
Net interest income	3	9,327,727	11,351,479
Fee and commission income		2,305,676	1,888,967
Fee and commission expense		(540,510)	(462,167)
Net fee and commission income	4	1,765,166	1,426,800
Net trading gains/(losses)	5	501,268	(320,715)
Net gains arising from financial investments	6	1,453,143	993,051
Other operating income	7	35,218	40,093
Operating income		13,082,522	13,490,708
Operating expenses	8	(5,360,226)	(4,811,922)
Impairment losses on assets	9	(3,063,714)	(3,651,946)
Profit before taxation		4,658,582	5,026,840
Income tax expense	10	(559,754)	(623,924)
Net profit for the period		4,098,828	4,402,916

The accompanying notes form part of these consolidated financial statements.

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Net profit for the period		4,098,828	4,402,916
Other comprehensive income for the period, net of income tax:			
Item that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated as at fair value through other comprehensive income		148,729	112,408
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments measured at fair value through other comprehensive income		172,672	(1,079,119)
Credit losses of debt instruments measured at fair value through other comprehensive income		(139,266)	976,039
Foreign currency translation reserve		(9,618)	(7,781)
Other comprehensive income for the period, net of income tax		172,517	1,547
Total comprehensive income for the period		4,271,345	4,404,463
Net profit for the period attributable to:			
Equity holders of the parent company		4,098,828	4,402,916
Non-controlling interests		–	–
Total comprehensive income for the period attributable to:			
Equity holders of the parent company		4,271,345	4,404,463
Non-controlling interests		–	–
Earnings per share			
– Basic and diluted (RMB yuan)	11	0.23	0.25

The accompanying notes form part of these consolidated financial statements.

Unaudited Consolidated Statement of Financial Position

As at 30 June 2023

(In RMB thousands, unless otherwise stated)

	Notes	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Assets			
Cash and deposits with the central bank	12	96,699,571	108,394,184
Deposits with banks and other financial institutions	13	22,491,874	16,074,856
Placements with banks and other financial institutions	14	15,917,979	18,333,936
Derivative financial assets	15	2,064,051	1,211,516
Financial assets held under resale agreements	16	11,266,564	–
Loans and advances to customers	17	941,761,074	942,723,216
Financial investments:	18		
– Financial investments measured at fair value through profit or loss		147,658,045	120,542,087
– Financial investments measured at fair value through other comprehensive income		86,560,506	101,487,369
– Financial investments measured at amortised cost		335,569,846	322,504,367
Interests in associate	19	–	–
Property and equipment	20	3,609,536	3,740,467
Deferred tax assets	21	14,038,686	13,105,211
Right-of-use assets	22	4,166,730	4,024,889
Other assets	23	8,753,694	7,317,804
Total assets		1,690,558,156	1,659,459,902
Liabilities and equity			
Liabilities			
Borrowings from the central bank	24	134,439,888	117,858,168
Deposits from banks and other financial institutions	25	157,889,895	181,175,967
Placements from banks and other financial institutions	26	29,376,156	29,434,826
Derivative financial liabilities	15	2,127,776	613,173
Financial assets sold under repurchase agreements	27	37,393,938	60,223,721
Deposits from customers	28	924,437,903	863,934,028
Income tax payable		557,187	1,124,939
Debt securities issued	29	272,647,197	276,680,991
Lease liabilities	30	4,354,940	4,229,676
Other liabilities	31	13,110,897	14,233,379
Total liabilities		1,576,335,777	1,549,508,868

The accompanying notes form part of these consolidated financial statements.

Unaudited Consolidated Statement of Financial Position

As at 30 June 2023

(In RMB thousands, unless otherwise stated)

	Notes	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Equity			
Equity attributable to equity holders of the parent company			
Share capital	32	17,762,000	17,762,000
Other equity instruments	33	19,961,604	19,961,604
Capital reserve	34	10,732,077	10,732,077
Surplus reserve	34	7,342,356	7,342,356
General reserve	34	20,291,464	20,245,453
Other reserves	34	(2,866,336)	(3,038,853)
Retained earnings	35	40,999,214	36,946,397
Sub-total		114,222,379	109,951,034
Non-controlling interests		–	–
Total equity		114,222,379	109,951,034
Total equity and liabilities		1,690,558,156	1,659,459,902

Qu Hongzhi
*President
Executive Director
(Act as the acting
chairman of
the Board of Directors
and acting legal
representative)*

Du Gang
*The person in
charge of
accounting affairs*

Zhang Hui
*The person in
charge of accounting
department*

(Company stamp)

The accompanying notes form part of these consolidated financial statements.

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

	Note	Attributable to equity holders of the parent company							Non-controlling interests	Total	
		Share Capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings			Sub-total
Balance at 1 January 2023		17,762,000	19,961,604	10,732,077	7,342,356	20,245,453	(3,038,853)	36,946,397	109,951,034	-	109,951,034
Changes in equity for the period:											
Net profit for the period		-	-	-	-	-	-	4,098,828	4,098,828	-	4,098,828
Other comprehensive income		-	-	-	-	-	172,517	-	172,517	-	172,517
Total comprehensive income		-	-	-	-	-	172,517	4,098,828	4,271,345	-	4,271,345
Appropriation of profit											
- Appropriation to general reserve	34	-	-	-	-	46,011	-	(46,011)	-	-	-
Balance at 30 June 2023 (Unaudited)		17,762,000	19,961,604	10,732,077	7,342,356	20,291,464	(2,866,336)	40,999,214	114,222,379	-	114,222,379

	Note	Attributable to equity holders of the parent company							Non-controlling interests	Total	
		Share Capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings			Sub-total
Balance at 1 January 2022		17,762,000	19,961,604	10,732,077	6,731,609	19,496,787	(2,813,629)	34,693,629	106,564,077	-	106,564,077
Changes in equity for the period:											
Net profit for the period		-	-	-	-	-	-	4,402,916	4,402,916	-	4,402,916
Other comprehensive income		-	-	-	-	-	1,547	-	1,547	-	1,547
Total comprehensive income		-	-	-	-	-	1,547	4,402,916	4,404,463	-	4,404,463
Appropriation of profit											
- Dividends distribution to ordinary shareholders	35	-	-	-	-	-	-	(1,545,294)	(1,545,294)	-	(1,545,294)
Balance at 30 June 2022 (Unaudited)		17,762,000	19,961,604	10,732,077	6,731,609	19,496,787	(2,812,082)	37,551,251	109,423,246	-	109,423,246

The accompanying notes form part of these consolidated financial statements.

Unaudited Consolidated Statement of Changes in Equity
For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

	Notes	Attributable to equity holders of the parent company							Sub-total	Non-controlling interests	Total
		Share Capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings			
Balance at 1 January 2022		17,762,000	19,961,604	10,732,077	6,731,609	19,496,787	(2,813,629)	34,693,629	106,564,077	-	106,564,077
Changes in equity for the year:											
Net profit for the year		-	-	-	-	-	-	6,107,475	6,107,475	-	6,107,475
Other comprehensive income		-	-	-	-	-	(225,224)	-	(225,224)	-	(225,224)
Total comprehensive income		-	-	-	-	-	(225,224)	6,107,475	5,882,251	-	5,882,251
Appropriation of profit											
- Appropriation to surplus reserve	34	-	-	-	610,747	-	-	(610,747)	-	-	-
- Appropriation to general reserve	34	-	-	-	-	748,666	-	(748,666)	-	-	-
- Dividend distribution to other equity instruments holders	35	-	-	-	-	-	-	(950,000)	(950,000)	-	(950,000)
- Dividends distribution to ordinary shareholders	35	-	-	-	-	-	-	(1,545,294)	(1,545,294)	-	(1,545,294)
Balance at 31 December 2022 (Audited)		17,762,000	19,961,604	10,732,077	7,342,356	20,245,453	(3,038,853)	36,946,397	109,951,034	-	109,951,034

The accompanying notes form part of these consolidated financial statements.

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities		
Profit before taxation	4,658,582	5,026,840
<i>Adjustments for:</i>		
Impairment losses on assets	3,063,714	3,651,946
Depreciation and amortisation	858,178	793,337
Net gains arising from financial investments	(1,453,143)	(993,051)
Interest expense on debts securities issued	3,599,145	3,656,998
Net trading (gains)/losses	(501,268)	320,715
Interest income on financial investments	(6,616,298)	(6,125,364)
Interest expense on lease liabilities	82,199	82,564
Net gains on disposal of property and equipment and other long-term assets	(107)	(1,264)
	3,691,002	6,412,721
<i>Changes in operating assets</i>		
Net decrease in deposits with the central bank	704,772	4,680,311
Net decrease in deposits with banks and other financial institutions with original maturity over three months	49,999	200,000
Net decrease/(increase) in placements with banks and other financial institutions with original maturity over three months	2,747,422	(8,220,905)
Net decrease/(increase) in loans and advances to customers	347,528	(36,282,695)
Net increase in financial assets held for trading	(12,346,779)	(837,353)
Net increase in other operating assets	(444,476)	(298,313)
	(8,941,534)	(40,758,955)
<i>Changes in operating liabilities</i>		
Net increase in borrowings from the central bank	15,957,000	19,000,000
Net (decrease)/increase in deposits from banks and other financial institutions	(23,430,066)	20,909,978
Net decrease in placements from banks and other financial institutions	(223,826)	(19,060,877)
Net decrease in financial assets sold under repurchase agreements	(22,815,285)	(3,922,441)
Net increase in deposits from customers	58,879,086	38,785,507
Net increase/(decrease) in other operating liabilities	249,155	(5,406,239)
	28,616,064	50,305,928
Net cash flows generated from operating activities before income tax payment	23,365,532	15,959,694
Income tax paid	(2,123,380)	(2,614,514)
Net cash flows generated from operating activities	21,242,152	13,345,180

The accompanying notes form part of these consolidated financial statements.

Unaudited Consolidated Statement of Cash Flows
For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Cash flows from investing activities			
Proceeds from sale and redemption of financial investments		232,793,443	183,175,406
Proceeds received from investment activities		8,123,256	6,874,458
Proceeds from disposal of property and equipment and other long-term assets		143	49
Purchases of investments		(246,922,558)	(238,820,643)
Purchases of property and equipment, intangible assets and other long-term assets		(182,101)	(271,009)
Net cash flows used in investing activities		(6,187,817)	(49,041,739)
Cash flows from financing activities			
Proceeds from issuance of debt securities		209,939,409	204,479,145
Repayment of debt securities		(213,084,883)	(181,265,719)
Interest paid on debt securities		(4,487,465)	(4,486,890)
Repayment of lease liabilities		(641,936)	(631,223)
Net cash flows (used in)/generated from financing activities		(8,274,875)	18,095,313
Effect of foreign exchange rate changes on cash and cash equivalents		406,645	665,855
Net increase/(decrease) in cash and cash equivalents	39(a)	7,186,105	(16,935,391)
Cash and cash equivalents as at 1 January		63,085,206	76,843,021
Cash and cash equivalents as at 30 June	39(b)	70,271,311	59,907,630
Net cash flows from operating activities include:			
Interest received (excluding interest income on financial investments)		23,723,024	24,751,835
Interest paid (excluding interest expense on debt securities issued)		(20,178,759)	(16,436,076)

The accompanying notes form part of these consolidated financial statements.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

1. Background information

CHINA BOHAI BANK CO., LTD. (the "Bank") is a national joint-stock commercial bank established in Tianjin on 30 December 2005.

The Bank was approved by the former China Banking and Insurance Regulatory Commission (the "CBIRC") to hold financial business permit (No. B0017H112000001) and the Tianjin Administration for Market Regulation for the business license (Unified social credit code No. 911200007109339563).

On 16 July 2020, the Bank's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited with the stock code 9668.

The Bank's operation commenced on 16 February 2006. As at 30 June 2023, the Bank has established 36 tier-one branches, 33 tier-two branches, and 261 sub-branches. The total number of outlets reached 351, including 330 branches and sub-branches, and 21 small and micro community sub-branches.

The principal activities of the Bank include absorbing public deposits; offering short-term, medium term and long-term loans; arranging settlement of domestic and international accounts; handling acceptance and discount of bill; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds and proprietary trading bonds issued by financial institutions and government; inter-bank borrowing and lending; trading of foreign currencies for its own account and on behalf of its customers; selling and purchasing foreign exchange, bank card business; letters of credit and financial guarantees; acting as agent on inward and outward payments; acting as an insurance agent, safe-deposit facilities, derivative trading, securities investment custody, insurance fund custody, selling securities investment fund and other business approved by the banking regulatory institutions of the State Council.

According to the "Approval from the China Banking and Insurance Regulatory Commission on the Opening of CBHB Wealth Management Co., Ltd. (渤海理財有限責任公司)", the Bank established its wholly owned subsidiary CBHB Wealth Management Co., Ltd. with a registered capital of RMB2 billion on 6 September 2022. The approved business scope of CBHB Wealth Management Co., Ltd. includes public issuance of financial products to the non-specific public, investment and management of the entrusted investor assets; non-public issuance of wealth management products to qualified investors, investment and management of the entrusted investor assets, consultancy and advisory services and other business as approved by the banking regulatory institutions of the State Council. The Bank and its subsidiary are collectively referred to as the "Group".

Notes to the Unaudited Consolidated Financial Statements
For the six months ended 30 June 2023
(In RMB thousands, unless otherwise stated)

2. Basis of preparation and accounting policies

Basis of preparation

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

The interim consolidated 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”), and should be read in conjunction with the audited annual consolidated financial statements for the year ended 31 December 2022.

The consolidated financial statements are unaudited, but have been reviewed by Deloitte Touche Tohmatsu 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.

Accounting judgements and estimates

The preparation of the consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2022. Actual results may differ from these estimates.

Significant accounting policies

In the current period, the Group has applied, for the first time, the follow IFRS and amendments to IFRSs (including IASs and their amendments) issued by the IASB.

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17):	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2:	Disclosure of Accounting Policies
Amendments to IAS 8:	Definition of Accounting Estimates
Amendments to IAS 12:	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12:	International Tax Reform – Pillar Two Model Rules

The adoption of these IFRS and amendments has no material impact on the financial position and the financial performance of the Group.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

2. Basis of preparation and accounting policies *(Continued)*

Significant accounting policies *(Continued)*

Other than the application of these IFRS and amendments to IFRSs mentioned above, the accounting policies and methods of computation used in the consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. Net interest income

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Interest income arising from		
Deposits with the central bank	524,423	468,560
Deposits with banks and other financial institutions	146,433	116,326
Placements with banks and other financial institutions	477,992	286,417
Loans and advances to customers		
– Corporate loans and advances	12,397,633	11,761,619
– Personal loans	9,551,365	10,324,967
– Discounted bills	592,755	948,668
Financial assets held under resale agreements	254,569	80,353
Financial investments	6,616,298	6,125,364
Sub-total	30,561,468	30,112,274
Interest expense arising from		
Borrowings from the central bank	(1,766,594)	(1,322,716)
Deposits from banks and other financial institutions	(2,637,715)	(2,771,934)
Placements from banks and other financial institutions	(589,700)	(238,811)
Deposits from customers	(12,304,689)	(10,290,369)
Financial assets sold under repurchase agreements	(335,898)	(479,967)
Debt securities issued	(3,599,145)	(3,656,998)
Sub-total	(21,233,741)	(18,760,795)
Net interest income	9,327,727	11,351,479

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4. Net fee and commission income

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Fee and commission income		
Agency services	1,061,631	677,746
Settlement and clearing business	567,086	489,911
Credit commitments and loan services	367,658	203,693
Custodian services	151,704	241,511
Consulting services	94,112	144,725
Bank card business	41,961	44,737
Others	21,524	86,644
Sub-total	2,305,676	1,888,967
Fee and commission expense	(540,510)	(462,167)
Net fee and commission income	1,765,166	1,426,800

5. Net trading gains/(losses)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Net (losses)/gains from derivative instruments	(507,966)	600,035
Exchange gains/(losses)	750,388	(1,003,996)
Net losses from trading of precious metals	(278,925)	(100,016)
Net gains from debt securities at fair value through profit or loss	408,106	138,141
Net gains from loans and advances at fair value through profit or loss	192,776	34,000
Net (losses)/gains from equity investment	(63,111)	11,121
Total	501,268	(320,715)

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6. Net gains arising from financial investments

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Net gains of financial investments measured at fair value through profit or loss	1,229,814	711,269
Net gains on disposal of financial investments measured at fair value through other comprehensive income	196,672	116,968
Net gains on disposal of financial investments measured at amortised cost	26,657	164,814
Total	1,453,143	993,051

7. Other operating income

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Government grants	20,803	30,212
Rental income	5,946	5,664
Others	8,469	4,217
Total	35,218	40,093

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8. Operating expenses

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Staff costs		
– Salaries, bonuses and allowances	2,087,887	1,844,438
– Social insurance and annuity	508,961	453,824
– Housing allowances	277,700	251,721
– Staff welfare	136,320	120,859
– Employee education expenses and labour union expenses	64,831	58,261
– Others	127,193	121,176
Sub-total	3,202,892	2,850,279
Depreciation and amortisation	858,178	793,337
Taxes and surcharges	224,515	208,045
Interest expense on lease liabilities	82,199	82,564
Other general and administrative expenses	992,442	877,697
Total	5,360,226	4,811,922

Expenses relating to short-term leases and leases of low-value assets were RMB15 million and RMB27 million for the six months ended 30 June 2023 and 2022, respectively.

9. Impairment losses on assets

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Deposits with banks and other financial institutions	1,395	6,972
Placements with banks and other financial institutions	(33,111)	54,068
Financial assets held under resale agreements	3,053	–
Loans and advances to customers	1,588,826	3,836,122
Financial investments	1,251,258	(230,799)
Credit commitments	(107,040)	(18,936)
Others	359,333	4,519
Total	3,063,714	3,651,946

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(In RMB thousands, unless otherwise stated)

10. Income tax expense

(a) Income tax expense:

	Note	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Current tax		1,555,628	1,448,388
Deferred tax	21(b)	(995,874)	(824,464)
Total		559,754	623,924

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit before taxation	4,658,582	5,026,840
People's Republic of China ("PRC") statutory income tax rate	25%	25%
Tax at the PRC statutory income tax rate	1,164,646	1,256,710
Effects of non-deductible expenses	72,331	284,777
Effects of non-taxable income (i)	(597,787)	(917,589)
Effects of others	(79,436)	26
Income tax expense	559,754	623,924

- (i) The non-taxable income mainly represents the interest income arising from the PRC government bonds, municipal debts, and dividend income from funds.

11. Basic and diluted earnings per share

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Net profit for the period attributable to ordinary shareholders of the parent company	4,098,828	4,402,916
Weighted average number of ordinary shares in issue (in thousands)	17,762,000	17,762,000
Basic and diluted earnings per share (in RMB Yuan)	0.23	0.25

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

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12. Cash and deposits with the central bank

	Notes	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Cash on hand		863,807	503,504
Deposits with the central bank			
– Statutory deposit reserves	(a)	61,968,108	62,453,533
– Surplus deposit reserves	(b)	33,738,233	45,085,427
– Fiscal deposits and other		100,682	320,029
Sub-total		95,807,023	107,858,989
Interests accrued		28,741	31,691
Total		96,699,571	108,394,184

- (a) The Bank places statutory deposit reserves with the People’s Bank of China (“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:

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

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

- (b) The surplus deposit reserves with the PBoC include funds for the purpose of cash settlement.

Notes to the Unaudited Consolidated Financial Statements

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13. Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Deposits in Mainland China		
– Banks	15,683,862	12,019,090
Sub-total	15,683,862	12,019,090
Deposits outside Mainland China		
– Banks	6,986,609	4,231,329
Sub-total	6,986,609	4,231,329
Interests accrued	9,385	10,853
Less: Allowance for impairment losses	(187,982)	(186,416)
Total	22,491,874	16,074,856

14. Placements with banks and other financial institutions

Analysed by type and location of counterparty

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Placements in Mainland China		
– Banks	1,588,817	694,440
– Other financial institutions	13,700,000	16,550,000
Sub-total	15,288,817	17,244,440
Placements outside Mainland China		
– Banks	472,578	829,162
Sub-total	472,578	829,162
Interests accrued	232,315	368,549
Less: Allowance for impairment losses	(75,731)	(108,215)
Total	15,917,979	18,333,936

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15. 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. Derivative financial instruments used by the Group mainly include forwards, swaps and option contracts.

The notional amount of a derivative represents the amount of the 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.

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

	30 June 2023 (Unaudited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	257,253,213	24,706	(4,032)
Exchange rate swaps	54,866,317	748,936	(1,255,897)
Exchange rate forwards	49,756,077	953,244	(854,787)
Precious metal swaps	4,305,600	322,246	–
Option contracts	1,136,844	14,919	(13,060)
Total	367,318,051	2,064,051	(2,127,776)

	31 December 2022 (Audited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	203,353,923	34,495	(32,018)
Exchange rate swaps	34,618,545	635,722	(202,165)
Exchange rate forwards	52,699,856	471,433	(371,794)
Precious metal derivatives	3,319,785	69,866	(7,196)
Total	293,992,109	1,211,516	(613,173)

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16. Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Financial assets held under resale agreements in Mainland China		
– Banks	2,149,996	–
– Other financial institutions	9,117,734	–
Sub-total	11,267,730	–
Interests accrued	1,887	–
Less: Allowance for impairment losses	(3,053)	–
Total	11,266,564	–

(b) Analysed by asset types

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Bonds	11,266,564	–
Total	11,266,564	–

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17. Loans and advances to customers

(a) Analysed by nature

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	534,831,530	533,436,950
Personal loans		
– Residential and commercial housing loans	171,178,799	179,624,947
– Personal consumer loans	105,469,609	104,693,328
– Personal business loans	45,375,683	52,217,381
Sub-total	322,024,091	336,535,656
Interests accrued	10,659,383	9,338,023
Less: Allowance for loans and advances to customers measured at amortised cost	(23,911,055)	(23,831,785)
Sub-total	843,603,949	855,478,844
Loans and advances to customers measured at fair value through other comprehensive income:		
Discounted bills	81,561,885	85,532,135
Loans and advances to customers measured at fair value through profit or loss:		
Corporate loans and advances	16,595,240	1,712,237
Net loans and advances to customers	941,761,074	942,723,216

As at 30 June 2023, the Group's allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB1,438 million (31 December 2022: RMB1,538 million), refer to Note 17(g).

Notes to the Unaudited Consolidated Financial Statements

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17. Loans and advances to customers *(Continued)***(b) Loans and advances to customers (excluding interests accrued) analysed by industry sector**

	At 30 June 2023 (Unaudited)		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	194,623,105	20.38%	41,172,652
Real estate	89,857,889	9.41%	62,133,347
Manufacturing	81,898,155	8.58%	38,643,940
Water conservancy, environment and public facilities management	60,560,642	6.34%	7,480,393
Wholesale and retail	38,973,582	4.08%	11,831,613
Construction	24,909,226	2.61%	13,086,167
Transportations, storage and post	12,308,303	1.29%	3,966,093
Financial services	11,980,080	1.25%	3,046,006
Production and supply of electricity, heat, gas and water	10,712,107	1.12%	890,045
Mining	6,269,461	0.66%	265,490
Information transmission, software and information technology services	4,448,110	0.47%	630,759
Agriculture, forestry, animal husbandry and fishery	4,105,637	0.43%	1,357,200
Scientific research and technical services	3,566,679	0.37%	322,203
Others	7,213,794	0.75%	2,524,698
Sub-total of corporate loans and advances	551,426,770	57.74%	187,350,606
Personal loans	322,024,091	33.72%	190,935,237
Discounted bills	81,561,885	8.54%	81,561,885
Gross loans and advances to customers	955,012,746	100.00%	459,847,728

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17. Loans and advances to customers *(Continued)*

(b) Loans and advances to customers (excluding interests accrued) analysed by industry sector *(Continued)*

	At 31 December 2022 (Audited)		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	187,018,161	19.54%	38,997,806
Real estate	92,621,820	9.68%	64,588,110
Manufacturing	82,907,974	8.66%	42,923,287
Water conservancy, environment and public facilities management	60,278,167	6.30%	7,758,514
Wholesale and retail	35,853,747	3.75%	14,229,236
Construction	25,013,619	2.61%	13,398,839
Transportations, storage and post	12,309,380	1.29%	4,093,275
Financial services	7,355,225	0.77%	685,350
Production and supply of electricity, heat, gas and water	10,304,895	1.08%	861,100
Mining	7,873,478	0.82%	83,490
Information transmission, software and information technology services	2,103,520	0.22%	666,366
Agriculture, forestry, animal husbandry and fishery	3,242,134	0.34%	779,770
Scientific research and technical services	2,070,561	0.22%	591,804
Others	6,196,506	0.62%	1,944,692
Sub-total of corporate loans and advances	535,149,187	55.90%	191,601,639
Personal loans	336,535,656	35.16%	197,361,044
Discounted bills	85,532,135	8.94%	85,532,135
Gross loans and advances to customers	957,216,978	100.00%	474,494,818

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17. Loans and advances to customers *(Continued)***(c) Analysed by geographical sector (excluding interests accrued)**

At 30 June 2023 (Unaudited)			
	Amount	Percentage	Loans and advances secured by collaterals
Northern and North-eastern China	433,025,660	45.35%	184,166,024
Eastern China	218,811,002	22.91%	104,229,216
Central and Southern China	222,357,592	23.28%	129,486,613
Western China	80,818,492	8.46%	41,965,875
Gross loans and advances to customers	955,012,746	100.00%	459,847,728

At 31 December 2022 (Audited)			
	Amount	Percentage	Loans and advances secured by collaterals
Northern and North-eastern China	426,563,367	44.57%	182,666,759
Eastern China	222,939,866	23.29%	115,582,945
Central and Southern China	224,585,557	23.46%	135,345,749
Western China	83,128,188	8.68%	40,899,365
Gross loans and advances to customers	957,216,978	100.00%	474,494,818

The geographical areas are categorised as follows:

Northern and North-eastern China includes Head Office, Beijing Branch, Tianjin Branch, Tianjin Binhai Branch, Tianjin Pilot Free Trade Zone Branch, Dalian Branch, Hohhot Branch, Taiyuan Branch, Shijiazhuang Branch, Changchun Branch and Shenyang Branch.

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17. Loans and advances to customers *(Continued)*

(c) Analysed by geographical sector (excluding interests accrued) *(Continued)*

Eastern China includes Nanjing Branch, Hangzhou Branch, Jinan Branch, Shanghai Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Suzhou Branch, Qingdao Branch, Ningbo Branch and Nanchang Branch.

Central and Southern China includes Guangzhou Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Hong Kong Branch, Changsha Branch, Wuhan Branch, Fuzhou Branch, Zhengzhou Branch, Xiamen Pilot Free Trade Zone Branch, Haikou Branch and Nanning Branch.

Western China includes Chengdu Branch, Xi'an Branch, Chongqing Branch, Guiyang Branch and Kunming Branch.

(d) Analysed by type of collateral (excluding interests accrued)

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Unsecured loans	206,117,281	186,985,421
Guaranteed loans	289,047,737	295,736,739
Collateralised loans	299,293,726	307,784,561
Pledged loans	160,554,002	166,710,257
Gross loans and advances to customers	955,012,746	957,216,978

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17. Loans and advances to customers *(Continued)*

(e) Overdue loans analysed by overdue period (excluding interests accrued)

At 30 June 2023 (Unaudited)					
	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	Total
Unsecured loans	1,375,385	2,745,502	2,457,550	271,332	6,849,769
Guaranteed loans	3,782,488	802,805	2,193,799	824,168	7,603,260
Collateralised loans	5,810,050	2,054,779	2,919,200	1,066,828	11,850,857
Pledged loans	1,471,000	75,670	259,748	723,105	2,529,523
Total	12,438,923	5,678,756	7,830,297	2,885,433	28,833,409
As a percentage of gross loans and advances to customers	1.30%	0.60%	0.82%	0.30%	3.02%

At 31 December 2022 (Audited)					
	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	Total
Unsecured loans	3,962,900	2,446,864	2,097,070	140,669	8,647,503
Guaranteed loans	4,415,882	992,612	2,432,171	727,104	8,567,769
Collateralised loans	3,367,552	1,007,064	2,561,508	953,305	7,889,429
Pledged loans	472,008	97,712	928,843	47,209	1,545,772
Total	12,218,342	4,544,252	8,019,592	1,868,287	26,650,473
As a percentage of gross loans and advances to customers	1.28%	0.47%	0.84%	0.20%	2.79%

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

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17. Loans and advances to customers *(Continued)*

(f) Loans and advances and allowance for impairment losses (excluding interests accrued)

	At 30 June 2023 (Unaudited)			
	Stage 1 (12-month expected credit loss ("ECL"))	Stage 2 (Life time ECL not credit- impaired)	Stage 3 (Life time ECL credit- impaired)	Total
Total loans and advances to customers measured at amortised cost	800,140,309	39,162,552	17,552,760	856,855,621
Less: Allowance for impairment losses	(5,821,939)	(7,598,950)	(10,490,166)	(23,911,055)
Net carrying amount of loans and advances to customers measured at amortised cost	794,318,370	31,563,602	7,062,594	832,944,566
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	81,561,885	-	-	81,561,885
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(12,693)	-	(1,425,359)	(1,438,052)
	At 31 December 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Total loans and advances to customers measured at amortised cost	815,507,987	37,663,535	16,801,084	869,972,606
Less: Allowance for impairment losses	(6,876,826)	(7,063,246)	(9,891,713)	(23,831,785)
Net carrying amount of loans and advances to customers measured at amortised cost	808,631,161	30,600,289	6,909,371	846,140,821
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	85,526,348	-	5,787	85,532,135
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(67,791)	-	(1,470,341)	(1,538,132)

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17. Loans and advances to customers *(Continued)***(g) Movements of allowance for impairment losses****(i) Movements of allowance for impairment losses of loans and advances to customers measured at amortised cost:**

	Six months ended 30 June 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	6,876,826	7,063,246	9,891,713	23,831,785
Transfer:				
– to Stage 1	11,893	(11,893)	–	–
– to Stage 2	(90,567)	116,246	(25,679)	–
– to Stage 3	(10,845)	(69,122)	79,967	–
(Reversal)/charge for the period	(970,815)	500,473	2,159,248	1,688,906
Recoveries	–	–	188,274	188,274
Write-offs	–	–	(1,806,412)	(1,806,412)
Exchange differences and other	5,447	–	3,055	8,502
Balance at 30 June	5,821,939	7,598,950	10,490,166	23,911,055

	Year ended 31 December 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	7,834,624	4,893,154	10,016,933	22,744,711
Transfer:				
– to Stage 1	153,371	(149,697)	(3,674)	–
– to Stage 2	(522,813)	522,813	–	–
– to Stage 3	(19,415)	(659,719)	679,134	–
(Reversal)/charge for the year	(582,959)	2,456,695	4,799,384	6,673,120
Transfer out	–	–	(642,147)	(642,147)
Recoveries	–	–	256,775	256,775
Write-offs	–	–	(5,220,329)	(5,220,329)
Exchange differences and other	14,018	–	5,637	19,655
Balance at 31 December	6,876,826	7,063,246	9,891,713	23,831,785

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17. Loans and advances to customers *(Continued)*

(g) Movements of allowance for impairment losses *(Continued)*

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

	Six months ended 30 June 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	67,791	–	1,470,341	1,538,132
Reversal for the period	(55,098)	–	(44,982)	(100,080)
Balance at 30 June	12,693	–	1,425,359	1,438,052

	Year ended 31 December 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	87,437	–	–	87,437
Transfer:				
– to Stage 3	(4,087)	–	4,087	–
(Reversal)/charge for the year	(15,559)	–	1,466,254	1,450,695
Balance at 31 December	67,791	–	1,470,341	1,538,132

Allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the consolidated statement of financial position as the carrying amount is at fair value, and the charge or reversal of impairment loss is recognised in the profit or loss.

18. Financial investments

	Notes	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Financial investments measured at fair value through profit or loss	(a)	147,658,045	120,542,087
Financial investments measured at fair value through other comprehensive income	(b)	86,560,506	101,487,369
Financial investments measured at amortised cost	(c)	335,569,846	322,504,367
Total		569,788,397	544,533,823

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18. Financial investments *(Continued)*

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

Financial investments held for trading:

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Debt securities – unlisted (i)		
– Government and central bank	3,253,476	1,046,144
– Policy banks	7,842,862	3,180,539
– Banks and other financial institutions	50,392	50,459
– Corporates	14,649,689	7,625,284
Sub-total	25,796,419	11,902,426
Interbank certificates of deposit – unlisted	885,578	2,393,073
Total financial investments held for trading	26,681,997	14,295,499

Other financial investments measured at fair value through profit or loss:

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Investment funds – unlisted	77,604,295	64,085,548
Equity investments		
– Listed outside Hong Kong	431,097	471,167
– Unlisted	3,507,064	3,504,155
Trust plans and asset management plans – unlisted	39,433,592	38,185,718
Total other financial investments measured at fair value through profit or loss	120,976,048	106,246,588
Total financial investments measured at fair value through profit or loss	147,658,045	120,542,087

Note:

- (i) As at 30 June 2023 and 31 December 2022, certain debt securities were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 45(e)).

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18. Financial investments *(Continued)*

(b) Financial investments measured at fair value through other comprehensive income

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Debt securities – unlisted (i)		
– Government	42,378,387	50,286,384
– Policy banks	32,425,605	36,424,630
– Banks and other financial institutions	4,670,270	10,422,032
– Corporates	1,858,558	5,975
Interests accrued	842,901	1,146,008
Sub-total	82,175,721	98,285,029
Interbank certificates of deposit – unlisted	1,117,437	137,907
Interests accrued	4,610	–
Sub-total	1,122,047	137,907
Equity investments – unlisted (ii)	3,262,738	3,064,433
Total	86,560,506	101,487,369

Notes:

- (i) As at 30 June 2023 and 31 December 2022, certain debt securities were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 45(e)).
- (ii) Dividends income from such equity investments during six months ended 2023 and the year ended 31 December 2022 was nil and RMB48 million, respectively, which was included in the profit or loss.

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18. Financial investments *(Continued)*

(b) Financial investments measured at fair value through other comprehensive income *(Continued)*

Movements of allowance for impairment losses of financial investments measured at fair value through other comprehensive income are as follows:

	Six months ended 30 June 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	122,651	–	10,000	132,651
Reversal for the period	(85,710)	–	–	(85,710)
Exchange differences and other	17	–	–	17
Balance at 30 June	36,958	–	10,000	46,958

	Year ended 31 December 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	76,558	–	10,000	86,558
Charge for the year	46,096	–	–	46,096
Exchange differences and other	(3)	–	–	(3)
Balance at 31 December	122,651	–	10,000	132,651

Allowance for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the consolidated statement of financial position as the carrying amount is at fair value, and the charge or reversal of impairment loss is recognised in the profit or loss.

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18. Financial investments *(Continued)*

(c) Financial investments measured at amortised cost

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Debt securities – unlisted (i)		
– Government and central bank	91,247,832	98,335,046
– Policy banks	65,969,695	63,788,989
– Banks and other financial institutions	7,290,533	3,568,534
– Corporates	43,197,711	34,124,562
Interests accrued	2,944,095	2,857,510
Sub-total	210,649,866	202,674,641
Interbank certificates of deposit – unlisted	977,607	1,956,247
Interests accrued	8,280	7,065
Sub-total	985,887	1,963,312
Trust plans and asset management plans – unlisted	133,753,430	125,598,008
Interests accrued	1,593,573	2,334,232
Sub-total	135,347,003	127,932,240
Less: Allowance for impairment losses	(11,412,910)	(10,065,826)
Total	335,569,846	322,504,367

Notes:

- (i) As at 30 June 2023 and 31 December 2022, certain debt securities were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 45(e)).

Notes to the Unaudited Consolidated Financial Statements

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(In RMB thousands, unless otherwise stated)

18. Financial investments *(Continued)*

(c) Financial investments measured at amortised cost *(Continued)*

Movements of allowance for impairment losses of financial investments measured at amortised cost are as follows:

	Six months ended 30 June 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	928,829	3,117,392	6,019,605	10,065,826
Transfer:				
– to Stage 1	49,761	–	(49,761)	–
– to Stage 2	(158,609)	158,609	–	–
Charge/(reversal) for the period	171,399	1,723,346	(557,777)	1,336,968
Exchange differences and other	10,116	–	–	10,116
Balance at 30 June	1,001,496	4,999,347	5,412,067	11,412,910

	Year ended 31 December 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	742,018	5,051,135	5,762,126	11,555,279
Transfer:				
– to Stage 2	(118,262)	118,262	–	–
– to Stage 3	(24,541)	(2,401,803)	2,426,344	–
Charge/(reversal) for the year	313,039	349,798	(405,042)	257,795
Transfer out	–	–	(1,763,823)	(1,763,823)
Exchange differences and other	16,575	–	–	16,575
Balance at 31 December	928,829	3,117,392	6,019,605	10,065,826

19. Interests in associate

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Interests in associate	–	–

The Group invested in Hawtai Motor Finance Co., Ltd. (“Hawtai”) in 2015, with a percentage of equity and voting rights of 10%. The investment in Hawtai is accounted for under the equity method. As at 30 June 2023 and 31 December 2022, the Group’s share of accumulated losses exceeds its interest in the associate. As the Group has no obligation in respect of any additional losses, the Group’s interest in associate is reduced to nil.

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20. Property and equipment

	Premises	Leasehold improvements	Operating equipment	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2022	3,875,984	891,927	1,650,882	87,179	394,535	6,900,507
Additions	–	166,452	294,576	5,839	206,428	673,295
Transfers	–	–	38,203	–	(38,203)	–
Disposals	–	(5,180)	(30,032)	(5,988)	–	(41,200)
Foreign currency translation differences	–	1,146	1,637	57	–	2,840
As at 31 December 2022 (Audited)	3,875,984	1,054,345	1,955,266	87,087	562,760	7,535,442
As at 1 January 2023	3,875,984	1,054,345	1,955,266	87,087	562,760	7,535,442
Additions	–	80,909	64,734	1,177	1,044	147,864
Disposals	–	–	(19,836)	(257)	–	(20,093)
Foreign currency translation differences	–	555	832	28	–	1,415
As at 30 June 2023 (Unaudited)	3,875,984	1,135,809	2,000,996	88,035	563,804	7,664,628
Accumulated depreciation						
As at 1 January 2022	(1,355,988)	(718,027)	(1,171,146)	(69,442)	–	(3,314,603)
Charge for the year	(185,892)	(115,659)	(208,530)	(5,642)	–	(515,723)
Disposals	–	3,875	28,820	4,932	–	37,627
Foreign currency translation differences	–	(1,146)	(1,076)	(54)	–	(2,276)
As at 31 December 2022 (Audited)	(1,541,880)	(830,957)	(1,351,932)	(70,206)	–	(3,794,975)
As at 1 January 2023	(1,541,880)	(830,957)	(1,351,932)	(70,206)	–	(3,794,975)
Charge for the period	(92,946)	(70,425)	(112,321)	(2,886)	–	(278,578)
Disposals	–	–	19,392	256	–	19,648
Foreign currency translation differences	–	(555)	(606)	(26)	–	(1,187)
As at 30 June 2023 (Unaudited)	(1,634,826)	(901,937)	(1,445,467)	(72,862)	–	(4,055,092)
Net book value						
As at 31 December 2022 (Audited)	2,334,104	223,388	603,334	16,881	562,760	3,740,467
As at 30 June 2023 (Unaudited)	2,241,158	233,872	555,529	15,173	563,804	3,609,536

Notes to the Unaudited Consolidated Financial Statements

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21. Deferred tax assets

(a) Analysed by nature

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Allowance for impairment losses	46,498,135	11,624,534	43,066,555	10,766,639
– Fair value changes	7,532,443	1,883,111	6,255,915	1,563,979
– Accrued salary cost	4,777,436	1,194,359	4,843,729	1,210,932
– Provisions	367,669	91,917	477,053	119,263
– Others	5,506,817	1,376,704	4,444,353	1,111,088
	64,682,500	16,170,625	59,087,605	14,771,901
Deferred tax liabilities				
– Fair value changes	(3,997,044)	(999,261)	(2,366,625)	(591,656)
– Others	(4,530,713)	(1,132,678)	(4,300,138)	(1,075,034)
	(8,527,757)	(2,131,939)	(6,666,763)	(1,666,690)
Net balance	56,154,743	14,038,686	52,420,842	13,105,211

(b) Movements of deferred tax

	Allowance for impairment losses	Net losses/ (gains) on fair value changes	Others	Net balance of deferred tax assets
As at 1 January 2022	9,142,384	420,524	1,360,448	10,923,356
Recognised in profit or loss	1,624,255	108,233	5,801	1,738,289
Recognised in other comprehensive income	–	443,566	–	443,566
As at 31 December 2022 (Audited)	10,766,639	972,323	1,366,249	13,105,211
Recognised in profit or loss	811,388	20,433	164,053	995,874
Recognised in other comprehensive income	46,507	(108,906)	–	(62,399)
As at 30 June 2023 (Unaudited)	11,624,534	883,850	1,530,302	14,038,686

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22. Right-of-use assets

	Premises	Others	Total
Cost			
As at 1 January 2022	6,220,484	15,177	6,235,661
Additions	1,158,393	1,121	1,159,514
Disposals	(314,035)	(1,471)	(315,506)
Foreign currency translation difference	4,200	8	4,208
As at 31 December 2022 (Audited)	7,069,042	14,835	7,083,877
As at 1 January 2023	7,069,042	14,835	7,083,877
Additions	706,321	–	706,321
Disposals	(315,821)	(3,492)	(319,313)
Foreign currency translation difference	4,246	17	4,263
As at 30 June 2023 (Unaudited)	7,463,788	11,360	7,475,148
Accumulated depreciation			
As at 1 January 2022	(2,308,758)	(5,201)	(2,313,959)
Charge for the year	(1,021,209)	(2,148)	(1,023,357)
Disposals	279,893	1,397	281,290
Foreign currency translation difference	(2,957)	(5)	(2,962)
As at 31 December 2022 (Audited)	(3,053,031)	(5,957)	(3,058,988)
As at 1 January 2023	(3,053,031)	(5,957)	(3,058,988)
Charge for the period	(532,299)	(751)	(533,050)
Disposals	285,400	674	286,074
Foreign currency translation difference	(2,450)	(4)	(2,454)
As at 30 June 2023 (Unaudited)	(3,302,380)	(6,038)	(3,308,418)
Net book value			
As at 31 December 2022 (Audited)	4,016,011	8,878	4,024,889
As at 30 June 2023 (Unaudited)	4,161,408	5,322	4,166,730

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23. Other assets

	Note	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Interest receivable	(a)	4,233,377	3,177,740
Land use rights		392,623	399,986
Guarantee deposits		307,068	156,676
Prepayments		305,442	294,550
Fees and commission receivable		286,387	275,383
Amount pending for settlement		261,871	116,335
Intangible assets		225,858	232,534
Others		3,174,960	2,738,246
Sub-total		9,187,586	7,391,450
Less: Allowances for impairment losses		(433,892)	(73,646)
Total		8,753,694	7,317,804

(a) Interest receivable

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Interest receivable arising from:		
Loans and advances to customers	424,433	324,694
Financial investments	3,808,944	2,853,046
Total	4,233,377	3,177,740

As at 30 June 2023 and 31 December 2022, interest receivable only included interest for the relevant financial instruments that has been due but not yet received. Interest on financial instruments based on the effective interest method has been reflected in the balance of the corresponding financial instruments.

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24. Borrowings from the central bank

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Medium-term lending facility	129,300,000	114,300,000
Re-lending	3,052,000	2,095,000
Interests accrued	2,087,888	1,463,168
Total	134,439,888	117,858,168

25. Deposits from banks and other financial institutions Analysed by type of and location of counterparty

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Deposits in Mainland China		
– Banks	108,121,946	109,724,368
– Other financial institutions	45,669,797	68,070,508
Sub-total	153,791,743	177,794,876
Deposits outside Mainland China		
– Other financial institutions	2,527,633	1,954,566
Sub-total	2,527,633	1,954,566
Interests accrued	1,570,519	1,426,525
Total	157,889,895	181,175,967

Notes to the Unaudited Consolidated Financial Statements

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26. Placements from banks and other financial institutions

Analysed by type and location of counterparty

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Placements in Mainland China		
– Banks	10,449,889	9,320,174
Sub-total	10,449,889	9,320,174
Placements outside Mainland China		
– Banks	18,488,906	19,842,447
Sub-total	18,488,906	19,842,447
Interests accrued	437,361	272,205
Total	29,376,156	29,434,826

27. Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
In Mainland China		
– Banks	37,383,810	60,199,095
Sub-total	37,383,810	60,199,095
Interests accrued	10,128	24,626
Total	37,393,938	60,223,721

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27. Financial assets sold under repurchase agreements *(Continued)*

(b) Analysed by type of collateral held

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Debt securities	36,845,750	60,024,049
Acceptance	548,188	199,672
Total	37,393,938	60,223,721

28. Deposits from customers

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Demand deposits		
– Corporate customers	231,026,345	174,481,455
– Individual customers	36,376,991	35,665,919
Sub-total	267,403,336	210,147,374
Time deposits		
– Corporate customers	346,701,756	363,621,211
– Individual customers	168,175,310	133,058,162
Sub-total	514,877,066	496,679,373
Pledged deposits		
– Acceptances	51,628,577	69,986,443
– Letters of credit	39,953,756	30,018,666
– Letters of guarantees	4,730,365	5,819,685
– Others	23,987,438	30,927,282
Sub-total	120,300,136	136,752,076
Fiscal deposits	125,421	214,725
Inward and outward remittances	46,822	80,147
Interests accrued	21,685,122	20,060,333
Total	924,437,903	863,934,028

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29. Debt securities issued

	Notes	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Interbank certificates of deposit issued	(a)	186,956,218	182,752,710
Financial bonds issued	(b)	69,973,109	77,971,751
Tier 2 capital debts issued	(c)	8,988,878	8,990,092
Certificates of deposit issued	(d)	3,489,445	2,901,899
Medium term notes issued	(e)	2,176,758	2,080,296
Sub-total		271,584,408	274,696,748
Interests accrued		1,062,789	1,984,243
Total		272,647,197	276,680,991

Notes:

(a) Interbank certificates of deposit issued

- (i) For the six months ended 30 June 2023, the Bank issued a number of interbank certificates of deposit with total nominal amount of RMB199,980 million and duration between 1 to 12 months. The effective interest rates ranged from 2.05% to 2.80% per annum. As at 30 June 2023, the carrying amount of the outstanding interbank certificates of deposit was RMB167,889 million.
- (ii) For the year ended 31 December 2022, the Bank issued a number of interbank certificates of deposit with total nominal amount of RMB351,400 million and duration between 1 to 12 months. The effective interest rates ranged from 1.40% to 2.76% per annum. As at 30 June 2023, the carrying amount of the outstanding interbank certificates of deposit was RMB19,067 million.

(b) Financial bonds issued

- (i) On 12 May 2023, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 2.88%. As at 30 June 2023, the carrying amount of the financial bonds was RMB9,998 million.
- (ii) On 1 December 2022, the Bank issued three-year financial bonds with face value of RMB15,000 million. The coupon interest rate per annum is 2.95%. As at 30 June 2023, the carrying amount of the financial bonds was RMB14,990 million.
- (iii) On 22 February 2022, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 2.95%. As at 30 June 2023, the carrying amount of the financial bonds was RMB9,996 million.
- (iv) On 26 April 2021, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.53%. As at 30 June 2023, the carrying amount of the financial bonds was RMB9,996 million.
- (v) On 6 April 2021, the Bank issued three-year financial bonds with face value of RMB15,000 million. The coupon interest rate per annum is 3.55%. As at 30 June 2023, the carrying amount of the financial bonds was RMB14,994 million.
- (vi) On 18 August 2020, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.55%. As at 30 June 2023, the carrying amount of the financial bonds was RMB9,999 million.

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29. Debt securities issued *(Continued)*

- (c) Tier 2 capital debts issued
- (i) On 15 January 2021, the Bank issued ten-year fixed interest rate tier 2 capital debts with face value of RMB9,000 million. The coupon interest rate per annum is 4.40%. According to the issuance terms, the Bank has an option to redeem all the debts at face value on the last day of the fifth year. As at 30 June 2023, the carrying amount of the tier 2 capital debts was RMB8,989 million.
- (d) Certificates of deposit issued
- (i) For the six months ended 30 June 2023, the Bank issued a number of certificates of deposit with total face value of RMB2,731 million and duration between 3 to 12 months. The effective interest rates ranged from 2.80% to 5.68% per annum. As at 30 June 2023, the carrying amount of the outstanding certificates of deposit was RMB2,602 million.
- (ii) For the year ended 31 December 2022, the Group issued a number of certificates of deposit with total face value of RMB4,036 million and duration between 1 to 12 months. The effective interest rates ranged from 0.51% to 5.98% per annum. As at 30 June 2023, the carrying amount of the outstanding certificates of deposit was RMB887 million.
- (e) Medium term notes issued
- (i) On 3 November 2021, the Hong Kong Branch of the Bank issued three-year fixed-rate medium term notes with face value of USD300 million. The coupon interest rate per annum is 1.50%. As at 30 June 2023, the carrying amount of the medium term notes was RMB2,177 million.

As at 30 June 2023 and 31 December 2022, there were no defaults of principal and interest or other breaches with respect to these debt securities. None of the above debt securities were secured.

30. Lease liabilities

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Less than one year (inclusive)	1,092,252	1,060,734
One to two years (inclusive)	922,594	929,425
Two to three years (inclusive)	725,970	722,313
Three to five years (inclusive)	1,069,687	1,027,635
More than five years	1,032,737	964,466
Total undiscounted lease liabilities	4,843,240	4,704,573
Ending balance of lease liabilities	4,354,940	4,229,676

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31. Other liabilities

	Notes	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Accrued staff cost	(a)	5,096,833	5,053,716
Amounts pending for settlement and clearing		4,673,653	5,306,376
Payment and collection clearance accounts		1,004,514	1,420,609
Other taxes payable		846,537	840,974
Provisions	(b)	372,919	477,053
Contract liabilities	(c)	219,922	226,967
Others		896,519	907,684
Total		13,110,897	14,233,379

(a) Accrued staff cost

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Salary, bonuses and allowances payable	4,536,353	4,610,923
Housing fund payable	44,007	9,258
Pension and annuity payable	74,121	20,076
Other social insurance payable	24,949	6,872
Others	417,403	406,587
Total	5,096,833	5,053,716

(b) Provisions

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Provision for credit commitment losses	330,268	434,809
Expected litigation losses	42,244	42,244
Other	407	–
Total	372,919	477,053

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31. Other liabilities (Continued)

(b) Provisions (Continued)

Movements of provisions for credit commitment losses are as follows:

	Six months ended 30 June 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	433,343	759	707	434,809
(Reversal)/charge for the period	(107,065)	(2)	27	(107,040)
Exchange differences and other	2,499	–	–	2,499
Balance at 30 June 2023	328,777	757	734	330,268

	Year ended 31 December 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	477,637	520	638	478,795
(Reversal)/charge for the year	(49,692)	239	69	(49,384)
Exchange differences and other	5,398	–	–	5,398
Balance at 31 December 2022	433,343	759	707	434,809

(c) Contract liabilities

As at 30 June 2023 and 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are approximately RMB220 million and RMB227 million, respectively. This amount represents income expected to be recognised in the future from agency, custody, guarantee and acceptance services. The Group will recognise the expected income in future as the services are provided.

32. Share capital

Issued share capital

Share capital of the Bank as at 30 June 2023 and 31 December 2022 represented fully paid share capital of the Bank.

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Number of shares issued and fully paid at RMB1 each (in thousand)	17,762,000	17,762,000

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33. Other equity instruments

Undated capital bonds (the “Bonds”)

(a) Outstanding undated capital bonds at 30 June 2023

Financial instrument outstanding	Issue date	Accounting classification	Initial interest rate	Issue price	Amount (million shares)	In RMB (Unaudited)	Maturity	Conversion condition	Conversion
Undated Capital	11 September 2019	Equity	4.75%	100RMB/Share	200	20,000,000	None	No	No
Total						20,000,000			
Less: Issue fees						(38,396)			
Carrying value						19,961,604			

(b) Main Clauses

(i) Principal amount

The principal amount of the Bonds is RMB20 billion.

(ii) Maturity date

The Bonds will continue to be outstanding so long as the Issuer’s business continues to operate.

(iii) Distribution rate

The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, interests will be based on a fixed prescribed distribution rate.

The distribution rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the announcement date of the Bonds subscription agreement, as indicated by the yield curve of applicable 5-year China government Notes (rounded up to 0.01%) published on China Bond website (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the distribution rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

The Bonds do not have any distribution rate step up mechanism nor any other incentive to redeem.

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33. Other equity instruments *(Continued)*

Undated capital bonds *(Continued)*

(b) Main Clauses (Continued)

(iv) Conditional redemption rights of the issuer

The Bonds have conditional redemption rights for the Issuer. From the fifth anniversary since the issuance of the Bonds, the issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of any unforeseeable change or amendment to the relevant provisions of supervisory regulations, the issuer may redeem all but not part of the Bonds.

(v) Order of distribution and liquidation

The claims in respect of the Bonds, in the event of the liquidation of the issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that rank senior to the Bonds; shall rank in priority to all classes of shares held by the issuer's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the issuer that rank pari passu with the Bonds.

(vi) Distribution Payment

The distribution of the Bonds will be payable annually. The distribution payment date of the Bonds shall be 16 September of each year. The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the issuer will take into full consideration the interest of the Bond holders. The issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the issuer, except in relation to dividend distributions to ordinary shareholders. Any cancellation of distribution on the Bonds, whether in whole or in part, will require approval of the general meeting, and the Bond holders should be notified promptly.

(vii) Put Option

The investors do not have any put option to sell back the Bonds.

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33. Other equity instruments *(Continued)*

Undated capital bonds *(Continued)*

(b) Main Clauses (Continued)

(viii) Write down Clauses

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the issuer's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the issuer has the right, subject to the approval of the National Financial Regulatory Administration ("NFRA") but without the need for the consent of the Bond holders, to write down all or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding par value, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the issuer. The Bonds may be subject to write-down more than once, in order to restore the Core Tier 1 Capital Adequacy Ratio of the issuer to above 5.125%.

Upon the occurrence of a Tier 2 Capital Trigger Event, the issuer has the right to write down in whole, without the need for the consent of Bond holders, the aggregate principal amount of the Bonds then issued and outstanding according to the outstanding par value. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (a) NFRA having decided that the issuer would become non-viable without a write down; (b) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable. Upon write-off of the Bonds, such Bonds are to be permanently cancelled and will not be restored under any circumstances.

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34. Reserves

(a) Capital reserve

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Share premium	10,732,077	10,732,077

(b) Surplus reserve

Pursuant to the Company Law of the PRC and the Articles of Association, the Group is required to appropriate 10% of its net profit for the current year, as determined under the Accounting Standards for Business Enterprises and other relevant requirements ("PRC GAAP"), to statutory surplus reserve until the balance reaches 50% of its registered capital. For the year ended 31 December 2022, the Group appropriated statutory surplus reserve based on 10% of the net profit amounting to approximately RMB611 million.

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. For the year ended 31 December 2022, the Bank appropriated 1.5% of the ending balance of the gross risk-bearing assets as general reserve amounting to approximately RMB749 million.

Pursuant to the "Measures for the Administration of Wealth Management Subsidiary Companies of Commercial Banks" issued by the CBIRC, the Bank's subsidiary shall appropriate general reserve until the balance reaches 1% of the ending balance of its wealth management products.

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34. Reserves (Continued)

(d) Other reserves

	Six months ended 30 June 2023 (Unaudited)	Year ended 31 December 2022 (Audited)
Item that will not be reclassified to profit or loss:		
<i>Changes in fair value of equity instruments designated as at fair value through other comprehensive income</i>		
As at 1 January	(3,171,875)	(3,362,294)
Changes in fair value recognised in other comprehensive income	198,305	253,891
Less: Income tax effect	(49,576)	(63,472)
As at 30 June/31 December	(3,023,146)	(3,171,875)
Items that may be reclassified subsequently to profit or loss:		
<i>Changes in fair value of debt instruments measured at fair value through other comprehensive income</i>		
As at 1 January	(1,105,322)	416,217
Changes in fair value recognised in other comprehensive income	342,150	(1,856,457)
Transfer to profit or loss upon disposal	(110,148)	(172,120)
Less: Income tax effect	(59,330)	507,038
As at 30 June/31 December	(932,650)	(1,105,322)
<i>Credit losses of debt instruments measured at fair value through other comprehensive income</i>		
As at 1 January	1,253,110	130,496
Impairment losses recognised in other comprehensive income	(185,773)	1,496,791
Less: Income tax effect	46,507	(374,177)
As at 30 June/31 December	1,113,844	1,253,110
Total investment revaluation reserve	(2,841,952)	(3,024,087)
Foreign currency translation reserve	(24,384)	(14,766)

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35. Retained earnings

Dividends to ordinary shareholders

In accordance with the resolution at the Bank's Annual General Meeting held on 18 May 2023, the Bank did not distribute dividends to ordinary shareholders for the year ended 31 December 2022.

In accordance with the resolution at the Bank's Annual General Meeting held on 16 May 2022, the shareholders approved the distribution of cash dividends of approximately RMB1,545 million for the year ended 31 December 2021 to the ordinary shareholders.

Interests for Undated Capital Bonds

The Bank declared and distributed the interest on the 2021 Undated Capital Bonds amounting to RMB950 million on 16 September 2022.

36. Interests in unconsolidated structured entities

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include the wealth management products issued by financial institutions, investment management products managed by securities companies and trust schemes and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

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

	At 30 June 2023 (Unaudited)				
	Financial investments measured at fair value through profit or loss	Financial investments measured at fair value through other comprehensive income	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Trust plans and asset management plans	39,433,592	–	124,583,579	164,017,171	164,017,171
Equity investments	–	3,062,738	–	3,062,738	3,062,738
Investment funds	77,604,295	–	–	77,604,295	77,604,295
Total	117,037,887	3,062,738	124,583,579	244,684,204	244,684,204

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36. Interests in unconsolidated structured entities *(Continued)*

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

	At 31 December 2022 (Audited)				
	Financial investments measured at fair value through profit or loss	Financial investments measured at fair value through other comprehensive income	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Trust plans and asset management plans	38,185,718	–	118,362,124	156,547,842	156,547,842
Equity investments	–	2,864,433	–	2,864,433	2,864,433
Investment funds	64,085,548	–	–	64,085,548	64,085,548
Total	102,271,266	2,864,433	118,362,124	223,497,823	223,497,823

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

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 wealth management products to investors. Interest held by the Group relates to fees charged by providing management services.

For the six months ended 30 June 2023 and 2022, the amount of fee and commission income received from the abovementioned structured entities by the Group amounted to RMB779 million and RMB416 million, respectively.

As at 30 June 2023 and 31 December 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, were RMB137,951 million and RMB168,309 million, respectively.

(c) Unconsolidated structure entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June:

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2023 but matured before 30 June 2023 was RMB2,935 million (the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 30 June 2022 was RMB14,183 million).

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37. Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognised financial assets to third parties or to structured entities. These transfers may give rise to full or partial derecognition of the financial assets concerned if they fulfill the derecognition criteria. If they do not meet the derecognition criteria as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

The Group enters into transactions by which it transfers loans to structured entities which issue trust units to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the six months ended 30 June 2023, the Group has not transferred any financial assets. In 2022, the Group transferred loans and advances to customers to independent third parties amounting to RMB734 million at the transfer price of RMB640 million, and to structure entities amounting to RMB865 million at the time of transfer. These transactions were all qualified for full de-recognition.

38. Capital management

The Group implements a comprehensive capital management framework, covering the management of the regulated capital, economic capital and book capital, particularly the capital compliance management, capital planning, allocation and evaluation.

In setting its capital adequacy objective, the Group considers regulatory requirements, external rating objective and its own risk appetite, so as to protect the interest of its customers and creditors, maximise the value of shareholders and meet all regulatory requirements on capital management.

The Group calculates capital adequacy ratios in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" and related regulatory requirements promulgated by the former China Banking Regulatory Commission (the "former CBRC"). In calculating its capital adequacy ratios, the Group considers all its domestic and overseas branches and sub-branches and financial institution subsidiaries (excluding insurance companies).

The on-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, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The credit risk-weighted assets of counterparties in over-the-counter derivatives transactions are the sum of default risk-weighted assets of counterparties and credit-adjusted risk-weighted assets. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and related regulatory requirements. For systemically important banks, minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should reach 8.5%, 9.5% and 11.5%, respectively. For non-systemically important banks, the minimum ratios for core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio are 7.5%, 8.5% and 10.5%, respectively. During the reporting period, the Group has complied with the capital requirements of the regulatory authorities.

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38. Capital management *(Continued)*

The Group calculates its core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with the former CBRC's "Regulation Governing Capital of Commercial Banks (Provisional)" and related regulatory requirements. The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

The Group's capital adequacy ratios at 30 June 2023 and 31 December 2022 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and related regulatory requirements promulgated by the former CBRC are as follows:

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Core tier 1 capital		
– Share capital	17,762,000	17,762,000
– Qualifying portion of capital reserve	10,752,077	10,752,077
– Surplus reserve	7,342,356	7,342,356
– General reserve	20,291,464	20,245,453
– Retained earnings	40,979,214	36,926,397
– Other reserves	(2,866,336)	(3,038,853)
Core tier 1 capital	94,260,775	89,989,430
Core tier 1 capital deductions	(4,861,053)	(4,362,055)
Net core tier 1 capital	89,399,722	85,627,375
Other tier 1 capital	19,961,604	19,961,604
Net tier 1 capital	109,361,326	105,588,979
Tier 2 capital		
– Valid portion of tier 2 capital instruments and related premiums	8,988,878	8,990,092
– Surplus provision for loan impairment	6,371,625	7,535,448
Tier 2 capital deductions	–	–
Net tier 2 capital	15,360,503	16,525,540
Net capital base	124,721,829	122,114,519
Total risk weighted assets	1,079,720,013	1,061,879,062
Core tier 1 capital adequacy ratio	8.28%	8.06%
Tier 1 capital adequacy ratio	10.13%	9.94%
Capital adequacy ratio	11.55%	11.50%

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39. Cash and cash equivalents

(a) Net changes in cash and cash equivalents

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Cash and cash equivalents as at 30 June	70,271,311	59,907,630
Less: Cash and cash equivalents as at 1 January	(63,085,206)	(76,843,021)
Net increase/(decrease) in cash and cash equivalents	7,186,105	(16,935,391)

(b) Cash and cash equivalents

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Cash on hand	863,807	503,504
Deposits with central bank other than restricted deposits	33,738,233	45,085,427
Deposits with banks and other financial institutions with original maturity of three months or less	22,312,724	15,842,673
Placements with banks and other financial institutions with original maturity of three months or less	2,088,817	1,653,602
Financial assets held under resale agreements with original maturity of three months or less	11,267,730	–
Total	70,271,311	63,085,206

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40. Related parties

Related parties of the Bank

(a) *The Bank's major shareholders*

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司)	20.34%	20.34%
Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司)	16.26%	16.26%
China Shipping Investment Co., Ltd. (中海集團投資有限公司)	11.12%	11.12%
State Development & Investment Corp., Ltd. (國家開發投資集團有限公司)	9.49%	9.49%
China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司)	9.49%	9.49%
Oceanwide Industry Co., Ltd. (泛海實業股份有限公司)	7.72%	7.72%
Tianjin Shanghui Investment Holding Company Limited (天津商匯投資(控股)有限公司)	6.51%	6.51%

(b) *Subsidiary of the Bank*

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

(c) *Associate of the Bank*

The detailed information of the Bank's associate is set out in Note 19.

(d) *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 subsidiary) 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 40(a) or their controlling shareholders.

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40. Related parties *(Continued)*
Related party transactions

(a) Pricing policy

Transactions between the Bank and related parties are conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and major shareholders:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Transactions during the period		
Interest income	110,881	112,963
Fee and commission income	900	–
Interest expense	15	8
Operating expenses	12,776	48
	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Balances at end of the period/year		
Deposits with banks and other financial institutions	314,300	329,271
Loans and advances to customers	3,435,122	3,435,997
Deposits from customers	1,052	909
Lease liabilities	46,872	55,488

(ii) Transactions between the Bank and subsidiary:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Transactions during the period		
Interest expense	21,475	–
Fee and commission expense	138,035	–
	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Balances at end of the period/year		
Deposits from banks and other financial institutions	2,108,637	2,040,200
Other assets	27,552	27,552

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40. Related parties *(Continued)*

Related party transactions *(Continued)*

(b) Transactions with related parties other than key management personnel (Continued)

(iii) Transactions between the Bank and associate:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Transactions during the period		
Interest expense	17	17
	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Balances at end of the period/year		
Deposits from banks and other financial institutions	4,325	4,308

(iv) Transactions between the Bank and other related parties:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Transactions during the period		
Interest income	374,479	342,572
Fee and commission income	38,010	24,382
Net gains arising from financial investments	229	237
Interest expense	289,095	134,861
Operating expenses	32,035	9,724
	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Balances at end of the period/year		
Deposits with banks and other financial institutions	6,697,332	3,720,813
Derivative financial assets	357	220
Loans and advances to customers	11,570,385	11,182,431
Financial investments	4,474,188	2,482,700
Deposits from banks and other financial institutions	10,843,970	26,254,659
Derivative financial liabilities	3,493	3,230
Deposits from customers	2,316,320	1,925,303
Debt securities issued	2,527,532	3,306,630
Lease liabilities	202,096	170,755
The off-balance sheet items		
Derivative financial instruments-notional amount	440,000	2,427,621
Bank acceptances	318,000	321,881
Letters of guarantees	65,957	46,535
Letters of credit	937,792	258,295

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40. Related parties *(Continued)*

Related party transactions *(Continued)*

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Bank, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Bank and key management personnel

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Transactions during the period		
Interest income	1	1
Interest expense	24	18
	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Balances at end of the period/year		
Loans and advances to customers	38	61
Deposits from customers	2,175	4,168

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Key management personnel compensation	5,645	5,517

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

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Aggregate amount of relevant loans outstanding at the end of the period/year	38	61
Maximum aggregate amount of relevant loans outstanding during the period/year	38	61

There were no amounts due but unpaid as at 30 June 2023 and 31 December 2022.

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41. Segment reporting

(a) Operating segment

The Group manages its business by operating segments. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of 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, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services and guarantee 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, deposit taking activities, personal wealth management services and remittance services.

Financial market

This segment covers the Group's financial market business operations. The financial market business includes inter-bank money market transactions, repurchases transactions, inter-bank investments, and bond investments and trading. The financial market business segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot be directly attributable or allocated to a segment on a reasonable basis.

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. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred for the six months ended 30 June 2023 and for the year ended 31 December 2022 to acquire property and equipment, intangible assets and other long-term assets.

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41. Segment reporting *(Continued)*

(a) Operating segment *(Continued)*

	Six months ended 30 June 2023 (Unaudited)				
	Corporate banking	Retail banking	Financial market	Others	Total
Operating income					
External net interest income/(expense)	3,894,784	6,752,986	(1,320,043)	–	9,327,727
Internal net interest income/(expense)	1,555,522	(1,914,983)	359,461	–	–
Net interest income/(expense)	5,450,306	4,838,003	(960,582)	–	9,327,727
Net fee and commission income/(expense)	1,260,762	(183,020)	683,951	3,473	1,765,166
Net trading gains	424,499	1,474	75,295	–	501,268
Net gains arising from financial investments	31,749	403	1,420,991	–	1,453,143
Other operating income	10,013	1	–	25,204	35,218
Operating income	7,177,329	4,656,861	1,219,655	28,677	13,082,522
Operating expenses	(2,551,909)	(2,345,653)	(366,052)	(96,612)	(5,360,226)
Impairment losses on assets	(1,034,096)	(1,008,867)	(1,020,751)	–	(3,063,714)
Profit/(loss) before taxation	3,591,324	1,302,341	(167,148)	(67,935)	4,658,582
Other segment information					
– Depreciation and amortisation	332,852	358,145	40,139	127,042	858,178
– Capital expenditure	69,222	74,482	9,706	26,421	179,831
	At 30 June 2023 (Unaudited)				
	Corporate banking	Retail banking	Financial market	Others	Total
Segment assets	821,060,691	340,485,429	494,277,708	20,695,642	1,676,519,470
Deferred tax assets					14,038,686
Total assets					1,690,558,156
Segment liabilities	789,400,019	215,194,018	563,552,624	8,189,116	1,576,335,777
Total liabilities					1,576,335,777
Credit commitments	303,550,161	20,223,557	–	–	323,773,718

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

41. Segment reporting *(Continued)*

(a) Operating segment *(Continued)*

	Six months ended 30 June 2022 (Unaudited)				
	Corporate banking	Retail banking	Financial market	Others	Total
Operating income					
External net interest income/(expense)	4,470,905	8,520,073	(1,639,499)	–	11,351,479
Internal net interest income/(expense)	1,057,061	(3,673,429)	2,616,368	–	–
Net interest income	5,527,966	4,846,644	976,869	–	11,351,479
Net fee and commission income/(expense)	1,181,721	(17,797)	262,054	822	1,426,800
Net trading gains/(losses)	119,913	–	(440,628)	–	(320,715)
Net gains arising from financial investments	174,265	434	818,352	–	993,051
Other operating income	2,144	–	–	37,949	40,093
Operating income	7,006,009	4,829,281	1,616,647	38,771	13,490,708
Operating expenses	(2,290,463)	(2,054,315)	(357,271)	(109,873)	(4,811,922)
(Charge)/reversal of impairment losses on assets	(2,436,390)	(1,618,985)	403,429	–	(3,651,946)
Profit/(loss) before taxation	2,279,156	1,155,981	1,662,805	(71,102)	5,026,840
Other segment information					
– Depreciation and amortisation	310,129	341,928	30,725	110,555	793,337
– Capital expenditure	88,539	97,616	8,772	31,562	226,489
	At 31 December 2022 (Audited)				
	Corporate banking	Retail banking	Financial market	Others	Total
Segment assets	806,072,805	352,253,744	473,088,596	14,939,546	1,646,354,691
Deferred tax assets					13,105,211
Total assets					1,659,459,902
Segment liabilities	769,772,700	175,686,164	594,827,740	9,222,264	1,549,508,868
Total liabilities					1,549,508,868
Credit commitments	326,071,164	15,507,356	–	–	341,578,520

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41. Segment reporting *(Continued)*
(b) Geographical segment

Geographically, the Group mainly conducts its business in the four areas listed below in Mainland China, refer to Note 17(c).

	Six months ended 30 June 2023 (Unaudited)					
	Northern and North-eastern China	Eastern China	Central and Southern China	Western China	Elimination	Total
Operating income						
External net interest income	4,200,712	1,925,989	2,126,629	1,074,397	-	9,327,727
Internal net interest income/(expense)	161,403	158,637	9,762	(329,802)	-	-
Net interest income	4,362,115	2,084,626	2,136,391	744,595	-	9,327,727
Net fee and commission income	1,018,538	338,956	300,047	107,625	-	1,765,166
Net trading gains	325,860	104,993	57,150	13,265	-	501,268
Net gains arising from financial investments	1,453,143	-	-	-	-	1,453,143
Other operating income	9,508	4,351	21,259	100	-	35,218
Operating income	7,169,164	2,532,926	2,514,847	865,585	-	13,082,522
Operating expenses	(2,957,616)	(1,047,332)	(1,029,900)	(325,378)	-	(5,360,226)
(Charge)/reversal of impairment losses on assets	(2,806,327)	419,119	(664,216)	(12,290)	-	(3,063,714)
Profit before taxation	1,405,221	1,904,713	820,731	527,917	-	4,658,582
Other segment information						
- Depreciation and amortisation	403,957	191,061	196,270	66,890	-	858,178
- Capital expenditure	100,705	48,149	21,084	9,893	-	179,831
	At 30 June 2023 (Unaudited)					
	Northern and North-eastern China	Eastern China	Central and Southern China	Western China	Elimination	Total
Segment assets	1,243,786,065	280,959,331	271,325,314	85,383,110	(204,934,350)	1,676,519,470
Deferred tax assets						14,038,686
Total assets						1,690,558,156
Segment liabilities	1,146,709,700	279,580,105	270,122,030	84,858,292	(204,934,350)	1,576,335,777
Total liabilities						1,576,335,777
Credit commitments	120,763,841	89,098,083	88,879,334	25,032,460	-	323,773,718

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41. Segment reporting *(Continued)*

(b) Geographical segment *(Continued)*

	Six months ended 30 June 2022 (Unaudited)					Total
	Northern and North-eastern China	Eastern China	Central and Southern China	Western China	Elimination	
Operating income						
External net interest income	4,773,000	2,614,028	2,576,384	1,388,067	–	11,351,479
Internal net interest income/(expense)	1,108,577	(253,931)	(251,913)	(602,733)	–	–
Net interest income	5,881,577	2,360,097	2,324,471	785,334	–	11,351,479
Net fee and commission income	904,140	372,310	64,166	86,184	–	1,426,800
Net trading (losses)/gains	(512,816)	80,288	91,603	20,210	–	(320,715)
Net gains arising from financial investments	993,051	–	–	–	–	993,051
Other operating income	25,994	8,608	977	4,514	–	40,093
Operating income	7,291,946	2,821,303	2,481,217	896,242	–	13,490,708
Operating expenses	(2,569,786)	(977,687)	(947,445)	(317,004)	–	(4,811,922)
Impairment losses on assets	(1,829,366)	(946,868)	(500,828)	(374,884)	–	(3,651,946)
Profit before taxation	2,892,794	896,748	1,032,944	204,354	–	5,026,840
Other segment information						
– Depreciation and amortisation	366,472	178,358	183,414	65,093	–	793,337
– Capital expenditure	128,926	16,842	32,802	47,919	–	226,489
	At 31 December 2022 (Audited)					Total
	Northern and North-eastern China	Eastern China	Central and Southern China	Western China	Elimination	
Segment assets	1,197,892,062	271,482,932	265,824,609	85,245,444	(174,090,356)	1,646,354,691
Deferred tax assets						13,105,211
Total assets						1,659,459,902
Segment liabilities	1,106,128,200	268,294,638	263,107,092	84,069,294	(172,090,356)	1,549,508,868
Total liabilities						1,549,508,868
Credit commitments	127,979,354	93,406,426	95,042,492	25,150,248	–	341,578,520

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42. Financial risk management

The Group has exposure to the following financial risks: credit risk, market risk, liquidity risk and operational risk.

The Group develops and continually improves risk management policies, limit system, control procedures and information system based on the latest changes in regulatory policies, market environment and business development to analyse, identify, monitor and report various risks.

This note presents information about the Group's exposure to each type of risk mentioned above and their root cause, and the Group's objectives, policies and procedures for measuring and managing these risks.

Risk management system

The Board of Directors (the "Board") of the Group undertakes the ultimate responsibility for comprehensive risk management. The Risk Management and Green Finance Committee is set up under the Board, which reports to the Board. The Board of Supervisors of the Group takes the role of supervising the comprehensive risk management and is responsible for supervising the performance of the Board and senior management in risk management and the rectification. The senior management shall assume the responsibilities of implementing the comprehensive risk management and executing the resolutions of the Board.

The Group has established a risk prevention system consisting of three lines of defense against each type of key risk to which it is exposed. The first line of defense is formed by various business departments at the head office, branches, and sub-branches of the Group, which are directly responsible for the prevention of various types of risks. The second line of defense is various risk management departments, Assets and Liabilities Management Department, Internal Control and Compliance Departments, General Office (Public Relations Department), Strategic Development and Investment Management Offices of the Group, which take the lead in formulating the requisite policies and procedures, and supervising bank-wide risk management measures. The third line of defense is the Audit Department of the Group, which is responsible for auditing the effectiveness of the first and second line of defense.

(a) Credit risk

Credit risk is one of the most important risks facing the business operations of the Group. The Group may be exposed to significant risks when all counterparties are concentrated in a single industry or region. This is mainly because the counterparties' concentration risk is subject to the same impact by the economic development of the region or industry in which they operate.

The Board of the Group undertakes the ultimate responsibility for credit risk management and could authorise the Risk Management and Green Finance Committee to execute some of its functions. The Group continues to improve the credit risk management system, credit risk management policies and tools, and the management process is gradually moving towards online and digital. The efficiency of credit approval is further enhanced, providing strategic support for the business development of the Group.

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42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

Measurement of credit risk

Loans and advances to customers and off-balance sheet credit commitments

The Risk Management Department, Credit Review and Approval Department, Asset Monitoring Department and Retail Risk Management Department are jointly responsible for management of credit risks in various credit exposures, and the credit risk management for financial investments. For corporate credit business, the Group has established a customer credit rating model system and a debt rating model system. Through customer credit rating evaluation, the Group understands the credit risk of each customer and determines the probability of default. Through debt rating, the Group makes clear the loss given default of each credit business, which can be used as a reference for credit managers to balance risks and benefits. With respect to retail credit business, the Group measures credit risk of loans and customers by closely studying the ecological platform of retail market segments and continuously improving credit scoring models and data mining and risk analysis of the historical performance of the borrowers, so as to gradually improve the effectiveness and efficiency of credit access, asset management, asset classification and impairment provisioning.

Deposits and placements with banks and other financial institutions and financial assets held under resale agreements

The Group adopts a comprehensive credit underwriting process in relation to approving credit limits for financial institution counterparties engaged in interbank placements, investment securities and securities under repurchase and resale agreements. On top of internal credit rating and customer classification, the Group assesses the credit risk of these counterparties through a quantitative and qualitative approach which collectively assesses and evaluates their size, management capabilities, business prospects, industry position, external environment, regulatory indicators and cooperation with the Group and financial standing and performance etc.

Debt investments and derivative financial instruments

Before making investment in bonds issued by financial institutions or corporate bonds or before any dealing in financial derivatives with clients, the Group conducts credit assessment on the issuers and the potential clients for dealing in derivative financial instruments (excluding customers who pay full margin). The Group is also appropriately using external credit rating in assessing risk.

The credit risks in derivatives engaged by the Group are mitigated mainly through margin deposits, government bonds, pledge of time deposit certificates accepted by the Group and credit facilities from the Bank.

Prior to approval, the Asset and Liability Management Department assesses the potential future exposure ratio for settlement of foreign exchange on behalf of customers which is guaranteed by margin. The Credit Monitor Department is responsible for reviewing the specific transaction. Transactions are carried out in accordance with the business administrative measures.

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42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk limit management

Loans and advances to customers and off-balance sheet credit commitments

The Group takes effect credit underwriting amount for the customers in accordance with the approval opinions. Meanwhile, the Group reviews the approved conditions for the credit line and monitors the use of the credit limit. The Group has strict controls to prevent the use of credit that exceeds the approved amounts or conditions. Where customers provide collateral, credit limits shall be frozen or adjusted in a timely manner in response to changes in collateral value.

Deposits and placements with banks and other financial institutions and financial assets held under resale agreements

The Group activates the credit line for financial institution counterparties based on the credit approval, and monitors the deposits and placements with banks and other financial institutions and financial assets held under resale agreements quotas based on the relevant information such as the credit approval and risk exposure.

Debt securities and derivative trading

The Group activates the credit line for financial institutions based on the credit approval, and monitors the debt investments and derivatives dealing limits of interbank and non-interbank customers based on the relevant information such as the credit approval and risk exposure.

Credit risk mitigation measures

Collateral

The credit policies of the Group provide specific requirements on the acceptable collaterals and pledges and set different rates for different collaterals and pledges based on their nature and extent of realisation. The Group sets out specific requirements for the qualifications of professional appraiser. In addition, through credit risk management system, the Group implements strict management on the collaterals and pledges and their ownership certificates to prevent the occurrence of operational risks.

If the value or quantity of collateral declines and the actual value of the collateral is insufficient to meet the collateral rate, the Group shall freeze the underlying credit underwriting amounts, require the customer to provide additional collateral or security deposit or repay the corresponding amount of credit line.

In respect of real estate development loans, by complying with relevant regulatory requirements, the Group assesses the value of collateralised real estate properties based on their progress of construction, cost to resume and complete construction, expected time of completion, selling prices and reasonable discount rates to prevent over extension of credit. For real estate properties accepted for pledge, the Group sets the minimum requirements on their completion.

The acceptable collaterals include financial collateral, real estate properties, accounts receivable and other collaterals, mainly consisting of cash and cash equivalent, stock, state-owned construction land use right, residential real estate, commercial real estate and accounts receivable.

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42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Master netting arrangements

The Group and its counterparties enter into master netting arrangements for derivatives transactions to further reduce credit risk. Master netting arrangements may not lead to the offsetting between assets and liabilities on the statement of financial position, because the transactions are usually settled on a gross basis. However, the credit risk associated with contracts is reduced by a master netting arrangement to the extent that if a default occurs, all credit arrangements are terminated and settled on a net basis.

The derivatives are mainly settled in accordance with the provisions of the International Swaps and Derivatives Association and the features of the products, using, in principle, the method that involves the lowest settlement risk.

Credit commitments

The main objective of credit commitments is to ensure that customer obtain the funds they need. The Group makes irrevocable guarantee when it issues letters of guarantee, letters of credit and acceptance bill, i.e., the Group shall make repayments on behalf of the customer if the customer cannot meet its repayment obligations to a third party, and the Group assumes the same credit risks as those of a loan, review should be done in strict compliance with the Group's relevant requirements in conducting such business.

The Group considers margin deposits as one of the risk mitigation measures and receives certain margin deposits when conducting relevant credit extension business, with the exception of certain creditworthy clients, to reduce the credit risk involved in providing this service. The margin deposits are collected at a certain percentage of the committed amount based on the degree of credibility of the customers.

Impairment and provisioning policies

(1) Stages of risks in financial instruments

The financial assets are categorised by the Group into the following stages to manage their credit risk:

- Stage 1: Financial assets have not experienced a significant increase in credit risk since initial recognition and impairment is recognised on the basis of 12 months expected credit losses.
- Stage 2: Financial assets have experienced a significant increase in credit risk since initial recognition and impairment is recognised on the basis of lifetime expected credit losses.
- Stage 3: Financial assets that are in default and considered credit-impaired is recognised on the basis of lifetime expected credit losses.

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42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Impairment and provisioning policies *(Continued)*

(2) *Significant increase in credit risk*

The Group evaluates whether the credit risk of related financial instruments has increased significantly since initial recognition at least at the end of every financial reporting period. The Group makes full use of all reasonable and supportable information, including forward-looking information, to reflect the significant changes in its credit risk when it conducts the classification of losses of financial instruments. Criteria include regulatory and operating environment, internal and external credit ratings, solvency, operating capabilities, provisions of loan contract, and repayment activities etc. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group compares the risk of default of financial instruments on the date of statement of financial position with that at the end of the prior period to determine the change in default risk during the expected duration of financial instruments. The Group judges whether the credit risk of a financial instrument has significantly increased since initial recognition from the risk classification, risk overdue days, internal and external ratings, probability of default, and market price etc.

(3) *Definition of "default" and "credit-impaired assets"*

When a financial asset is impaired, the Group identifies the financial asset as a default. Generally, if the financial asset is overdue for more than 90 days, it is considered as a default.

At each statement of financial position date, the Group assesses whether financial assets carried at amortised cost and debt instruments at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter into bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties of the borrower or issuer;
- purchase or source a financial asset at significant discount, which reflects that the financial asset is credit-impaired; or
- overdue more than 90 days.

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.

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42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Impairment and provisioning policies *(Continued)*

(4) *Measurement of expected credit losses ("ECL")*

The Group adopts ECL model to measure provision for loss of financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (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. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the ECL 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). For the purpose of calculating the lifetime ECL, the Group calculated the ECL of each period, and the results of calculation are then discounted to the date of statement of financial position and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from the 12-month probability of default using the maturity model. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observable data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according 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 overlimit 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 statement of financial position date by the credit conversion factor.

The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.

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42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Impairment and provisioning policies (Continued)

(4) Measurement of expected credit losses ("ECL") (Continued)

As to financial assets with collaterals, 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 financial assets without any collaterals, the Group usually determines the LGD at the product level due to the difference in recoverable amounts from different borrowers is limited.

Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD.

The Group 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 on a quarterly basis.

Forward-looking information included in the ECL model is as follows:

The calculation of ECL involves forward-looking information. After the historical analysis, the Group identified the key economic indicators related to ECL, such as gross domestic product (GDP), consumer price index (CPI), Purchasing Managers' index (PMI), Broad money supply (M2), and Industrial Added Value. The Group carried out regression analysis to determine the relationship between these economic indicators with PD and LGD so as to ascertain the impact of historical changes in these indicators on PD and LGD. The Group forecasts these economic indicators at least annually and provides the best estimates of the economic conditions for the coming year.

The important macroeconomic assumptions used by the Group in various macroeconomic scenarios include M2, CPI, GDP, Export Amount, Industrial Added Value, second-hand housing price index in 70 large and medium-sized cities, etc.

The Group established measurement models to identify the three risk weights, i.e. optimistic, neutral and pessimistic. During the six months ended 30 June 2023, the Group's optimistic scenario weight is 20%, neutral scenario weight is 60%, and pessimistic scenario weight is 20%. The Group measures allowance for credit losses for stage 1 based on the weighted average of the credit losses in the three cases in the next 12 months; and measures allowance for credit losses for the stage 2 and stage 3 based on the weighted average of credit losses in the three cases within the lifetime.

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42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(i) *Maximum credit risk exposure*

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Credit risk exposures relating to on-balance sheet items:		
Deposits with the central bank	95,835,764	107,890,680
Deposits with banks and other financial institutions	22,491,874	16,074,856
Placements with banks and other financial institutions	15,917,979	18,333,936
Derivative financial assets	2,064,051	1,211,516
Financial assets held under resale agreements	11,266,564	–
Loans and advances to customers	941,761,074	942,723,216
Financial investments		
– Financial investments measured at fair value through profit or loss	143,719,884	116,566,765
– Financial investments measured at fair value through other comprehensive income	83,297,768	98,422,936
– Financial investments measured at amortised cost	335,569,846	322,504,367
Other assets	7,060,986	6,204,440
Sub-total	1,658,985,790	1,629,932,712
Credit commitments	323,773,718	341,578,520
Total	1,982,759,508	1,971,511,232

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42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) *Financial assets (excluding interests accrued) analysed by credit quality*

	At 30 June 2023 (Unaudited)							
	Carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Deposits with the central bank	95,807,023	-	-	95,807,023	-	-	-	-
Deposits with banks and other financial institutions	22,512,724	-	157,747	22,670,471	(30,235)	-	(157,747)	(187,982)
Placements with banks and other financial institutions	15,561,395	-	200,000	15,761,395	(15,731)	-	(60,000)	(75,731)
Financial assets held under resale agreements	11,267,730	-	-	11,267,730	(3,053)	-	-	(3,053)
Loans and advances to customers	800,140,309	39,162,552	17,552,760	856,855,621	(5,821,939)	(7,598,950)	(10,490,166)	(23,911,055)
Financial investments	293,480,732	26,102,519	22,853,557	342,436,808	(1,001,496)	(4,999,347)	(5,412,067)	(11,412,910)
Other assets	7,494,878	-	-	7,494,878	(433,892)	-	-	(433,892)
Total	1,246,264,791	65,265,071	40,764,064	1,352,293,926	(7,306,346)	(12,598,297)	(16,119,980)	(36,024,623)
Financial assets measured at fair value through other comprehensive income								
Loans and advances to customers	81,561,885	-	-	81,561,885	(12,693)	-	(1,425,359)	(1,438,052)
Financial investments	82,450,257	-	-	82,450,257	(36,958)	-	(10,000)	(46,958)
Total	164,012,142	-	-	164,012,142	(49,651)	-	(1,435,359)	(1,485,010)
Credit commitments	323,756,206	13,890	3,622	323,773,718	(328,777)	(757)	(734)	(330,268)

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42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) *Financial assets (excluding interests accrued) analysed by credit quality (Continued)*

	At 31 December 2022 (Audited)							
	Carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Deposits with the central bank	107,858,989	-	-	107,858,989	-	-	-	-
Deposits with banks and other financial institutions	16,092,672	-	157,747	16,250,419	(28,669)	-	(157,747)	(186,416)
Placements with banks and other financial institutions	17,873,602	-	200,000	18,073,602	(48,215)	-	(60,000)	(108,215)
Loans and advances to customers	815,507,987	37,663,535	16,801,084	869,972,606	(6,876,826)	(7,063,246)	(9,891,713)	(23,831,785)
Financial investments	279,100,619	23,358,536	24,912,231	327,371,386	(928,829)	(3,117,392)	(6,019,605)	(10,065,826)
Other assets	6,278,086	-	-	6,278,086	(73,646)	-	-	(73,646)
Total	1,242,711,955	61,022,071	42,071,062	1,345,805,088	(7,956,185)	(10,180,638)	(16,129,065)	(34,265,888)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	85,526,348	-	5,787	85,532,135	(67,791)	-	(1,470,341)	(1,538,132)
Financial investments	97,276,928	-	-	97,276,928	(122,651)	-	(10,000)	(132,651)
Total	182,803,276	-	5,787	182,809,063	(190,442)	-	(1,480,341)	(1,670,783)
Credit commitments	341,558,511	16,537	3,472	341,578,520	(433,343)	(759)	(707)	(434,809)

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42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) *Financial assets (excluding interests accrued) analysed by credit quality (Continued)*

The overall ECL rate for financial assets and credit commitments analysed by credit quality

	At 30 June 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.59%	19.30%	39.54%	2.66%
Financial assets measured at fair value through other comprehensive income	0.03%	N/A	100.00%	0.91%
Credit commitments	0.10%	5.45%	20.27%	0.10%

	At 31 December 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.64%	16.68%	38.34%	2.55%
Financial assets measured at fair value through other comprehensive income	0.10%	N/A	99.61%	0.91%
Credit commitments	0.13%	4.59%	20.36%	0.13%

As at 30 June 2023 and at 31 December 2022, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB13,803 million and RMB6,391 million. The fair value of collaterals held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB8,707 million and RMB8,975 million. The 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.

(iii) *Restructured loans and advances to customers*

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorates, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As at 30 June 2023 and at 31 December 2022, the Group's restructured loans amounted to RMB1,096 million and RMB1,214 million, respectively.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

42. Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(iv) Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities and interbank certificates of deposit portfolio. Debt securities and interbank certificates of deposit are rated with reference to major rating agencies where the issuers are located. The carrying amounts of investments (excluding interests accrued) analysed by the rating agency designations as at 30 June 2023 and at 31 December 2022 are as follows:

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	278,247,255	288,636,217
– AA- to AA+	37,029,416	21,644,811
Sub-total	315,276,671	310,281,028
Unrated	2,538,961	3,064,777
Total	317,815,632	313,345,805

(b) Market risk (including the interest rate risk in the banking book)

Market risk refers to the risk of losses to the Group's on-balance sheet and off-balance sheet activities arising from unfavorable changes in market prices, mainly including interest rates and exchange rates, commodity price risk and equity price risks. The interest rate risk in the banking book refers to the risk of losses on the economic value and the overall income of the banking book resulted from unfavorable changes in interest rate levels and the maturity structure. The Group is exposed to market risks in its trading book and banking book. Financial instruments and commodity position held by the Group for the purpose of trading or hedging risks in other items of trading book and which can be traded freely are recorded in the trading book. The assets and liabilities of long-term positions held for the purpose of managing the liquidity of the Group, regulatory reserve or profit maximisation are included in the banking book. Generally, the assets and liabilities recorded in the banking book are mainly held-to-maturity.

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42. Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book) *(Continued)*

The Board is responsible for approving the strategies, policies and procedures of market risk management (including interest rate risks in the banking book, similarly hereinafter), determining the level of market risk tolerance, urging senior management to undertake necessary measures to identify, measure, monitor and control market risk, obtaining periodic reports associated with nature and level of market risk, monitoring and evaluating the comprehensiveness, effectiveness of market risk management, and performance of senior management under market risk management. The Group's senior management has set up the Asset and Liability Management Committee to formulate, review and supervise market risk policies and procedures, and workflow execution. The committee sets market risk limit according to the Board's risk appetite.

The Group sets up the market risk management team under the Asset and Liability Management Department. The team is independent of trading department, and responsible for market risk identification, measurement, monitoring, and control, ensuring that the market risk management of the Group is in compliance with the requirements of internal limits and external supervision and in accordance with the Group's market risk management policies and procedures.

Trading book market risk

Limits management

In order to control trading book market risk, the Group sets Value-at-Risk limits, Basis Point Value limits and stop loss limits.

Stress testing

Stress testing is used to assess the loss sustainability under extreme adverse conditions when significant market changes take place, including the extreme fluctuations of market risk elements, such as interest rates, exchange rates and their correlations, unexpected political or economic events, or a combination of the above situations. The Group conducts market risk stress testing on a regular basis.

Assessment of fair value

Assessment of the fair value of financial instruments is based on the quantitative analysis of the financial products that takes into consideration the specific characteristics of the financial products, market situation of trading strategy, risk factors and the quality of the counterparties. The Group assesses the fair value of its financial instruments on a regular basis.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

42. Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Interest rate risk of banking book

Interest rate risk of banking book is managed mainly through such quantitative tools as gap management, sensitivity analysis and duration analysis to ensure the interest rate risk of the banking book are controlled within the scope set by the risk appetite.

The Group calculates the interest rate sensitivity gap based on repricing cash flow of the interest-earning assets and interest-bearing liabilities and conducts scenario analysis, to assess the impact on the Group of changes in interest rates. The impact on the market value of assets or liabilities of one basis point movement in interest rate was assessed through calculation of Basic Point Value.

The Group conducts banking book interest rate risk stress testing on a regular basis. In such stress testing, base interest rate and market rate are treated as the prime factor, and other factors such as unexpected political and economic events or a combination of the above situations.

Interest rate risk

The Group operates its business predominantly in Mainland China under the interest rate scheme regulated by PBoC.

The Group manages its interest rate risks through gap analysis, duration analysis and sensitivity analysis of its assets and liabilities. The Group has set limits to the rate gap, duration and interest rate sensitivity, and monitors regularly to ensure that the exposures are within the Group's limit.

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

42. Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book) *(Continued)*

Interest rate risk (Continued)

- (i) The table below summarises the Group's exposures to interest rate risks. It presents the Group's assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date.

	At 30 June 2023 (Unaudited)					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	96,699,571	892,548	95,807,023	-	-	-
Deposits with banks and other financial institutions	22,491,874	9,385	22,282,587	199,902	-	-
Placements with banks and other financial institutions	15,917,979	232,315	5,345,059	10,340,605	-	-
Derivative financial assets	2,064,051	2,064,051	-	-	-	-
Financial assets held under resale agreements	11,266,564	1,887	11,264,677	-	-	-
Loans and advances to customers (Note (i))	941,761,074	10,659,383	227,166,919	563,372,918	122,008,400	18,553,454
Financial investments (Note (ii))	569,788,397	29,071,679	156,288,276	79,575,464	254,163,694	50,689,284
Others	30,568,646	30,568,646	-	-	-	-
Total assets	1,690,558,156	73,499,894	518,154,541	653,488,889	376,172,094	69,242,738
Liabilities						
Borrowings from the central bank	134,439,888	2,087,888	41,189,000	91,163,000	-	-
Deposits from banks and other financial institutions	157,889,895	1,570,519	76,337,714	71,281,662	8,700,000	-
Placements from banks and other financial institutions	29,376,156	437,361	9,207,913	17,866,382	1,864,500	-
Derivative financial liabilities	2,127,776	2,127,776	-	-	-	-
Financial assets sold under repurchase agreements	37,393,938	10,128	37,383,810	-	-	-
Deposits from customers	924,437,903	21,737,343	444,932,340	242,980,547	213,795,673	992,000
Debt securities issued	272,647,197	1,062,789	87,279,331	138,155,210	46,149,867	-
Others	18,023,024	13,668,084	302,906	770,832	2,461,702	819,500
Total liabilities	1,576,335,777	42,701,888	696,633,014	562,217,633	272,971,742	1,811,500
Asset-liability gap	114,222,379	30,798,006	(178,478,473)	91,271,256	103,200,352	67,431,238

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(In RMB thousands, unless otherwise stated)

42. Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Interest rate risk *(Continued)*

(i) *(Continued)*

	At 31 December 2022 (Audited)					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	108,394,184	535,195	107,858,989	-	-	-
Deposits with banks and other financial institutions	16,074,856	10,853	15,864,135	199,868	-	-
Placements with banks and other financial institutions	18,333,936	368,549	9,840,205	6,529,658	1,595,524	-
Derivative financial assets	1,211,516	1,211,516	-	-	-	-
Loans and advances to customers (Note (i))	942,723,216	9,338,023	440,924,692	369,508,433	106,100,138	16,851,930
Financial investments (Note (ii))	544,533,823	27,570,084	153,706,816	77,146,417	229,564,747	56,545,759
Others	28,188,371	28,188,371	-	-	-	-
Total assets	1,659,459,902	67,222,591	728,194,837	453,384,376	337,260,409	73,397,689
Liabilities						
Borrowings from the central bank	117,858,168	1,463,168	35,000,000	81,395,000	-	-
Deposits from banks and other financial institutions	181,175,967	1,426,525	60,257,446	105,491,996	14,000,000	-
Placements from banks and other financial institutions	29,434,826	272,205	10,781,211	17,271,410	1,110,000	-
Derivative financial liabilities	613,173	613,173	-	-	-	-
Financial assets sold under repurchase agreements	60,223,721	24,626	60,199,095	-	-	-
Deposits from customers	863,934,028	20,147,689	312,114,920	324,073,781	206,350,638	1,247,000
Debt securities issued	276,680,991	1,984,243	105,932,008	107,717,517	61,047,223	-
Others	19,587,994	15,358,318	268,176	587,905	2,458,219	915,376
Total liabilities	1,549,508,868	41,289,947	584,552,856	636,537,609	284,966,080	2,162,376
Asset-liability gap	109,951,034	25,932,644	143,641,981	(183,153,233)	52,294,329	71,235,313

Notes:

- (i) As at 30 June 2023 and 31 December 2022, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of allowance for impairment losses) of RMB14,370 million and RMB16,228 million, respectively.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

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(In RMB thousands, unless otherwise stated)

42. Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Interest rate risk *(Continued)*

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the potential impact of changes in interest rate on the Group's profit before tax and equity (without tax effect). The following table sets forth the results of the Group's interest rate sensitivity analysis on profit before tax and equity (without tax effect) with an assumption that all other variables held constant.

	At 30 June 2023 (Unaudited) (Decrease)/ Increase	At 31 December 2022 (Audited) (Decrease)/ Increase
Change in profit before tax		
Up 100 bps parallel shift in yield curves	(1,846,965)	(688,950)
Down 100 bps parallel shift in yield curves	1,846,965	688,950

	At 30 June 2023 (Unaudited) (Decrease)/ Increase	At 31 December 2022 (Audited) (Decrease)/ Increase
Change in equity (without tax effect)		
Up 100 bps parallel shift in yield curves	(2,799,413)	(1,590,633)
Down 100 bps parallel shift in yield curves	2,799,413	1,590,633

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised profit before tax and equity (without tax effect) would have been affected by repricing of the Group's assets and liabilities within the one-year period.

Due to possible inconsistencies between the actual situation and assumptions, the actual changes in the Group's profit before tax and equity (without tax effect) caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

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(In RMB thousands, unless otherwise stated)

42. Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Foreign currency risk

Foreign exchange risk refers to the risk of losses arising from the adverse changes in the rate of exchange. The Group conducts the majority of its business in RMB, with certain foreign transactions in United States dollars ("USD"), Hong Kong dollars ("HKD") and, to a much lesser extent, other currencies.

The Group's principle in controlling foreign exchange risk is to match its assets and liabilities by currency and to maintain foreign exchange risk within established limits. The Group has set foreign exchange risk limits which are consistent with the guidelines established by the Asset and Liability Management Committee of the Group and are in accordance with relevant regulatory requirements, and reflect management's assessment of current circumstances. The Group also manages its sources and uses of foreign currencies to minimise potential mismatches.

The Group monitors its foreign exchange risk. The Group mainly uses the foreign exchange exposure analysis, scenario analysis and stress testing to measure and analyze the foreign exchange risk. Besides, the Group monitors and controls the foreign exchange risk through the limit management. The Asset and Liability Management Department's market risk team performs independent monitoring, reporting, and management for the entire bank's foreign exchange risk. Meanwhile, the Group managed the on-balance sheet foreign exchange risk exposures through derivative financial instruments such as foreign exchange swaps and foreign exchange futures, and kept the Group's total exposures of on-balance sheet and off-balance sheet to a low level. Therefore, the foreign exchange exposure at the end of the period is not sensitive to exchange rate fluctuations, and the potential impact on the Group's net profit and shareholders' equity is not significant.

The following table summarises the Group's exchange risk of assets and liabilities at reporting date. Included in the table are the carrying value of assets and liabilities, and the off-balance sheet credit commitments in RMB equivalent, categorised by the original currency.

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42. Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book) *(Continued)*

Foreign currency risk *(Continued)*

The Group's currency exposures as at 30 June 2023 and 31 December 2022 are as follows:

	At 30 June 2023 (Unaudited)			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	92,121,417	3,597,422	980,732	96,699,571
Deposits with banks and other financial institutions	14,099,707	6,626,391	1,765,776	22,491,874
Placements with banks and other financial institutions	15,155,612	193,664	568,703	15,917,979
Derivative financial assets	2,062,917	–	1,134	2,064,051
Financial assets held under resale agreements	11,266,564	–	–	11,266,564
Loans and advances to customers	893,059,849	43,290,731	5,410,494	941,761,074
Financial investments (Note (i))	528,528,566	38,573,428	2,686,403	569,788,397
Other assets	30,335,219	160,421	73,006	30,568,646
Total assets	1,586,629,851	92,442,057	11,486,248	1,690,558,156
Liabilities				
Borrowings from the central bank	134,439,888	–	–	134,439,888
Deposits from banks and other financial institutions	147,461,633	9,804,455	623,807	157,889,895
Placements from banks and other financial institutions	3,183,721	20,046,216	6,146,219	29,376,156
Derivative financial liabilities	2,103,851	–	23,925	2,127,776
Financial assets sold under repurchase agreements	37,393,938	–	–	37,393,938
Deposits from customers	876,156,256	46,841,703	1,439,944	924,437,903
Debt securities issued	267,867,528	4,503,014	276,655	272,647,197
Other liabilities	15,398,620	2,511,824	112,580	18,023,024
Total liabilities	1,484,005,435	83,707,212	8,623,130	1,576,335,777
Net position	102,624,416	8,734,845	2,863,118	114,222,379
Credit commitments	306,165,745	14,510,698	3,097,275	323,773,718

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(In RMB thousands, unless otherwise stated)

42. Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Foreign currency risk (Continued)

	At 31 December 2022 (Audited)			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	104,298,764	3,810,268	285,152	108,394,184
Deposits with banks and other financial institutions	9,289,521	5,586,101	1,199,234	16,074,856
Placements with banks and other financial institutions	16,909,637	1,424,299	–	18,333,936
Derivative financial assets	1,211,516	–	–	1,211,516
Loans and advances to customers	891,156,201	46,309,954	5,257,061	942,723,216
Financial investments (Note (i))	504,744,888	37,538,955	2,249,980	544,533,823
Other assets	27,735,833	375,051	77,487	28,188,371
Total assets	1,555,346,360	95,044,628	9,068,914	1,659,459,902
Liabilities				
Borrowings from the central bank	117,858,168	–	–	117,858,168
Deposits from banks and other financial institutions	179,158,725	1,599,194	418,048	181,175,967
Placements from banks and other financial institutions	3,892,617	18,678,913	6,863,296	29,434,826
Derivative financial liabilities	598,442	–	14,731	613,173
Financial assets sold under repurchase agreements	60,223,721	–	–	60,223,721
Deposits from customers	807,203,607	54,329,039	2,401,382	863,934,028
Debt securities issued	272,881,539	3,799,452	–	276,680,991
Other liabilities	17,005,151	2,458,045	124,798	19,587,994
Total liabilities	1,458,821,970	80,864,643	9,822,255	1,549,508,868
Net position	96,524,390	14,179,985	(753,341)	109,951,034
Credit commitments	319,425,879	17,846,119	4,306,522	341,578,520

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

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42. Financial risk management *(Continued)*

(c) Liquidity risk

The Group adopts a centralised approach with respect to its liquidity risk management, in which the head office centrally manages overall liquidity risk across the Group under the policies and guidance of the Board. Liquidity risk is managed on three levels from the Board, to senior management and down to individual departments, so that all levels of the Group are involved in the liquidity risk management. The Asset and Liability Management Department is the lead department in managing the liquidity risk, and is responsible for formulating liquidity risk management strategies, policies and procedures, and identifying, measuring, monitoring and controlling liquidity risk, and ensuring the Group's overall liquidity risk is controlled within the Group's risk tolerance based on cash flow gap analysis, with the help of intraday position management, early-warning indicators and limit control, among other means and methods, and by conducting stress testing and crisis response exercises, strengthening market forecast and implementing dynamic liquidity risk management when appropriate. The Group reviews the above practices and means and methods at least once a year. The Group has established and continuously improved a comprehensive and systematic liability business management and risk control system to continuously improve the efficiency and level of financial services to the real economy. The Corporate Banking Department, Retail Banking Department and Financial Market Department, among others at the head office, and the branches and subsidiary engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board and senior management.

In addition to effectively managing intraday positions, the Group manages cash flow, balancing liquidity and profitability and ensuring safety payment of the Group and implementing integration management of local and foreign currency. For medium- and long-term liquidity risk management, the Group strengthens management measures on regulatory ratios and internal limit, and timely monitors early warning indicators, implements initiative supplementing of liabilities, stabilises the source of capital and improves future maturity structure of assets and liabilities. Regulatory indicators mainly including liquidity ratio, liquidity coverage ratio, net stable funding ratio and liquidity matching rate are set to guide business development. Internal limits, primarily on treasury loans, debt securities pledged as security and asset-liability maturity gap, are monitored to manage and adjust mismatches between the duration of assets and liabilities. Enforcing the establishment and analysis of customer behavior models, leveraging liquidity management models that use prudent assumptions on the Group's cash inflows and outflows from its assets and liabilities, and by monitoring, analysing and managing its compliance with regulatory indicators and internal limits, the Group has been able to maintain a sound liquidity position.

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(In RMB thousands, unless otherwise stated)

42. Financial risk management *(Continued)*

(c) Liquidity risk *(Continued)*

In order to cope with the potential impact arising from fluctuation of capital market and changes of macroeconomic environment, the Group conducts stress tests for liquidity risk on a quarterly basis, including the test of cash flow gaps in the future 7 days, 30 days and 90 days and implementation of shortest lifetime management of the Group by introducing the internal and external factors to test the Group's tolerance of liquidity risks under different stress scenarios through stimulation of decline in the price of marketable securities and outflow of deposits. Also, in consideration of its business size, complexity, level of risk and organisational structure, the Group has emergency plans in place and explicit internal division of duties and emergency procedures to maintain its liquidity under a crisis.

The Group formulates investment guidelines and regularly assesses and adjusts its investment strategies for debt securities investments in light of actual risk management needs, clearly defines the ceiling for collateral bonds through internal limits. This ensures the availability of sufficient quality liquid assets which are readily realisable, and the potential liquidity needs of the Group are well taken care of. The Group focuses on the adjustment and optimisation of asset structure, establishes a portfolio of liquidity reserve assets, and implements asset planning management, and pay attention to the stable return of funds when due. In addition, the Group continues to expand its various debt sourcing channels, actively strengthens the degree of participation in the issuance of financial bonds, inter-bank customer relationship management and open market operations of the PBoC, expands interbank credit, builds up emergency fund reserves, attempts to expand the Group's medium- and long-term stable sources of liabilities, so as to improve the Group's financing ability under high liquidity pressure.

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42. Financial risk management *(Continued)*

(c) Liquidity risk *(Continued)*

Maturity analysis

The following tables provide an analysis of non-derivative assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 30 June 2023 and 31 December 2022:

	At 30 June 2023 (Unaudited)							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	62,068,790	34,630,781	-	-	-	-	-	96,699,571
Deposit with banks and other financial institutions	-	22,282,587	-	9,385	199,902	-	-	22,491,874
Placements with banks and other financial institutions	140,000	-	2,581,357	2,718,965	10,477,657	-	-	15,917,979
Financial assets held under resale agreements	-	-	11,266,564	-	-	-	-	11,266,564
Loans and advances to customers	10,041,702	8,539,047	136,435,891	86,597,239	215,369,369	255,582,688	229,195,138	941,761,074
Financial investments (Note (ii))	25,145,798	47,310,433	54,708,877	26,576,987	92,716,702	266,140,078	57,189,522	569,788,397
Others	30,568,646	-	-	-	-	-	-	30,568,646
Total assets	127,964,936	112,762,848	204,992,689	115,902,576	318,763,630	521,722,766	286,384,660	1,688,494,105
Liabilities								
Borrowings from the central bank	-	-	-	42,092,100	92,347,788	-	-	134,439,888
Deposits from banks and other financial institutions	-	27,751,519	11,883,428	36,970,579	71,940,235	9,344,134	-	157,889,895
Placements from banks and other financial institutions	-	-	5,098,797	4,278,575	18,108,299	1,890,485	-	29,376,156
Financial assets sold under repurchase agreements	-	-	37,013,193	380,745	-	-	-	37,393,938
Deposits from customers	-	255,372,561	87,397,407	105,107,729	249,299,890	226,118,395	1,141,921	924,437,903
Debt securities issued	-	-	27,759,433	59,826,268	138,339,150	46,722,346	-	272,647,197
Others	13,668,084	-	210,818	92,088	770,832	2,461,702	819,500	18,023,024
Total liabilities	13,668,084	283,124,080	169,363,076	248,748,084	570,806,194	286,537,062	1,961,421	1,574,208,001
Net position	114,296,852	(170,361,232)	35,629,613	(132,845,508)	(252,042,564)	235,185,704	284,423,239	114,286,104

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

42. Financial risk management *(Continued)*

(c) Liquidity risk *(Continued)*

Maturity analysis (Continued)

	Indefinite Note (i)	Repayable on demand	Within one month	At 31 December 2022 (Audited)				Total
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	62,773,562	45,620,622	-	-	-	-	-	108,394,184
Deposit with banks and other financial institutions	-	15,815,774	50,021	-	200,082	-	8,979	16,074,856
Placements with banks and other financial institutions	140,000	-	4,381,151	5,588,894	6,591,417	1,632,474	-	18,333,936
Loans and advances to customers	3,634,331	14,821,264	74,171,163	93,637,086	339,878,507	247,493,216	169,087,649	942,723,216
Financial investments (Note(ii))	47,780,178	22,448,519	35,524,152	26,664,671	99,107,657	248,196,953	64,811,693	544,533,823
Others	28,188,371	-	-	-	-	-	-	28,188,371
Total assets	142,516,442	98,706,179	114,126,487	125,890,651	445,777,663	497,322,643	233,908,321	1,658,248,386
Liabilities								
Borrowings from the central bank	-	-	15,414,438	20,484,500	81,959,230	-	-	117,858,168
Deposits from banks and other financial institutions	-	37,702,763	5,731,569	17,209,882	106,514,282	14,017,471	-	181,175,967
Placements from banks and other financial institutions	-	-	5,408,155	5,451,901	17,463,876	1,110,894	-	29,434,826
Financial assets sold under repurchase agreements	-	-	60,123,982	99,739	-	-	-	60,223,721
Deposits from customers	-	214,829,199	48,315,715	59,717,462	332,995,323	206,798,380	1,277,949	863,934,028
Debt securities issued	-	-	30,143,095	76,347,007	107,847,846	62,343,043	-	276,680,991
Others	15,358,319	-	189,009	79,167	587,905	2,458,219	915,375	19,587,994
Total liabilities	15,358,319	252,531,962	165,325,963	179,389,658	647,368,462	286,728,007	2,193,324	1,548,895,695
Net position	127,158,123	(153,825,783)	(51,199,476)	(53,499,007)	(201,590,799)	210,594,636	231,714,997	109,352,691

Notes:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans and advances, as well as those overdue more than one month. Loans and advances to customers and investments with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

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42. Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flows of non-derivative financial liabilities of the Group at 30 June 2023 and 31 December 2022:

	At 30 June 2023 (Unaudited)								
	Carrying amount	Contractual undiscounted cash flows	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities									
Borrowings from the central bank	134,439,888	136,002,138	-	-	-	42,315,751	93,686,387	-	-
Deposits from banks and other financial institutions	157,889,895	160,111,187	-	27,763,664	11,933,473	37,287,232	72,871,670	10,255,148	-
Placements from banks and other financial institutions	29,376,156	30,006,905	-	-	5,106,392	4,311,090	18,629,477	1,959,946	-
Financial assets sold under repurchase agreements	37,393,938	37,645,007	-	-	37,263,497	381,510	-	-	-
Deposits from customers	924,437,903	950,634,833	-	255,435,658	89,102,132	107,382,636	256,386,387	241,004,984	1,323,036
Debt securities issued	272,647,197	278,817,138	-	-	27,792,348	60,103,292	140,699,349	50,222,149	-
Other financial liabilities	6,255,095	6,743,395	1,900,155	-	211,028	92,689	788,535	2,718,251	1,032,737
Total non-derivative financial liabilities	1,562,440,072	1,599,960,603	1,900,155	283,199,322	171,408,870	251,874,200	583,061,805	306,160,478	2,355,773
Credit commitments	323,773,718	323,773,718	-	104,621,507	35,881,216	56,372,145	110,878,787	16,020,063	-
	At 31 December 2022 (Audited)								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities									
Borrowings from the central bank	117,858,168	119,664,241	-	-	15,434,625	20,579,500	83,650,116	-	-
Deposits from banks and other financial institutions	181,175,967	183,578,261	14,021,180	37,704,688	5,738,766	76,465	18,631,886	107,405,276	-
Placements from banks and other financial institutions	29,434,826	29,892,076	-	-	5,413,168	5,482,317	17,838,450	1,158,141	-
Financial assets sold under repurchase agreements	60,223,721	60,238,439	-	-	60,138,439	100,000	-	-	-
Deposits from customers	863,934,028	879,551,189	-	214,829,199	48,332,370	59,905,550	337,035,442	217,737,899	1,710,729
Debt securities issued	276,680,991	282,715,962	-	-	30,179,147	76,662,047	109,128,505	66,746,263	-
Other financial liabilities	6,533,965	7,008,862	2,304,290	-	240,356	99,720	720,657	2,679,372	964,467
Total non-derivative financial liabilities	1,535,841,666	1,562,649,030	16,325,470	252,533,887	165,476,871	162,905,599	567,005,056	395,726,951	2,675,196
Credit commitments	341,578,520	341,578,520	-	69,244,811	20,111,755	36,210,653	200,840,009	15,171,292	-

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flows might diverge from actual results.

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42. Financial risk management *(Continued)*

(c) Liquidity risk *(Continued)*

Analysis of contractual undiscounted cash flows of derivative financial instruments

The Group's derivative financial instruments that will be settled on a net basis include interest rate swaps and precious metal swaps. The Group's derivative financial instruments that will be settled on a gross basis are exchange rate swaps.

The following table analyses the contractual undiscounted cash flows of financial derivatives that will be settled on net amounts and gross amounts basis held by the Group. The amounts disclosed are the contractual undiscounted cash flows.

	At 30 June 2023 (Unaudited)				
	Within one month	One months to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	493	2,167	10,954	4,523	18,137
Precious metal swaps	119,771	–	202,475	–	322,246
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
– Cash inflow	21,623,534	14,166,809	22,014,293	145,272	57,949,908
– Cash outflow	(21,235,899)	(13,562,530)	(20,616,157)	(139,922)	(55,554,508)

	At 31 December 2022 (Audited)				
	Within one month	One months to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	9,214	430	8,242	2,676	20,562
Precious metal swaps	–	18,271	44,399	–	62,670
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
– Cash inflow	17,975,461	5,685,000	10,293,218	–	33,953,679
– Cash outflow	(17,932,153)	(5,704,299)	(9,959,443)	–	(33,595,895)

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42. Financial risk management *(Continued)*

(d) Operational risk

Operational risk is the risk of losses due to inadequate or flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

During the reporting period, the Group organised the improvement of operational risk management tools, focusing on the operational risk identified in regulatory risk warning, regulatory punishment and inspection findings; coordinated the on-site inspection work of the whole Bank to realise the organic linkage of on-site inspection planning, execution and supervision, and built and put into operation an enterprise-wide inspection management system; carried out operational risk management inspection on branches to strengthen the operational risk management capability of the first line of defense; completed the revision of the points management system to improve the points standard and increase the application of points, guided and urged all employees to abide by the rules and regulations and operated in compliance with the law to improve the implementation of rules and regulations; organised the business continuity system of branches to meet the required standards.

43. Fair value

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities, interbank certificates of deposit, investment funds and equity investments

The fair values of debt securities, interbank certificates of deposit, investment funds and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, such as discounted cash flow model.

(ii) Other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows. The discount rates are based on the market interest rates adjusted for market liquidity and credit spreads at the end of reporting period.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

43. Fair value *(Continued)*

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

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

Fair values of debt securities issued are based on their quoted market prices at the end of reporting period, 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 adjusted for market liquidity and credit spreads at the end of reporting period.

(iv) Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and the Garman Kohlhagen model extended from Black Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and investments.

Deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates that are close to the Loan Prime Rate. Accordingly, the carrying amounts approximate the fair values.

Derivative financial assets, financial investments measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are stated at fair value. Financial investments measured at amortised cost are the reasonable approximations of their fair values because, they are short-term in nature or repriced at current market rates frequently.

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(In RMB thousands, unless otherwise stated)

43. Fair value *(Continued)*

(b) Fair value measurement *(Continued)*

(ii) *Financial liabilities*

The Group's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Derivative financial liabilities are stated at fair value. The fair value of debt securities issued is presented in Note 43(c). The carrying amounts of other financial liabilities approximate their fair value.

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis and those that are not measured at fair value, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments that are measured at fair value, the fair value of which is based on quoted market prices. When quoted prices on open market are not available, the Banks will determine the fair value of financial instruments by using appropriate valuation model, enquiry or by reference to the valuation results of third-party valuation institution. The Group selects appropriate models based on the risk characteristics, liquidity, counterparty risk and pricing basis of specific financial instruments or trading strategies to ensure that their fair value are truly and effectively reflected. When referring to the valuation results of third-party valuation agencies, the Group assesses the authority, independence and professionalism of the agencies.

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For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

43. Fair value *(Continued)*

(c) Fair value hierarchy *(Continued)*

	At 30 June 2023 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Derivative financial assets	-	2,064,051	-	2,064,051
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advances	-	16,595,240	-	16,595,240
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills	-	81,561,885	-	81,561,885
Financial investments measured at fair value through profit or loss				
– Debt securities	-	25,229,190	567,229	25,796,419
– Interbank certificates of deposit	-	885,578	-	885,578
– Investment funds	-	77,604,295	-	77,604,295
– Trust plans and asset management plans	-	31,990,038	7,443,554	39,433,592
– Equity investments	431,097	207,148	3,299,916	3,938,161
Financial investments measured at fair value through other comprehensive income				
– Debt securities (excluding interests accrued)	-	81,332,820	-	81,332,820
– Interbank certificates of deposit (excluding interests accrued)	-	1,117,437	-	1,117,437
– Equity investments	-	3,062,738	200,000	3,262,738
Total	431,097	321,650,420	11,510,699	333,592,216
Liabilities				
Derivative financial liabilities	-	(2,127,776)	-	(2,127,776)
Total	-	(2,127,776)	-	(2,127,776)
Not measured at fair value				
Liabilities				
Debt securities issued	-	(270,809,005)	-	(270,809,005)
Total	-	(270,809,005)	-	(270,809,005)

Notes to the Unaudited Consolidated Financial Statements
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43. Fair value (Continued)

(c) Fair value hierarchy (Continued)

	At 31 December 2022 (Audited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Derivative financial assets	–	1,211,516	–	1,211,516
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advances	–	1,712,237	–	1,712,237
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills	–	85,532,135	–	85,532,135
Financial investments measured at fair value through profit or loss				
– Debt securities	–	11,335,197	567,229	11,902,426
– Interbank certificates of deposit	–	2,393,073	–	2,393,073
– Investment funds	–	64,085,548	–	64,085,548
– Trust plans and asset management plans	–	30,662,845	7,522,873	38,185,718
– Equity investments	471,167	204,268	3,299,887	3,975,322
Financial investments measured at fair value through other comprehensive income				
– Debt securities (excluding interests accrued)	–	97,139,021	–	97,139,021
– Interbank certificates of deposit (excluding interests accrued)	–	137,907	–	137,907
– Equity investments	–	2,864,433	200,000	3,064,433
Total	471,167	297,278,180	11,589,989	309,339,336
Liabilities				
Derivative financial liabilities	–	(613,173)	–	(613,173)
Total	–	(613,173)	–	(613,173)
Not measured at fair value				
Liabilities				
Debt securities issued	–	(273,130,069)	–	(273,130,069)
Total	–	(273,130,069)	–	(273,130,069)

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

43. Fair value *(Continued)*

(c) Fair value hierarchy *(Continued)*

The movement during the six months ended 30 June 2023 in the balance of Level 3 fair value measurements (unaudited) is as follows:

	1 January 2023	Transfer into Level 3	Transfer out of Level 3	Total gains or losses of the period	Recorded in profit or loss	Recorded in other comprehensive income	Additions	Issues	Sales	Settlements	30 June 2023	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the period
Assets												
Financial assets measured at fair value through profit or loss												
– Debt securities	567,229	-	-	-	-	-	-	-	-	-	567,229	-
– Trust plans and asset management plans	7,522,873	-	-	(79,319)	-	-	-	-	-	-	7,443,554	(79,319)
– Equity investments	3,299,887	-	-	29	-	-	-	-	-	-	3,299,916	29
Sub-total	11,389,989	-	-	(79,290)	-	-	-	-	-	-	11,310,699	(79,290)
Financial assets measured at fair value through other comprehensive income												
– Equity investments	200,000	-	-	-	-	-	-	-	-	-	200,000	-
Total	11,589,989	-	-	(79,290)	-	-	-	-	-	-	11,510,699	(79,290)

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43. Fair value (Continued)

(c) Fair value hierarchy (Continued)

The movement during the year ended 31 December 2022 in the balance of Level 3 fair value measurements (audited) is as follows:

	1 January 2022	Transfer into Level 3	Transfer out of Level 3	Total gains or losses of the year	Recorded in profit or loss	Recorded in other comprehensive income	Additions	Issues	Sales	Settlements	30 June 2023	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
Assets												
Financial assets measured at fair value through profit or loss												
- Debt securities	567,229	-	-	-	-	-	-	-	-	-	567,229	-
- Trust plans and asset management plans	3,183,316	-	-	-	-	-	4,353,879	-	-	(14,322)	7,522,873	-
- Equity investments	3,299,833	-	-	54	-	-	-	-	-	-	3,299,887	54
Sub-total	7,050,378	-	-	54	-	-	4,353,879	-	-	(14,322)	11,389,989	54
Financial assets measured at fair value through other comprehensive income												
- Equity investments	200,000	-	-	-	-	-	-	-	-	-	200,000	-
Total	7,250,378	-	-	54	-	-	4,353,879	-	-	(14,322)	11,589,989	54

The Group's financial instruments measured at the Level 3 fair value adopt the discounted cash flow approach and net asset value approach as the valuation techniques, and the unobservable inputs used are the risk-adjusted discount rate, cash flows and net assets, liquidity discount respectively. For the six months ended 30 June 2023 and for the year ended 31 December 2022, there were no significant change in the valuation techniques.

For the six months ended 30 June 2023 and for the year ended 31 December 2022, there were no significant transfers among different levels for financial assets and financial liabilities measured at fair value on a recurring basis.

Notes to the Unaudited Consolidated Financial Statements

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(In RMB thousands, unless otherwise stated)

44. Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position. Surplus funding is accounted for as deposits from customers.

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Entrusted loans	26,722,763	26,636,754
Entrusted funds	26,722,763	26,636,754

45. Commitments and contingencies

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans commitments and 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. Bank 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 the customers.

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Irrevocable loan commitments		
– Original contractual maturity within one year	463,500	254,657
– Original contractual maturity of or over one year	7,270	–
Credit card commitments	20,223,557	15,507,356
Sub-total	20,694,327	15,762,013
Bank acceptances	160,495,135	228,157,014
Letters of credit	113,760,893	69,431,553
Letters of guarantees	28,823,363	28,227,940
Total	323,773,718	341,578,520

The Group may be exposed to credit risk in all the above credit businesses. Bank management periodically assesses credit risk and makes provision for any probable losses. 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. As at 30 June 2023 and 31 December 2022, provisions for credit commitments were RMB330 million and RMB435 million.

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45. Commitments and contingencies *(Continued)*

(b) Credit risk-weighted amount for credit commitments

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Credit risk-weighted amounts	65,132,440	62,706,781

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Capital commitments

As at 30 June 2023 and 31 December 2022, the Group's authorised capital commitments were as follows:

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Contracted but not paid for	505,294	381,455
Authorised but not contracted for	92,518	113,531
Total	597,812	494,986

(d) Outstanding litigations and disputes

As at 30 June 2023 and 31 December 2022, the Group has several outstanding litigations and disputes in its normal business operations. Based on the court process and the opinion of the external legal counsel, the reserve balance for litigation losses amounts to RMB42.24 million. After consulting with external professional legal counsel, the management of the Group believes that the final outcome of such legal proceedings and claims will not have a material impact on the financial position or operating results of the Group.

During the year ended 31 December 2021, the Group had a dispute with individual corporate customers over the business of bank acceptance bills pledged by certificates of deposit. The Group had reported the case to the security authorities. For the year ended 31 December 2022, the Group has filed a civil lawsuit to the court. As of the approval date of this report, the case is still in the judicial process. The outcome of the case is subject to the judgement of the court, and the Group is of the view that the financial impact of the above dispute cannot be reliably estimated. As a result, no relevant accrued liabilities were recognised as at 30 June 2023 and 31 December 2022.

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45. Commitments and contingencies *(Continued)*

(e) Pledged assets

Assets pledged as collateral

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Debt securities	172,308,232	181,439,469
Discounted bills	545,810	198,094
Total	172,854,042	181,637,563

Certain assets are pledged as collateral under repurchase agreements, and borrowings from the central bank.

As at 30 June 2023 and 31 December 2022, the Group did not hold any discounted bills under resale agreements. As at 30 June 2023 and 31 December 2022, the Group did not sell or repledge any pledged assets which it is obliged to resell upon due.

46. Subsequent events

On 25 July 2023, the Group issued a three-year financial bond with face value of RMB10,000 million. The coupon interest rate per annum is 2.72%.

47. Comparative figures of the prior year

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.

Unaudited Supplementary Information to the Consolidated Financial Statements

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

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1. Liquidity coverage ratio and leverage ratio

(a) Liquidity coverage ratio

	At 30 June 2023	Average for the six months ended 30 June 2023
Liquidity coverage ratio (RMB and foreign currency)	125.07%	147.36%

	At 31 December 2022	Average for the year ended 31 December 2022
Liquidity coverage ratio (RMB and foreign currency)	149.69%	131.01%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall not be lower than 100%.

(b) Leverage Ratio

	At 30 June 2023	At 31 December 2022
Leverage Ratio	5.65%	5.43%

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

Unaudited Supplementary Information to the Consolidated Financial Statements

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

1. Liquidity coverage ratio and leverage ratio *(Continued)*

(c) Net Stable Funding Ratio

	At 30 June 2023	At 31 December 2022
Available stable funding	951,717,104	933,965,652
Required stable funding	927,107,956	913,963,270
Net Stable Funding Ratio	102.65%	102.19%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio of 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

2. Currency concentrations

	At 30 June 2023			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	92,442,057	4,526,676	6,959,572	103,928,305
Spot liabilities	(83,707,212)	(2,459,850)	(6,163,280)	(92,330,342)
Net position	8,734,845	2,066,826	796,292	11,597,963

	At 31 December 2022			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	95,044,628	3,424,896	5,644,018	104,113,542
Spot liabilities	(80,864,643)	(1,601,012)	(8,221,243)	(90,686,898)
Net position	14,179,985	1,823,884	(2,577,225)	13,426,644

Unaudited Supplementary Information to the Consolidated Financial Statements
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(In RMB thousands, 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 as international claims.

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

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.

	At 30 June 2023		
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	6,664,523	35,154,544	41,819,067
Europe	1,551,473	756,731	2,308,204
North and South America	4,820,493	547,110	5,367,603
Others	366,314	–	366,314
Total	13,402,803	36,458,385	49,861,188

	At 31 December 2022		
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	3,594,953	29,170,767	32,765,720
Europe	1,482,363	629,111	2,111,474
North and South America	1,492,738	744,351	2,237,089
Others	104,612	–	104,612
Total	6,674,666	30,544,229	37,218,895

Unaudited Supplementary Information to the Consolidated Financial Statements

For the six months ended 30 June 2023

(In RMB thousands, unless otherwise stated)

4. Gross amount of overdue loans and advances

	At 30 June 2023	At 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)	2,167,480	2,009,620
– between 6 months and 1 year (inclusive)	3,511,276	2,534,632
– between 1 year and 3 years (inclusive)	7,830,297	8,019,592
– over 3 years	2,885,433	1,868,287
Total	16,394,486	14,432,131
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.23%	0.21%
– between 6 months and 1 year (inclusive)	0.37%	0.26%
– between 1 year and 3 years (inclusive)	0.82%	0.84%
– over 3 years	0.30%	0.20%
Total	1.72%	1.51%

Supplementary Information on Capital Composition and Leverage Ratio

The following information is disclosed in accordance with the Regulatory Requirement on Information Disclosure of Capital Composition in Commercial Banks, Appendix 2 to the Notice on Issuing Supporting Policy Documents for the Capital Regulation of Commercial Banks (《關於印發商業銀行資本監管配套政策文件的通知》) of the former CBRC.

Table 1: Capital Composition

Unit: RMB million, %

No.	Item	June 30, 2023
Core tier 1 capital:		
1	Paid-in capital	17,762
2	Retained earnings	68,613
2a	Surplus reserve	7,342
2b	General reserve	20,291
2c	Undistributed profits	40,980
3	Accumulated other comprehensive income and disclosed reserves	7,886
3a	Capital reserve	10,752
3b	Others	(2,866)
4	Amount allowed to be included in core tier 1 capital during the transitional period (only applicable to non-stock corporation, banks of stock corporation just fill with 0)	0
5	Qualifying portion of minority shareholders' capital	0
6	Core tier 1 capital before regulatory adjustments	94,261
Core tier 1 capital: Regulatory adjustments		
7	Prudential valuation adjustments	0
8	Goodwill (net of deferred tax liabilities)	0
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	226
10	Net deferred tax assets relying on future profitability and arising from operating losses	0
11	Reserves generated from the cash flow hedging to items that are not measured at fair value	0
12	Gaps of provision for loan impairment	0
13	Gains on sale of asset securitization	0
14	Unrealized profit or loss arising from the changes in the fair value of liabilities due to changes in own credit risk	0
15	Net defined-benefit pension assets (net of deferred tax liabilities)	0
16	Direct or indirect investments in own ordinary shares	0
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	0
18	Deductible amount in core tier 1 capital of non-significant minority capital investments in unconsolidated financial institutions	0
19	Deductible amount in core tier 1 capital of significant minority capital investments in unconsolidated financial institutions	0
20	Collateralized loan service rights	N/A

No.	Item	June 30, 2023
21	Deductible amount in other net deferred tax assets relying on the Bank's future profitability	4,635
22	Deductible amount of non-deducted part of core tier 1 capital of significant minority capital investments in unconsolidated financial institutions and other net deferred tax assets relying on the Bank's future profitability in excess of 15% of core tier 1 capital	0
23	Of which: Amount deductible from significant minority capital investments in financial institutions	0
24	Of which: Amount deductible from collateralized loan service rights	N/A
25	Of which: Amount deductible from other deferred tax assets relying on the Bank's future profitability	0
26a	Investments in core tier 1 capital of financial institutions that are under control but unconsolidated	0
26b	Gaps of core tier 1 capital of financial institutions that are under control but unconsolidated	0
26c	Total of other items deductible from core tier 1 capital	0
27	Non-deducted gap deductible from additional tier 1 capital and tier 2 capital	0
28	Total regulatory adjustments to core tier 1 capital	4,861
29	Core tier 1 capital	89,400
Additional tier 1 capital:		
30	Additional tier 1 capital instruments and related premium	19,961
31	Of which: Classified as equity	19,961
32	Of which: Classified as liabilities	0
33	Instruments not allowed to be included in additional tier 1 capital after the transitional period	0
34	Qualifying portion of minority shareholders' capital	0
35	Of which: Not allowed to be included in additional tier 1 capital after the transitional period	0
36	Additional tier 1 capital before regulatory adjustments	19,961
Additional tier 1 capital: Regulatory adjustments		
37	Direct or indirect investments in own additional tier 1 capital	0
38	Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	0
39	Deductible amount in additional tier 1 capital of non-significant minority capital investments in unconsolidated financial institutions	0
40	Additional tier 1 capital of significant minority capital investments in unconsolidated financial institutions	0
41a	Investments in additional tier 1 capital of financial institutions that are under control but unconsolidated	0
41b	Gaps of additional tier 1 capital of financial institutions that are under control but unconsolidated	0
41c	Other items deductible from additional tier 1 capital	0
42	Non-deducted gap deductible from tier 2 capital	0
43	Total regulatory adjustments to additional tier 1 capital	0
44	Additional tier 1 capital	19,961
45	Tier 1 capital (core tier 1 capital + additional tier 1 capital)	109,361

No.	Item	June 30, 2023
Tier 2 capital:		
46	Tier 2 capital instruments and related premium	8,989
47	Instruments not allowed to be included in tier 2 capital after the transitional period	0
48	Qualifying portion of minority shareholders' capital	0
49	Of which: Not allowed to be included in tier 2 capital after the transitional period	0
50	Qualifying portion of surplus provision for loan impairment	6,372
51	Tier 2 capital before regulatory adjustments	15,361
Tier 2 capital: Regulatory adjustments		
52	Direct or indirect investments in own tier 2 capital	0
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	0
54	Deductible amount in tier 2 capital of non-significant minority capital investments in unconsolidated financial institutions	0
55	Tier 2 capital of significant minority capital investments in unconsolidated financial institutions	0
56a	Investments in tier 2 capital of financial institutions that are under control but unconsolidated	0
56b	Gaps of tier 2 capital of financial institutions that are under control but unconsolidated	0
56c	Other items deductible from tier 2 capital	0
57	Total regulatory adjustments to tier 2 capital	0
58	Tier 2 capital	15,361
59	Total capital (tier 1 capital + tier 2 capital)	124,722
60	Total risk-weighted assets	1,079,720
Requirements on capital adequacy ratio and reserve capital		
61	Core tier 1 capital adequacy ratio	8.28%
62	Tier 1 capital adequacy ratio	10.13%
63	Capital adequacy ratio	11.55%
64	Specific capital requirements of regulators	
65	Of which: Reserve capital requirements	2.50%
66	Of which: Counter-cyclical capital requirements	0
67	Of which: Additional capital requirements of systemically important banks worldwide	0
68	Core tier 1 capital meeting buffers as a percentage of risk-weighted assets	3.28%
Domestic minimum regulatory capital requirements		
69	Core tier 1 capital adequacy ratio	5%
70	Tier 1 capital adequacy ratio	6%
71	Capital adequacy ratio	8%

No.	Item	June 30, 2023
Amounts below the threshold deductions		
72	Non-deducted portion of non-significant minority capital investments in unconsolidated financial institutions	1,000
73	Non-deducted portion of significant minority capital investments in unconsolidated financial institutions	50
74	Collateralized loan service rights (net of deferred tax liabilities)	N/A
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	9,403
Cap on surplus provision for loan impairment allowed to be included in tier 2 capital		
76	Provision for loan impairment actually provided under the Weighted Approach	25,349
77	Surplus provision for loan impairment allowed to be included in tier 2 capital under the Weighted Approach	6,372
78	Surplus provision for loan impairment actually provided under the Internal Ratings Based Approach	N/A
79	Surplus provision for loan impairment allowed to be included in tier 2 capital under the Internal Ratings Based Approach	N/A
Capital instruments subject to phase-out arrangements		
80	Amount allowed to be included in core tier 1 capital for the current period due to arrangements in the transitional period	0
81	Amount not allowed to be included in core tier 1 capital due to arrangements in the transitional period	0
82	Amount allowed to be included in additional tier 1 capital for the current period due to arrangements in the transitional period	0
83	Amount not allowed to be included in additional tier 1 capital due to arrangements in the transitional period	0
84	Amount allowed to be included in tier 2 capital for the current period due to arrangements in the transitional period	0
85	Amount not allowed to be included in tier 2 capital for the current period due to arrangements in the transitional period	0

Table 2: Balance Sheet at the Group's Level

Unit: RMB million

	Consolidated balance sheet announced by the Bank	Balance sheet under the regulatory scope of consolidation
Assets		
Cash and deposits with the central bank	96,700	96,570
Deposits with banks and other financial institutions	22,492	22,482
Precious metal	0	0
Placements with banks and other financial institutions	15,918	15,686
Derivative financial assets	2,064	2,064
Financial assets held under resale agreements	11,267	11,265
Loans and advances to customers	941,761	933,022
Financial investments	569,788	564,395
– Financial investments measured at fair value through profit or loss	147,658	147,658
– Financial investments measured at fair value through other comprehensive income	86,560	85,713
– Financial investments measured at amortized cost	335,570	331,024
Long-term equity investments	0	0
Investment property	0	0
Fixed assets	3,376	3,376
Goodwill	0	0
Intangible assets	618	618
Right-of-use assets	4,167	4,167
Deferred tax assets	14,039	14,039
Interest receivable	0	21,682
Other assets	8,368	2,745
Total assets	1,690,558	1,692,111
Liabilities		
Borrowings from the central bank	134,440	0
Deposits from banks and other financial institutions	157,890	162,904
Placements from banks and other financial institutions	29,376	28,939
Derivative financial liabilities	2,128	2,128
Financial assets sold under repurchase agreements	37,394	169,736
Deposits from customers	924,438	896,042
Tax payable	1,404	1,404
Bonds payable	272,647	272,647
Lease liabilities	4,355	4,355
Provisions	373	373
Interest payable	0	26,915
Accrued staff cost	5,097	5,097
Other liabilities	6,794	7,348
Total liabilities	1,576,336	1,577,888
Owners' equity		
Share capital	17,762	17,762
Other equity instruments	19,961	19,961
Capital reserve	10,752	10,752
Other comprehensive income	(2,866)	(2,866)
Surplus reserve	7,342	7,342
General reserve	20,291	20,291
Undistributed profits	40,980	40,980
Minority interests	0	0
Total owners' equity	114,222	114,222

Table 3: Detailed explanation on relevant items

Unit: RMB million

Item	Amount in the balance sheet	Code
Goodwill	0	a
Intangible assets	618	b
Of which: Land use rights	392	c
Deferred income tax liabilities	0	
Of which: Deferred tax liabilities relating to goodwill	0	d
Of which: Deferred tax liabilities relating to other intangible assets (excluding land use rights)	0	e
Paid-in capital	17,762	
Of which: Amount allowed to be included in core tier 1 capital	17,762	f
Other equity instruments	19,961	
Of which: Perpetual bonds	19,961	g
Capital reserve	10,752	h
Other comprehensive income	(2,866)	i
Surplus reserve	7,342	j
General reserve	20,291	k
Undistributed profits	40,980	l
Bonds payable	272,647	
Of which: Debts issued allowed to be included in tier 2 capital instruments and related premium	8,989	m

Table 4: Correspondence between all the items disclosed in the second step and items in the disclosure template of capital composition

Unit: RMB million

Item	Amount	Code	
Core tier 1 capital:			
1	Paid-in capital	17,762	f
2	Retained earnings	68,613	j+k+l
2a	Surplus reserve	7,342	j
2b	General reserve	20,291	k
2c	Undistributed profits	40,980	l
3	Accumulated other comprehensive income and disclosed reserves	7,886	h+i
3a	Capital reserve	10,752	h
3b	Other comprehensive income	(2,866)	i
6	Core tier 1 capital before regulatory adjustments	94,261	
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	226	b-c-e
30	Additional tier 1 capital instruments and related premium	19,961	g
46	Tier 2 capital instruments and related premium	8,989	m

Table 5: Main features of capital instruments

1	Issuer		CHINA BOHAI BANK CO., LTD.	
2	Identification code (bond, stock code)	1928024. IB	9668. HK	2128001. IB
3	Applicable laws	Mainland China	Hong Kong, China	Mainland China
4	Regulatory processing			
5	Of which: Applicable rules of the Capital Rules for Commercial Banks (Provisional) for the transitional period	Additional tier 1 capital	Core tier 1 capital	Included in tier 2 capital
6	Of which: Applicable rules of the Capital Rules for Commercial Banks (Provisional) after expiration of the transitional period	Additional tier 1 capital	Core tier 1 capital	Included in tier 2 capital
7	Of which: Applicable at legal person/group level	Legal person/group	Legal person/group	Legal person/group
8	Instrument type	Undated capital bonds	Ordinary shares	Tier 2 capital bonds
9	Amount allowed to be included in regulatory capital (expressed in RMB million, as at the latest reporting date)	19,961	14,044	8,989
10	Par value of the instrument (expressed in RMB million)	20,000	3,312	9,000
11	Accounting	Other equity instruments	Share capital and capital reserve	Bonds payable
12	Initial issuance date	2019/9/11	2020/7/16	2021/1/19
13	Existence of maturity (dated or undated)	Undated	Undated	Dated
14	Of which: Original maturity	No maturity	No maturity	2031/1/19
15	Called by Issuer (subject to regulatory approval)	Yes	No	Yes
16	Of which: Redemption date (contingent redemption date) and amount	Subject to approval by the CBIRC, from the fifth anniversary since the date of issuance, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance).	N/A	Subject to approval by the CBIRC, the Issuer may redeem part or all of the tier 2 capital bonds at the par value on the last day of the fifth interest-bearing year of the tier 2 capital bonds.
17	Of which: Subsequent redemption date (if any)	Subject to approval by the CBIRC, from the fifth anniversary since the date of issuance, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance). If, after the Issuance, the Bonds no longer qualify as additional tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulations, the Issuer may redeem all but not some only of the Bonds.	N/A	None

18	Bonuses or dividends			
19	Of which: Fixed or floating dividends/bonuses	The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. Each distribution rate adjustment period has a fixed distribution rate.	Floating	Fixed
20	Of which: Coupon rate and relevant indicators	The coupon rate for the first coupon rate adjustment period is 4.75%.	N/A	4.40%
21	Of which: Existence of a dividend stopper	Yes	N/A	No
22	Of which: Discretion to cancel bonuses or dividends	Sole discretionary	Sole discretionary	Without discretionary
23	Of which: Existence of redemption incentive mechanism	No	No	No
24	Of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
25	Whether they are convertible into shares or not	No	N/A	No
26	Of which: Trigger(s) for conversion, if convertible	N/A	N/A	N/A
27	Of which: Fully or partially, if convertible	N/A	N/A	N/A
28	Of which: Method to determine the conversion price, if convertible	N/A	N/A	N/A
29	Of which: Mandatory or not, if convertible	N/A	N/A	N/A
30	Of which: Instrument type convertible into, if convertible	N/A	N/A	N/A
31	Of which: Issuer of the instrument convertible into, if convertible	N/A	N/A	N/A
32	Write-down feature	Yes	N/A	Yes

33	Of which: Trigger(s) for write-down, if write-down shall be committed	<p>(1) Upon the occurrence of an additional tier 1 capital instrument trigger event, i.e. the core tier 1 capital adequacy ratio of the Issuer having fallen to 5.125% (or below), the Issuer has the right, subject to the approval of CBIRC but without the need for the consent of the Bond holders, to write down all or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the core tier 1 capital adequacy ratio to above 5.125%.</p> <p>(2) Upon the occurrence of a tier 2 capital instrument trigger event, the Issuer has the right to write down in whole, without the need for the consent of Bond holders, the aggregate principal amount of the Bonds then issued and outstanding according to the outstanding par value. In particular, a tier 2 capital instrument trigger event shall refer to the earlier of the following events: ① CBIRC having decided that the Issuer would become non-viable without a write-off; or ② the relevant authorities having decided that the Issuer would become non-viable without a public sector injection of capital or equivalent support.</p>	<p>N/A</p> <p>Upon the occurrence of a non-viable trigger event, the Issuer has the right, without the need for the consent of the Bond holders, write down all or part of the principal amount of the Bonds after all additional tier 1 capital instruments are written down or converted into shares. Non-viable trigger event shall refer to the earlier of the following events:</p> <p>(1) CBIRC having decided that the Issuer would become non-viable without a write-off; or</p> <p>(2) the relevant authorities having decided that the Issuer would become non-viable without a public sector injection of capital or equivalent support.</p>
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34	Of which: Full or partial, if write-down shall be committed	Full/partial	N/A	Full/partial
35	Of which: Permanent or temporary, if write-down shall be committed	Permanent write-down	N/A	Permanent write-down
36	Of which: Write-up mechanism, if temporary	N/A	N/A	N/A
37	Hierarchy in liquidation (clarify instrument types with higher priorities)	<p>The claims in respect of the Bonds will be subordinated to claims of depositors, general creditors and subordinated indebtedness (including tier 2 capital bonds) that ranks senior to the Bonds, and shall rank in priority to all classes of shares held by the Issuer's shareholders; the Bond shall rank pari passu with the claims in respect of any other tier 1 capital instruments of the Issuer that rank pari passu with the Bonds.</p> <p>If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.</p>	<p>The claims in respect of ordinary shares will be subordinated to claims of depositors, general creditors, and holders of subordinated debt, tier 2 capital debts and additional tier 1 capital instruments.</p>	<p>The claims in respect of the principal and interest of the Bonds will be subordinated to claims of depositors and general creditors, and shall rank in priority to equity capital, additional tier 1 capital instruments and hybrid capital bonds. The Bonds ranks pari passu with other subordinated indebtedness issued by the Issuer that ranks pari passu with the Bonds, and shall rank pari passu with the claims in respect of any other tier 2 capital instruments that may be issued in the future and rank pari passu with the Bonds. Unless the Issuer will wind up, enter bankruptcy or liquidate, investors shall not request early repayment of the principal and interest of the Bonds by the Issuer.</p>
38	Non-eligible temporary features	No	No	No
39	Of which: Clarify such features, if yes	N/A	N/A	N/A

The following information is disclosed in accordance with the Disclosure Templates of Leverage Ratio, Appendix 3 to the Leverage Ratio Rules for Commercial Banks (Revised) of the former China Banking Regulatory Commission.

Table 1: Regulatory leverage items and their corresponding accounting items

Unit: RMB million

No.	Item	Balance
1	Total consolidated assets	1,690,558
2	Consolidated adjustments	0
3	Customer assets adjustments	0
4	Derivative adjustments	(491)
5	Securities financing transactions adjustments	242
6	Off-balance sheet items adjustments	249,913
7	Other adjustments	(4,861)
8	Balance of adjusted on- and off-balance sheet assets	1,935,361

Table 2: Leverage ratio information table

Unit: RMB million, %

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	1,677,226
2	Less: Deduction of tier 1 capital	4,861
3	Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)	1,672,365
4	Replacement cost of various derivatives (net of eligible margin)	585
5	Potential risk exposure in various derivatives	988
6	Total collateral and pledges deducted from the balance sheet	0
7	Less: Assets receivable arising from provision of eligible margin	0
8	Less: Balance of derivative assets generated from transactions with central counterparties when providing clearing services to customers	0
9	Nominal principal of sold credit derivatives	0
10	Less: Balance of deductible sold credit derivative assets	0
11	Balance of derivatives assets	1,573
12	Balance of accounting assets of securities financing transactions	11,268
13	Less: Balance of deductible securities financing transaction assets	0
14	Counterparty credit risk exposure to securities financing transactions	242
15	Balance of securities financing transaction assets arising from securities financing transaction agency services	0
16	Balance of securities financing transaction assets	11,510
17	Balance of off-balance sheet items	361,082
18	Less: Balance of off-balance sheet items reduced due to credit conversion	111,169
19	Balance of adjusted off-balance sheet items	249,913
20	Net tier 1 capital	109,361
21	Balance of adjusted on- and off-balance sheet assets	1,935,361
22	Leverage ratio	5.65%

Note: Some of the data in the above table may slightly differ from the relevant contents of the financial report and the calculation results of the formulas in the table due to rounding.

Organizational Structure Chart

As of the Reporting Date, the principal organizational and management structure of the Bank are as follows:

