



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

Stock Code: 01988



**2023**

INTERIM REPORT

# IMPORTANT NOTICE

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

This Interim Report was considered and approved on 30 August 2023 at the 39th meeting of the eighth session of the Board of Directors of the Bank. Of the 18 Directors who were entitled to attend the meeting, 6 Directors attended the meeting in person, and 12 Directors participated in the meeting by teleconference or video conference. 8 Supervisors of the Bank attended the meeting as non-voting delegates.

The interim financial reports of the Bank were not audited.

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

No interim profit will be distributed and no capital reserve will be used for capitalisation for the first half of 2023.

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

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

Material Risk Warning: the Bank has no foreseeable material risks. For potential risks, please refer to the section headed "XIII. Prospects - (II) Potential risks" under "Chapter 3 Management Discussion and Analysis" of this Report.



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## DEFINITIONS

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

Bank, Company, China Minsheng Bank, Minsheng Bank	China Minsheng Banking Corp., Ltd.
Group	the Bank and its subsidiaries
Minsheng Financial Leasing	Minsheng Financial Leasing Co., Ltd.
Minsheng Royal Fund	Minsheng Royal Fund Management Co., Ltd.
Minsheng Royal Asset Management	Minsheng Royal Asset Management Co., Ltd.
CMBC International	CMBC International Holdings Limited
CMBC Wealth Management	CMBC Wealth Management Co., Ltd.
CSRC	China Securities Regulatory Commission
former CBIRC	former China Banking and Insurance Regulatory Commission
former CBRC	former China Banking Regulatory Commission
former CIRC	former China Insurance Regulatory Commission
SSE	Shanghai Stock Exchange
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on SEHK
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Articles of Association	the Articles of Association of China Minsheng Banking Corp., Ltd.
Reporting Period	the period from 1 January 2023 to 30 June 2023

# DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

## I. Development Strategies of the Bank

### (I) Development goals

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

### (II) Strategic goals

2021-2025 is the strategic period for the Bank, which is divided into two development stages. The first stage (2021-2022) is the period to consolidate foundation, during which, the Bank has transformed the growth pattern by laying a sound foundation and consolidating the origins of businesses. The second stage (2023-2025) is the period of continuous growth, during which, the Bank will enhance its market competitiveness and achieve high-quality and sustainable development by strengthening capabilities and improving quality and effectiveness.

### (III) Strategic positionings

**A bank for non-state-owned enterprises (NSOEs).** The Bank sticks to the customer positioning and strategic choice it has followed over the years, and keeps its distinctive features unchanged. The Bank continues to leverage the advantages of market-oriented system and mechanism, wholeheartedly supports the development of the real economy, and strives to become a bank with the best services for NSOEs and build a golden brand of China Minsheng Bank in the field of financial services to micro, small and medium customers, so as to truly implement the mission of “serving the public, caring about people’s livelihood”.

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

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

## DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

### (IV) Development strategies

2023 marks the end of the first stage and the beginning of the second stage (the “period of continuous growth”) of the Bank’s Five-Year Development Plan (2021-2025). The Bank will insist on prioritising high-quality development and thoroughly implement the “12345” management and development strategies. Further focusing on customers, industries, products and resource allocation, the Bank will highlight key points, create characteristics, and build differentiated strategic competitive advantages. The Bank will also carry out in-depth development of existing businesses, seize opportunities to expand new businesses, speed up asset placement, and further improve customer services, in a bid to achieve high-quality development of the whole bank.

**“One” main target:** The Bank will stick to three strategic positionings of “a bank for NSOEs, an agile and open bank and a bank with considerate services”, and fully implement the “customer-centric” philosophy, so as to realise the main operating target of “high-quality income growth”.

**“Two” breakthroughs:** The Bank will make breakthroughs in two aspects, namely high-quality asset placement and liability quality improvement. In the process of strengthening management of customer groups and creating value for customers, the Bank will realise structure optimisation, scale expansion and revenue increase on the asset side. It will maintain coordinated development of deposits and loans, enhance support for core liabilities, optimise maturity term structure and customer structure of liabilities, and strengthen cost control.

**“Three” pillars:** The Bank will enhance scale expansion and profitability improvement of retail business, comprehensive development of corporate business, and specialised management of financial markets business, so as to facilitate income growth. Focusing on the general retail customers, wealth management customers and private banking customers, the Bank will deploy financial products and benefits system in a differentiated manner, carry out in-depth operations of scenario-based finance such as travel, e-commerce, automobile consumption, etc., strengthen the coordination with branches in terms of credit card business, and expand the scale of transaction settlement, so as to improve the operating results of retail business. The Bank will accelerate the growth of strategic clients, become the “host bank” for scenario-based small and medium enterprises (SMEs) in the ecosystems and industry chains of core enterprises and featured industrial parks, and strengthen the chain-based corporate-retail synergy and coordinated marketing, in a bid to realise integrated and comprehensive development of micro, small, medium enterprises (MSMEs), large enterprises and retail customers in corporate ecosystems. The Bank will also improve the integrated marketing model for financial institution customer group, expand interbank settlement and custody funds, and seize market opportunities to increase income from financial markets business.

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**“Four” drivers:** The Bank strives to achieve high-quality development through in-depth management of key customer groups, forward-looking arrangement of key businesses, empowerment by antecedent risk compliance, and agile innovation of digital ecosystems. The Bank will deepen the layered and classified management of customer groups, facilitate breakthroughs in six major customer groups including strategic clients, SMEs, micro and small enterprises (MSEs), institutional customers, retail customers and financial institution customers, and enhance the effectiveness of integrated and comprehensive management of MSMEs, large enterprises and retail customers. With the application of comprehensive transaction banking products and key eco-finance projects as breakthroughs, the Bank will accelerate the deployment and innovation of eight major businesses, including bonds, bills, supply chains, agency business, wealth management, consumer loans, credit card and international business. The Bank will integrate customer experience into risk compliance, stay close to the market and customers, and further integrate credit approval reform and marketing system reform, in a bid to coordinate compliance management and steady business development. In addition, the Bank will accelerate digital transformation, continuously innovate eco-bank business models around scenario-based finance, constantly enhance the quality and effectiveness of intelligent banking services around data empowerment, and promote empowerment of sci-tech data to business innovation and development.

**“Five”-in-one system:** The Bank will build a supporting and guarantee system for resource allocation, process optimisation, evaluation and incentive, coordination culture, and supervision and inspection, to ensure effective connection and coordination of various policies, and to facilitate a sound and steady start for the second stage of the Five-Year Development Plan. The Bank will adhere to the principle of “quality first, priority in efficiency, appropriate scale, and matching capital and assets”, closely link risk, capital, scale and revenue, and ensure smooth transmission among business expansion, income growth and value-added chain. Based on the problem-oriented approach and customer perspective, the Bank will establish a regular process management mechanism to conduct end-to-end inspection of key processes. Focusing on basic customer development, business structure optimisation and operation efficiency enhancement, the Bank will give full play to the guiding role of comprehensive performance evaluation. The Bank will strengthen the agile coordination mechanism of the whole bank to promote integrated business coordination, and create efficient comprehensive service model based on customer needs. The Bank will also perfect the closed-loop management mechanism for full-process strategies, and reinforce strategy execution and supervision.

## DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

### II. Core Competitiveness

**The Bank has improved efficiency by implementing strategies.** The Bank has unwaveringly practised the new development philosophy and thoroughly implemented the Five-Year Development Plan. Consistently consolidating the positioning of “a bank for NSOEs” and truly implementing the corporate mission of “serving the public, caring about people’s livelihood”, the Bank has deployed business presence in high-quality sectors of the real economy, and increased financial support for NSOEs, MSEs and retail customer group. Expediting the building of “an agile and open bank”, the Bank has comprehensively improved its digital capabilities, reshaped its value creation systems, and transformed from expanding outlets to developing scenarios, from expanding deposit and loan scales to focusing on pain points, and from relying on human wave tactics to relying on technologies, for the purpose of creating a “second growth curve”. Practising the positioning of “a bank with considerate services”, the Bank deeply understands customer needs, continuously improves business models, management processes and supporting systems and mechanisms, and constantly improves the “warmth” of customer services, so as to integrate and grow with customers and create values together.

**The Bank has forged new drivers through model transformation.** Thoroughly implementing national strategies, the Bank has enhanced its capabilities in serving the manufacturing industry and green finance, sped up its deployment in such sectors as new energy, and dedicated, refined, distinctive and innovative (DRDI) fields, vigorously developed inclusive finance, supported rural revitalisation, and strengthened services for ensuring smooth supply, services for new citizens, elderly-friendly services and others, in a bid to build new development drivers. The Bank has deepened layered and classified management of customer groups, intensified customer group development and product coordination within the Group, and improved the effectiveness of integrated and comprehensive management of MSMEs, large enterprises and retail customers by focusing on strategic clients’ ecosystems, as well as retail and wealth management ecosystems. The Bank has also enhanced the effectiveness and efficiency of risk management and control, and strengthened early-warning management and capital flow monitoring through differentiated authorisation and process optimisation, so as to continuously enhance risk management effectiveness and efficiency. In addition, the Bank has accelerated the construction of smart risk control system to improve its digitalised, online-based and smart risk management.

**The Bank has made new improvements in management efficiency.** The Bank has devoted more efforts to the coordination of various reform tasks and relevant supporting policies, in order to create the multiplier effect of bonus from reform. The Bank has reshaped end-to-end customer journeys, established a regular process management mechanism, and emphasised all-member coordination, full-journey connection and all-channel data connectivity from the starting point of business chains, so as to realise integrated development of customers, products and channels. The Bank has optimised operation and management systems and mechanisms, strengthened top-level decision-making, made consistent efforts in various supporting policies, and constantly boosted resource support for reform and transformation as well as key strategic fields and regions. The Bank has also improved coordination, launched agile organisational mechanisms, strengthened the synergy effect of supporting mechanisms of reform, and pushed forward the implementation of key projects of key businesses and key regions.



## DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

**The Bank has offered new experiences in customer services.** The Bank has strengthened the construction of the eco-bank, applied agile and open models, and built pan-life public scenarios and personalised featured scenarios to provide customers with convenient online credit products and comprehensive financial services. The Bank has deepened the construction of intelligent bank, and fully leveraged digital technologies and tools to build intelligent marketing brains, develop monitoring and early-warning systems for retail quality control and build automatic assessment systems for small business to effectively prevent financial risks. The Bank has comprehensively promoted the transformation and upgrading of business outlets, strove to build the service model of all-rounder staff, and improved remote empowerment and intelligent lobby transformation in a coordinated manner, in order to provide high-quality services in business outlets. The Bank has enhanced comprehensive service capabilities of “One Minsheng (一個民生)” strategy, continuously deepened integrated innovation of products and services, optimised key business processes, and strengthened the management of centralised operation service platforms, so as to effectively improve customer experiences.

**The Bank has created new cultures for reform and development.** The Bank has continuously boosted strategic confidence and led new development with new philosophy and new culture. Staying orientated around customer needs, taking customer experience as the priority, and being driven by customer value, the Bank has integrated the “customer-centric” philosophy into all links of its operation and management. Embracing long-termism development concept, the Bank has deeply changed the short-term performance-oriented linear incentive mechanism, continued to promote the reform of human resource and financial resource management mechanisms, and motivated employees with long-acting mechanisms. Moreover, the Bank has built a “simple, practical and efficient” corporate culture, and promoted the integration of such culture into business development and management, so as to enhance the cohesion for high-quality development.

## CHAPTER 1 BANK PROFILE

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

## CHAPTER 1 BANK PROFILE

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

## CHAPTER 1 BANK PROFILE

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

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

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

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

## CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

### I. Major Accounting Data and Financial Indicators

	January to June 2023	January to June 2022	Changes of the Reporting Period over the corresponding period of the previous year	January to June 2021
<b>Operating results (RMB million)</b>			Increase/ decrease (%)	
Operating income	69,868	72,736	-3.94	86,350
Net interest income	51,334	54,823	-6.36	65,753
Net non-interest income	18,534	17,913	3.47	20,597
Operating expenses	22,179	21,947	1.06	20,366
Impairment losses on credit	22,210	23,960	-7.30	36,543
Profit before income tax	24,747	26,519	-6.68	28,940
Net profit attributable to holders of equity shares of the Bank	23,777	24,638	-3.49	26,556
Net cash flow from operating activities	108,631	81,922	32.60	287,990
<b>Data per share (RMB)</b>				
Basic earnings per share	0.46	0.49	-6.12	0.56
Diluted earnings per share	0.46	0.49	-6.12	0.56
Net cash flow per share from operating activities	2.48	1.87	32.62	6.58
<b>Profitability indicators (%)</b>			Changes in percentage points	
Return on average assets (annualised)	0.64	0.70	-0.06	0.76
Return on weighted average equity (annualised)	7.88	8.66	-0.78	10.43
Cost-to-income ratio	30.25	28.96	1.29	22.49
Net fee and commission income to operating income ratio	15.51	13.56	1.95	14.69
Net interest spread (annualised)	1.41	1.56	-0.15	1.93
Net interest margin (annualised)	1.48	1.65	-0.17	2.02

## CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	30 June 2023	31 December 2022	Changes from the end of the previous year to the end of the Reporting Period	31 December 2021
<b>Scale indicators (RMB million)</b>			Increase/ decrease (%)	
Total assets	7,641,451	7,255,673	5.32	6,952,786
Total loans and advances to customers	4,390,942	4,141,144	6.03	4,045,692
Of which: Corporate loans and advances	2,635,979	2,399,276	9.87	2,304,361
Personal loans and advances	1,754,963	1,741,868	0.75	1,741,331
Allowance for impairment losses on loans	101,331	98,868	2.49	105,108
Total liabilities	7,014,760	6,642,859	5.60	6,366,247
Total deposits from customers	4,241,461	3,993,527	6.21	3,775,761
Of which: Corporate deposits	3,042,078	2,966,375	2.55	2,944,013
Personal deposits	1,189,544	1,020,544	16.56	825,423
Other deposits	9,839	6,608	48.90	6,325
Share capital	43,782	43,782	–	43,782
Total equity attributable to holders of equity shares of the Bank	613,419	599,928	2.25	574,280
Total equity attributable to holders of ordinary shares of the Bank	518,457	504,966	2.67	484,316
Net assets per share attributable to holders of ordinary shares of the Bank (RMB)	11.84	11.53	2.69	11.06
<b>Asset quality indicators (%)</b>			Changes in percentage points	
NPL ratio	1.57	1.68	-0.11	1.79
Allowance to NPLs	146.85	142.49	4.36	145.30
Allowance to total loans	2.31	2.39	-0.08	2.60
<b>Capital adequacy ratio indicators (RMB million)</b>			Increase/ decrease (%)	
Net capital base	741,134	725,136	2.21	733,703
Of which: Net core tier-1 capital	519,541	505,978	2.68	486,552
Net other tier-1 capital	96,054	96,021	0.03	90,527
Net tier-2 capital	125,539	123,137	1.95	156,624
Risk-weighted assets	5,838,288	5,517,289	5.82	5,379,458
			Changes in percentage points	
Core tier-1 capital adequacy ratio (%)	8.90	9.17	-0.27	9.04
Tier-1 capital adequacy ratio (%)	10.54	10.91	-0.37	10.73
Capital adequacy ratio (%)	12.69	13.14	-0.45	13.64
Total equity to total assets ratio (%)	8.20	8.45	-0.25	8.44

## CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

### Notes:

1. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.
2. Earnings per share and return on weighted average equity: calculated according to the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號 – 淨資產收益率和每股收益的計算及披露》(2010年修訂)) promulgated by the CSRC and other regulations. The effect of the distribution of dividends for preference shares and perpetual bond interest was taken into account in calculating the above indicators.
3. Cost-to-income ratio = (operating expenses and other operating expenses – tax and surcharges)/operating income.
4. Net interest spread = average return ratio on interest-earning assets – average cost ratio of interest-bearing liabilities.
5. Net interest margin = net interest income/average balance of interest-earning assets.
6. Total loans and advances to customers, total deposits from customers and the compositions of which did not include accrued interests.
7. Allowance for impairment losses on loans includes allowance for impairment losses on loans measured at amortised cost, and allowance for impairment losses on loans at fair value through other comprehensive income.
8. Other deposits include issuing certificates of deposit, outward remittance and remittance payables.
9. NPL ratio = total NPLs/total loans and advances to customers.
10. Allowance to NPLs and allowance to total loans were calculated according to the Notice on Adjusting the Regulatory Requirements on Allowance for Impairment Losses on Loans of Commercial Banks (Yin Jian Fa [2018] No.7) (《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發〔2018〕7號)). As at the end of the Reporting Period, the regulatory standards for allowance to NPLs and allowance to total loans applicable to the Group and the Bank were 130% and 1.8%, respectively. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

## CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

### II. Supplementary Accounting Data and Financial Indicators

Important indicators (%)	Benchmark	30 June 2023	31 December 2022	31 December 2021
Liquidity ratio (RMB and foreign currencies)	≥25	47.22	51.30	47.06
Liquidity ratio (RMB)	≥25	42.88	46.83	43.65
Liquidity ratio (Foreign currency)	≥25	153.99	145.10	100.94
Liquidity coverage ratio	≥100	131.84	134.89	133.42
Net stable funding ratio	≥100	103.22	104.55	104.11
Leverage ratio	≥4 before 2023; ≥4.125 starting from 2023	7.29	7.46	7.60
Percentage of loans to the single largest loan customer	≤10	2.12	2.17	1.57
Percentage of loans to the top ten loan customers	≤50	10.23	11.17	9.76

*Notes:*

1. The above data were calculated based on the relevant regulations of China's banking regulatory authorities.
2. Percentage of loans to the single largest loan customer = total loans to the single largest loan customer/net capital base.
3. Percentage of loans to the top ten loan customers = total loans to the top ten loan customers/net capital base.

Migration ratio of loans (%)	30 June 2023	31 December 2022	31 December 2021
Pass	1.66	2.22	2.36
Special-mentioned	31.44	34.46	36.44
Substandard	85.31	65.39	68.41
Doubtful	72.69	52.14	50.00

*Note:* The migration ratio of loans was calculated based on the Notice of the China Banking and Insurance Regulatory Commission on Revising the Definition and Calculation Formula for the Basic Indicators of Off-Site Supervision in the Banking Industry (Yin Bao Jian Fa [2022] No.2) 《中國銀保監會關於修訂銀行業非現場監管基礎指標定義及計算公式的通知》(銀保監發〔2022〕2號)). Data of the previous periods were adjusted synchronously.



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### I. Overview of Operations

2023 marks the first year of fully implementing the spirit of the 20th National Congress of the CPC, as well as the end of the first stage (“the period of foundation consolidation”) and the beginning of the second stage (“the period of continuous growth”) of the Group’s Five-Year Development Plan. During the Reporting Period, the Group insisted on prioritising high-quality development and conscientiously pursued the main operating target of “grasping opportunities, promoting development, preventing risks and increasing revenues”. It seized business opportunities, optimised the asset-liability structure, consolidated the layered management of customer groups, and created distinctive advantages. In addition, it comprehensively and accurately implemented the new development philosophy, maintained strategic focus, and accelerated the transformation of various reform achievements into business performance, so as to provide internal impetus for seeking progress while maintaining stable operations.

**The scale of assets and liabilities expanded steadily, and the business of key fields witnessed relatively rapid growth.** During the Reporting Period, the Group proactively integrated itself into national development strategies, resolutely promoted the reform and transformation, strengthened the coordinated management of assets and liabilities, and deepened the adjustment of asset-liability structure. On the asset side, the Group intensified and accelerated credit placement to fully support the real economy. As at the end of the Reporting Period, total assets of the Group amounted to RMB7,641,451 million, representing an increase of RMB385,778 million, or 5.32%, as compared with the end of the previous year. Of which, total loans and advances to customers amounted to RMB4,390,942 million, representing an increase of RMB249,798 million, or 6.03%, as compared with the end of the previous year, and an increase of RMB89,954 million as compared with the corresponding period of the previous year. Total loans and advances to customers accounted for 57.46% of total assets, representing an increase of 0.39 percentage points as compared with the end of the previous year. The loans to key fields and key areas maintained relatively rapid growth. The growth rates of key loans such as loans to the manufacturing industry, inclusive small business loans and green credit of the Bank were all higher than the average growth rate of all loans. The loans to key areas accounted for 62.02%, representing an increase of 1.76 percentage points as compared with the end of the previous year. On the liability side, the Group strengthened the management of core liabilities, and optimised liability development mechanisms. As at the end of the Reporting Period, total liabilities of the Group amounted to RMB7,014,760 million, representing an increase of RMB371,901 million, or 5.60%, as compared with the end of the previous year. Of which, total deposits from customers reached RMB4,241,461 million, representing an increase of RMB247,934 million, or 6.21%, as compared with the end of the previous year, and accounted for 60.46% of total liabilities, representing an increase of 0.34 percentage points as compared with the end of the previous year. Personal deposits accounted for 28.05% of total deposits from customers, representing an increase of 2.50 percentage points as compared with the end of the previous year.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The internal risk control and management was constantly reinforced, and the asset quality tended to get better in stability.** During the Reporting Period, the Group further promoted the establishment of the internal risk control system, consolidated the three lines of defense for risk management, optimised and improved the digital and smart level of risk management, and continuously enhanced the comprehensive risk management capability, in a bid to promote the high-quality operation and development of the Group. As at the end of the Reporting Period, total NPLs and the NPL ratio of the Group continued to decrease as compared with the end of the previous year, and decreased for three consecutive quarters. The allowance to NPLs was improved and the asset quality tended to get better in stability. As at the end of the Reporting Period, total NPLs of the Group amounted to RMB69,003 million, representing a decrease of RMB384 million as compared with the end of the previous year. The NPL ratio was 1.57%, representing a decrease of 0.11 percentage points as compared with the end of the previous year. The allowance to NPLs was 146.85%, representing an increase of 4.36 percentage points as compared with the end of the previous year. The allowance to total loans was 2.31%, representing a decrease of 0.08 percentage points as compared with the end of the previous year.

**The operating income decreased as compared with the corresponding period of the previous year, and the basic intermediate business income had higher contribution.** During the Reporting Period, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB23,777 million, representing a decrease of RMB861 million, or 3.49%, as compared with the corresponding period of the previous year. The Group recorded an operating income of RMB69,868 million, representing a decrease of RMB2,868 million, or 3.94%, as compared with the corresponding period of the previous year. Of which, the net non-interest income increased as compared with the corresponding period of the previous year. The fee and commission income of the Group amounted to RMB13,441 million, representing an increase of RMB1,188 million as compared with the corresponding period of the previous year.

### II. Conditions of the Industry

In the first half of 2023, China's economy continued to recover and rebound as a whole and advance with high-quality development, but it still faced multiple challenges both internally and externally. From the international perspective, the external environment became more complicated and severe – the international economy, trade and investment slowed down, inflation remained elevated, the effect of tightening policies by the central banks of developed countries continued to emerge, and the volatility in the international financial markets intensified. From the domestic perspective, the economic recovery showed a trend of wave-style development and moved forward through twists and turns, with insufficient domestic demands, difficulties in the operation of some enterprises, and more hidden risks in key areas. However, China's economy contains huge resilience and potential for development, and the fundamentals of long-term improvement have not changed.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Facing multiple internal and external difficulties and challenges, macro-economic policies remained steady and pursued progress in stability to promote overall improvement in economic operation. Proactive fiscal policies were implemented to ensure people's livelihoods and stabilise the economy, and measures regarding taxes and fees were improved to continue to reduce the burden on enterprises. Fiscal expenditure maintained sufficient to increase support for the areas such as basic people's livelihoods and sci-tech research. Prudent monetary policies were implemented in a targeted and effective manner to strengthen counter-cyclical adjustments, and a wide range of measures, including lowering reserve ratio and interest rate, and open market operations, were utilised to stabilise currency, expand credit and boost confidence. The principle of "focusing on key areas, maintaining at a reasonable and appropriate level and rational redirecting" was followed to better leverage the role of structural monetary policy tools in offering precise and targeted treatment and providing guidance. The mechanism for the formation and transmission of market-oriented interest rates was improved to promote the reduction of costs of corporate financing and household credit while keeping them stable. The regulatory reform was pushed forward in an orderly manner, and the National Administration of Financial Regulation (NAFR) was established, marking that the new pattern of "People's Bank of China + NAFR + China Securities Regulatory Commission" has been formed in China's financial supervision system. The new pattern will comprehensively strengthen institutional supervision, behavioural supervision, functional supervision, penetrative supervision and continuous supervision, fully fulfil three major tasks of serving the real economy, managing and controlling financial risks and deepening financial reform, vigorously facilitate the coordination of central and local supervision, and firmly safeguard the bottom line against systemic financial risks.

During the Reporting Period, the banking industry closely followed the policies of the Party and the State, prioritised credit allocation, strongly supported the real economy, and realised multiple targets of "stabilising total amount, adjusting structure, reducing cost and preventing risks". The scale of asset and credit of the banking industry maintained steady growth. In the first half of 2023, RMB loans increased by RMB15.73 trillion, representing an increase of RMB2.02 trillion as compared with the corresponding period of the previous year. As at the end of June, the balance of RMB loans increased by 11.3% as compared with the corresponding period of the previous year. The credit structure was continuously optimised to effectively support the expansion of domestic demand and improve the consumption environment. The support for the key areas and weak links of the national economy, such as inclusive finance, green development, sci-tech innovation and infrastructure, was further enhanced, and comprehensive measures were adopted to support coordinated regional development. Great efforts were made to stabilise the real estate market and accelerate the transformation of the real estate industry model. Interest rates of various new loans continued to fall, thus helping stimulate the vitality of micro entities. The liability cost management and control were further strengthened and the pricing of interest rates of deposits was optimised, so as to promote the stable decrease of liability costs and cope with the pressure of narrowing net interest margin. The asset quality management and control were continuously reinforced, and close attention was paid to the credit risks in such areas as real estate and urban investment. Greater efforts were devoted to dispose non-performing assets, and maintain overall stability of asset quality of the banking industry. The replenishment of capital was intensified to strengthen the capability to serve entities and withstand risks. Moreover, the banking industry continuously improved the infrastructure for digital transformation, accelerated innovation of products and services, deepened the empowerment of fintech, and constantly improved the quality and efficiency of financial services.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

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

During the Reporting Period, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB23,777 million, representing a decrease of RMB861 million, or 3.49%, as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2023	January to June 2022	Change (%)
Operating income	69,868	72,736	-3.94
Of which: Net interest income	51,334	54,823	-6.36
Net non-interest income	18,534	17,913	3.47
Operating expenses	22,179	21,947	1.06
Impairment losses on credit	22,210	23,960	-7.30
Impairment losses on other assets	732	310	136.13
Profit before income tax	24,747	26,519	-6.68
Less: Income tax expenses	775	1,635	-52.60
Net profit	23,972	24,884	-3.67
Of which: Net profit attributable to holders of equity shares of the Bank	23,777	24,638	-3.49
Profit or loss attributable to non-controlling interests	195	246	-20.73

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Operating income

During the Reporting Period, operating income of the Group amounted to RMB69,868 million, representing a decrease of RMB2,868 million, or 3.94%, as compared with the corresponding period of the previous year.

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

Item (RMB million)	January to June 2023		January to June 2022		Change (%)
	Amount	% of total	Amount	% of total	
Net interest income	51,334	73.47	54,823	75.37	-6.36
Interest income	133,080	190.47	131,728	181.10	1.03
Of which: Interest income from loans and advances to customers	92,399	132.25	94,021	129.26	-1.73
Interest income from financial investments	29,791	42.64	27,844	38.28	6.99
Interest income from placements with banks and other financial institutions	3,717	5.32	2,810	3.86	32.28
Interest income from long-term receivables	3,301	4.72	3,403	4.68	-3.00
Interest income from balances with central bank	2,422	3.47	2,386	3.28	1.51
Interest income from financial assets held under resale agreements	831	1.19	989	1.36	-15.98
Interest income from balances with banks and other financial institutions	619	0.88	275	0.38	125.09
Interest expenses	-81,746	-117.00	-76,905	-105.73	6.29
Net non-interest income	18,534	26.53	17,913	24.63	3.47
Net fee and commission income	10,836	15.51	9,865	13.56	9.84
Other net non-interest income	7,698	11.02	8,048	11.07	-4.35
Total	69,868	100.00	72,736	100.00	-3.94

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (III) Net interest income and net interest margin

During the Reporting Period, the net interest income of the Group amounted to RMB51,334 million, representing a decrease of RMB3,489 million, or 6.36%, as compared with the corresponding period of the previous year. The net interest margin of the Group was 1.48%.

Item (RMB million)	January to June 2023			January to June 2022		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
<b>Interest-earning assets</b>						
Total loans and advances to customers	4,229,271	92,399	4.41	4,108,161	94,021	4.62
Of which: Corporate loans and advances	2,493,913	48,689	3.94	2,376,432	46,840	3.97
Personal loans and advances	1,735,358	43,710	5.08	1,731,729	47,181	5.49
Financial investments	1,907,269	29,791	3.15	1,747,928	27,844	3.21
Balances with central bank	324,969	2,422	1.50	327,979	2,386	1.47
Placements with banks and other financial institutions	248,378	3,717	3.02	199,485	2,810	2.84
Long-term receivables	112,922	3,301	5.89	118,804	3,403	5.78
Financial assets held under resale agreements	83,699	831	2.00	107,243	989	1.86
Balances with banks and other financial institutions	69,499	619	1.80	70,556	275	0.79
<b>Total</b>	<b>6,976,007</b>	<b>133,080</b>	<b>3.85</b>	<b>6,680,156</b>	<b>131,728</b>	<b>3.98</b>

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Item (RMB million)	January to June 2023			January to June 2022		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	4,174,426	48,146	2.33	3,933,146	44,247	2.27
Of which: Corporate deposits	3,067,652	35,732	2.35	3,057,336	34,079	2.25
Demand	1,077,897	7,368	1.38	1,151,463	7,550	1.32
Time	1,989,755	28,364	2.87	1,905,873	26,529	2.81
Personal deposits	1,106,774	12,414	2.26	875,810	10,168	2.34
Demand	293,975	409	0.28	249,265	443	0.36
Time	812,799	12,005	2.98	626,545	9,725	3.13
Balances from banks and other financial institutions	1,469,862	17,363	2.38	1,280,337	15,626	2.46
Debt securities issued	610,837	8,350	2.76	694,100	10,202	2.96
Borrowings from central bank and other financial institutions and others	276,858	4,576	3.33	382,975	5,999	3.16
Financial assets sold under repurchase agreements	119,735	1,379	2.32	59,526	532	1.80
Placements from banks and other financial institutions	110,018	1,932	3.54	65,557	299	0.92
<b>Total</b>	<b>6,761,736</b>	<b>81,746</b>	<b>2.44</b>	<b>6,415,641</b>	<b>76,905</b>	<b>2.42</b>
Net interest income		51,334			54,823	
Net interest spread			1.41			1.56
Net interest margin			1.48			1.65

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

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

Item (RMB million)	Changes in scale from the corresponding period of the previous year to January to June 2023	Changes in interest rate from the corresponding period of the previous year to January to June 2023	Net increase/ decrease
<b>Changes in interest income:</b>			
Total loans and advances to customers	2,772	-4,394	-1,622
Financial investments	2,538	-591	1,947
Balances with central bank	-22	58	36
Placements with banks and other financial institutions	689	218	907
Long-term receivables	-168	66	-102
Financial assets held under resale agreements	-217	59	-158
Balances with banks and other financial institutions	-4	348	344
Subtotal	5,588	-4,236	1,352
<b>Changes in interest expenses:</b>			
Deposits from customers	2,714	1,185	3,899
Balances from banks and other financial institutions	2,313	-576	1,737
Debt securities issued	-1,224	-628	-1,852
Borrowings from central bank and other financial institutions and others	-1,662	239	-1,423
Financial assets sold under repurchase agreements	538	309	847
Placements from banks and other financial institutions	203	1,430	1,633
Subtotal	2,882	1,959	4,841
<b>Changes in net interest income</b>	<b>2,706</b>	<b>-6,195</b>	<b>-3,489</b>

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



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Interest income

During the Reporting Period, the interest income of the Group amounted to RMB133,080 million, representing an increase of RMB1,352 million, or 1.03%, as compared with the corresponding period of the previous year.

#### (1) Interest income from loans and advances to customers

During the Reporting Period, the interest income from loans and advances to customers of the Group amounted to RMB92,399 million, representing a decrease of RMB1,622 million, or 1.73%, as compared with the corresponding period of the previous year, mainly due to that the average return ratio of loans and advances to customers decreased by 21BP as compared with the corresponding period of the previous year, which led to a decrease of RMB4,394 million in interest income as compared with the corresponding period of the previous year.

#### (2) Interest income from financial investments

During the Reporting Period, the interest income from financial investments of the Group amounted to RMB29,791 million, representing an increase of RMB1,947 million, or 6.99%, as compared with the corresponding period of the previous year, mainly due to that the increase in the daily average scale of financial investments led to an increase of RMB2,538 million in interest income as compared with the corresponding period of the previous year.

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

During the Reporting Period, the interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB5,167 million, representing an increase of RMB1,093 million, or 26.83%, as compared with the corresponding period of the previous year, mainly due to the increase in the interest income from balances and placements with banks and other financial institutions.

#### (4) Interest income from long-term receivables

During the Reporting Period, the interest income from long-term receivables of the Group amounted to RMB3,301 million, representing a decrease of RMB102 million, or 3.00%, as compared with the corresponding period of the previous year.

#### (5) Interest income from balances with central bank

During the Reporting Period, the interest income from balances with central bank of the Group amounted to RMB2,422 million, representing an increase of RMB36 million, or 1.51%, as compared with the corresponding period of the previous year.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Interest expenses

During the Reporting Period, the interest expenses of the Group amounted to RMB81,746 million, representing an increase of RMB4,841 million, or 6.29%, as compared with the corresponding period of the previous year.

#### (1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses on deposits from customers of the Group amounted to RMB48,146 million, representing an increase of RMB3,899 million, or 8.81%, as compared with the corresponding period of the previous year, mainly due to the combined impact of increases in deposit scale and cost ratio.

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

During the Reporting Period, interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB20,674 million, representing an increase of RMB4,217 million, or 25.62%, as compared with the corresponding period of the previous year. Of which, the deposits and placements from banks and other financial institutions increased by RMB1,737 million and RMB1,633 million, respectively.

#### (3) Interest expenses on debt securities issued

During the Reporting Period, the interest expenses on debt securities issued of the Group amounted to RMB8,350 million, representing a decrease of RMB1,852 million, or 18.15%, as compared with the corresponding period of the previous year, mainly due to the combined impact of decreases in the daily average scale and the cost ratio of debt securities issued.

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

During the Reporting Period, the interest expenses on borrowings from the central bank and other financial institutions and other interest expenses of the Group amounted to RMB4,576 million, representing a decrease of RMB1,423 million, or 23.72%, as compared with the corresponding period of the previous year, mainly due to the decrease in the daily average scale of borrowings from central bank and other financial institutions, which led to a decrease of RMB1,662 million in the interest expenses.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB18,534 million, representing an increase of RMB621 million, or 3.47%, as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2023	January to June 2022	Change (%)
Net fee and commission income	10,836	9,865	9.84
Other net non-interest income	7,698	8,048	-4.35
Total	18,534	17,913	3.47

#### 1. Net fee and commission income

During the Reporting Period, the net fee and commission income of the Group was RMB10,836 million, representing an increase of RMB971 million, or 9.84%, as compared with the corresponding period of the previous year. Of which, the fee and commission income from agency, trust and other fiduciary services increased by RMB1,317 million, mainly due to the increase in the fee and commission income from agency services such as insurance agency.

Item (RMB million)	January to June 2023	January to June 2022	Change (%)
Fee and commission income	13,441	12,253	9.70
Of which: Bank card services	5,276	5,444	-3.09
Agency services	4,008	2,297	74.49
Trust and other fiduciary services	2,331	2,725	-14.46
Settlement services	1,096	810	35.31
Credit commitments	556	691	-19.54
Others	174	286	-39.16
Fee and commission expense	2,605	2,388	9.09
Net fee and commission income	10,836	9,865	9.84

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Other net non-interest income

During the Reporting Period, the Group realised other net non-interest income of RMB7,698 million, representing a decrease of RMB350 million, or 4.35%, as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2023	January to June 2022	Change (%)
Net trading gain	2,848	3,814	-25.33
Net gain from financial investments	3,609	3,011	19.86
Other operating income	1,241	1,223	1.47
Total	7,698	8,048	-4.35

### (V) Operating expenses

During the Reporting Period, the operating expenses of the Group amounted to RMB22,179 million, representing an increase of RMB232 million, or 1.06%, as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2023	January to June 2022	Change (%)
Staff costs (including Directors' emoluments)	13,100	12,837	2.05
Depreciation and amortisation	3,118	2,865	8.83
Tax and surcharges	1,043	883	18.12
Short-term lease expenses, low-value lease expenses and property management expenses	459	414	10.87
Business expenses/office expenses and others	4,459	4,948	-9.88
Total	22,179	21,947	1.06

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (VI) Impairment losses on credit

During the Reporting Period, the impairment losses on credit of the Group amounted to RMB22,210 million, representing a decrease of RMB1,750 million, or 7.30%, as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2023	January to June 2022	Change (%)
Loans and advances to customers	19,435	21,475	-9.50
Financial assets measured at amortised cost	1,908	997	91.37
Long-term receivables	529	1,015	-47.88
Financial assets at fair value through other comprehensive income	397	362	9.67
Others	-59	111	Negative for the period
Total	22,210	23,960	-7.30

### (VII) Income tax expenses

During the Reporting Period, the income tax expenses of the Group amounted to RMB775 million, representing a decrease of RMB860 million, or 52.60%, as compared with the corresponding period of the previous year, mainly due to the decrease in profit before income tax and the increase in income exempt from enterprise income tax.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### IV. Analysis of Major Items of Statement of Financial Position

#### (I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB7,641,451 million, representing an increase of RMB385,778 million, or 5.32%, as compared with the end of the previous year.

Item (RMB million)	30 June 2023		31 December 2022	
	Amount	% of total	Amount	% of total
Total loans and advances to customers	4,390,942	57.46	4,141,144	57.07
Add: Accrued interests on loans	31,601	0.41	29,477	0.41
Less: Allowance for impairment losses on loans at amortised cost	100,276	1.31	97,639	1.35
Net loans and advances to customers	4,322,267	56.56	4,072,982	56.13
Net financial investments	2,292,508	30.00	2,225,870	30.68
Cash and balances with central bank	354,899	4.64	338,552	4.67
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	313,181	4.10	274,149	3.78
Long-term receivables	115,628	1.51	111,456	1.54
Property and equipment	60,204	0.79	58,896	0.81
Others	182,764	2.40	173,768	2.39
Total	7,641,451	100.00	7,255,673	100.00

#### 1. Loans and advances to customers

As at the end of the Reporting Period, total loans and advances to customers of the Group amounted to RMB4,390,942 million, representing an increase of RMB249,798 million, or 6.03%, as compared with the end of the previous year. Total loans and advances to customers accounted for 57.46% of total assets, representing an increase of 0.39 percentage points as compared with the end of the previous year.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Financial investments

As at the end of the Reporting Period, total financial investments of the Group amounted to RMB2,280,152 million, representing an increase of RMB65,960 million, or 2.98%, as compared with the end of the previous year, and accounted for 29.84% of total assets, representing a decrease of 0.68 percentage points as compared with the end of the previous year.

Item (RMB million)	30 June 2023		31 December 2022	
	Amount	% of total	Amount	% of total
Financial assets measured at amortised cost	<b>1,488,337</b>	<b>65.27</b>	1,357,029	61.29
Of which: Bonds	<b>1,434,402</b>	<b>62.91</b>	1,293,134	58.40
Trust and asset management plans	<b>40,406</b>	<b>1.77</b>	49,789	2.25
Other investments	<b>13,529</b>	<b>0.59</b>	14,106	0.64
Financial assets at fair value through profit and loss	<b>386,582</b>	<b>16.96</b>	389,070	17.57
Of which: Bonds	<b>147,044</b>	<b>6.45</b>	112,641	5.09
Trust and asset management plans	<b>16,183</b>	<b>0.71</b>	14,185	0.64
Investment funds	<b>202,187</b>	<b>8.87</b>	235,452	10.63
Equity instruments	<b>19,988</b>	<b>0.88</b>	21,427	0.97
Other investments	<b>1,180</b>	<b>0.05</b>	5,365	0.24
Financial assets at fair value through other comprehensive income	<b>405,233</b>	<b>17.77</b>	468,093	21.14
Of which: Bonds	<b>395,401</b>	<b>17.34</b>	457,501	20.66
Equity instruments	<b>9,832</b>	<b>0.43</b>	10,592	0.48
<b>Total</b>	<b>2,280,152</b>	<b>100.00</b>	2,214,192	100.00

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

Item (RMB million)	30 June 2023		31 December 2022	
	Amount	% of total	Amount	% of total
Government	<b>1,190,889</b>	<b>60.24</b>	1,131,818	60.74
Policy banks	<b>127,706</b>	<b>6.46</b>	106,132	5.70
Banks and non-banking financial institutions	<b>239,564</b>	<b>12.12</b>	219,898	11.80
Corporates	<b>418,688</b>	<b>21.18</b>	405,428	21.76
<b>Total</b>	<b>1,976,847</b>	<b>100.00</b>	1,863,276	100.00

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

Item (RMB million)	Par value	Coupon rate (%)	Maturity	Allowance for impairment losses
2021 financial bonds	6,280	3.03	10 November 2024	0.29
2021 financial bonds	6,250	3.00	17 June 2024	0.82
2020 financial bonds	6,060	3.34	14 July 2025	0.78
2021 financial bonds	5,990	2.73	11 November 2024	0.81
2021 financial bonds	5,980	2.88	28 July 2024	0.28
2021 financial bonds	5,890	3.30	3 March 2026	0.80
2020 financial bonds	5,580	3.23	10 January 2025	0.76
2021 financial bonds	5,490	2.83	10 September 2026	0.74
2022 financial bonds	4,000	2.77	24 October 2032	0.53
2021 financial bonds	3,920	2.70	30 May 2026	3.59
Total	55,440			9.40

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

As at the end of the Reporting Period, the balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB313,181 million, representing an increase of RMB39,032 million, or 14.24%, as compared with the end of the previous year, and accounted for 4.10% of total assets, representing an increase of 0.32 percentage points as compared with the end of the previous year.

### 4. Derivative financial instruments

Item (RMB million)	30 June 2023			31 December 2022		
	Nominal amount	Fair value		Nominal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives	2,344,909	36,547	34,961	2,311,820	29,129	26,883
Interest rate derivatives	1,653,120	2,740	782	1,428,101	2,889	589
Precious metal derivatives	71,342	1,333	6,097	70,434	1,836	5,186
Others	1,013	15	4	1,456	24	17
Total		40,635	41,844		33,878	32,675



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB7,014,760 million, representing an increase of RMB371,901 million, or 5.60%, as compared with the end of the previous year.

Item (RMB million)	30 June 2023		31 December 2022	
	Amount	% of total	Amount	% of total
Deposits from customers	4,300,243	61.30	4,051,592	60.99
Of which: Total deposits from customers (excluding accrued interest)	4,241,461	60.46	3,993,527	60.12
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,664,355	23.73	1,583,181	23.83
Debt securities issued	628,199	8.96	648,107	9.76
Borrowings from central bank and other financial institutions	289,719	4.13	250,030	3.76
Others	132,244	1.88	109,949	1.66
<b>Total</b>	<b>7,014,760</b>	<b>100.00</b>	<b>6,642,859</b>	<b>100.00</b>

#### 1. Deposits from customers

As at the end of the Reporting Period, total deposits from customers of the Group amounted to RMB4,241,461 million, representing an increase of RMB247,934 million, or 6.21%, as compared with the end of the previous year. In respect of customer structure, the proportions of corporate deposits and personal deposits in total deposits were 71.72% and 28.05%, respectively. In respect of maturity structure, the proportions of demand deposits and time deposits in total deposits were 33.34% and 66.43%, respectively.

Item (RMB million)	30 June 2023		31 December 2022	
	Amount	% of total	Amount	% of total
Corporate deposits	3,042,078	71.72	2,966,375	74.28
Of which: Demand deposits	1,091,365	25.73	1,014,133	25.39
Time deposits	1,950,713	45.99	1,952,242	48.89
Personal deposits	1,189,544	28.05	1,020,544	25.55
Of which: Demand deposits	322,802	7.61	289,671	7.25
Time deposits	866,742	20.44	730,873	18.30
Certificates of deposit	8,366	0.20	4,159	0.10
Outward remittance and remittance payables	1,473	0.03	2,449	0.07
<b>Total</b>	<b>4,241,461</b>	<b>100.00</b>	<b>3,993,527</b>	<b>100.00</b>

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

As at the end of the Reporting Period, the deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,664,355 million, representing an increase of RMB81,174 million, or 5.13%, as compared with the end of the previous year.

### 3. Debt securities issued

As at the end of the Reporting Period, debt securities issued by the Group amounted to RMB628,199 million, representing a decrease of RMB19,908 million, or 3.07%, as compared with the end of the previous year.

### (III) Analysis of liability quality

The Bank constantly enhanced its liability quality management, formulated the Administrative Measures on Liability Quality of China Minsheng Bank 《中國民生銀行負債質量管理辦法》, established a liability quality management system in line with the scale and complexity of its liabilities, and clarified responsibilities of the Board, the Senior Management, relevant functional departments and institutions for liability quality management. The Board and the Senior Management of the Bank implemented effective management of and monitoring on liability quality, the Board undertook the ultimate responsibility for liability quality management, and the Senior Management took on specific management duties for liability quality.

During the Reporting Period, the Bank continued to strengthen liability quality management based on internal and external environment as well as factors such as operation strategy, risk preference and overall business characteristics. Firstly, the Bank constantly reinforced the cultivation of basic customers, enhanced product and service capabilities, consolidated the foundation for deposit growth, raised funds through multiple channels, and increased stable sources of liabilities. Secondly, the Bank continuously optimised the liability structure, proactively explored low-cost liabilities, improved internal and external pricing mechanisms, and promoted the coordinated development of scale and price of liability business. Thirdly, the Bank continuously monitored the liability quality, coordinated and dynamically managed the total amount, structure and pricing strategy of liability business, and promoted the high-quality development of liability business.

During the Reporting Period, the Group maintained sound liability quality, and the liability quality management indicators remained within a reasonable range. Of which, the regulatory indicators consistently conformed to the regulatory requirements. As at the end of the Reporting Period, the net stable funding ratio of the Group was 103.22%, and the liquidity coverage ratio was 131.84%. During the Reporting Period, the cost ratio of interest-bearing liabilities of the Group was 2.44%, representing an increase of 2BP as compared with the corresponding period of the previous year.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB626,691 million, representing an increase of RMB13,877 million, or 2.26%, as compared with the end of the previous year. Of which, total equity attributable to holders of equity shares of the Bank amounted to RMB613,419 million, representing an increase of RMB13,491 million, or 2.25%, as compared with the end of the previous year.

Item (RMB million)	30 June 2023	31 December 2022	Change (%)
Share capital	43,782	43,782	–
Other equity instruments	94,962	94,962	–
Of which: Preference shares	19,975	19,975	–
Perpetual bonds	74,987	74,987	–
Reserves	206,051	203,307	1.35
Of which: Capital reserve	58,149	58,149	–
Surplus reserve	55,276	55,276	–
General reserve	90,673	90,494	0.20
Other reserves	1,953	-612	Negative for the previous period
Retained earnings	268,624	257,877	4.17
Total equity attributable to holders of equity shares of the Bank	613,419	599,928	2.25
Non-controlling interests	13,272	12,886	3.00
Total	626,691	612,814	2.26

### (V) Off-balance sheet items

Item (RMB million)	30 June 2023	31 December 2022	Change (%)
Unused credit card commitments	505,057	489,137	3.25
Bank acceptances	480,436	495,920	-3.12
Guarantees	124,434	134,395	-7.41
Letters of credit	96,214	82,175	17.08
Irrevocable credit commitments	43,448	62,261	-30.22
Capital commitments	14,757	25,339	-41.76

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### V. Qualitative Analysis of Loans

#### (I) Loan distribution by five-category classification

As at the end of the Reporting Period, total NPLs of the Group amounted to RMB69,003 million, representing a decrease of RMB384 million as compared with the end of the previous year. The NPL ratio was 1.57%, representing a decrease of 0.11 percentage points as compared with the end of the previous year. Total special-mentioned loans amounted to RMB117,495 million, representing a decrease of RMB2,225 million as compared with the end of the previous year. The proportion of special-mentioned loans was 2.68%, representing a decrease of 0.21 percentage points as compared with the end of the previous year.

Item (RMB million)	30 June 2023		31 December 2022		
	Amount	% of total	Amount	% of total	Change (%)
<b>Performing loans</b>	<b>4,321,939</b>	<b>98.43</b>	4,071,757	98.32	6.14
Of which: Pass	<b>4,204,444</b>	<b>95.75</b>	3,952,037	95.43	6.39
Special-mentioned	<b>117,495</b>	<b>2.68</b>	119,720	2.89	-1.86
<b>NPLs</b>	<b>69,003</b>	<b>1.57</b>	69,387	1.68	-0.55
Of which: Substandard	<b>26,519</b>	<b>0.60</b>	27,729	0.67	-4.36
Doubtful	<b>23,464</b>	<b>0.54</b>	23,107	0.56	1.54
Loss	<b>19,020</b>	<b>0.43</b>	18,551	0.45	2.53
<b>Total</b>	<b>4,390,942</b>	<b>100.00</b>	4,141,144	100.00	6.03

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Loan distribution by product types

As at the end of the Reporting Period, total corporate loans (including discounted bills) of the Group amounted to RMB2,635,979 million, representing an increase of RMB236,703 million as compared with the end of the previous year, accounting for 60.03% of total loans, representing an increase of 2.09 percentage points as compared with the end of the previous year. Total personal loans amounted to RMB1,754,963 million, representing an increase of RMB13,095 million as compared with the end of the previous year, accounting for 39.97% of total loans, representing a decrease of 2.09 percentage points as compared with the end of the previous year.

As at the end of the Reporting Period, total corporate NPLs (including discounted bills) of the Group amounted to RMB44,206 million, representing an increase of RMB930 million as compared with the end of the previous year, and the NPL ratio was 1.68%, representing a decrease of 0.12 percentage points as compared with the end of the previous year. Total personal NPLs amounted to RMB24,797 million, representing a decrease of RMB1,314 million as compared with the end of the previous year, and the NPL ratio was 1.41%, representing a decrease of 0.09 percentage points as compared with the end of the previous year.

Item (RMB million)	30 June 2023				31 December 2022			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
<b>Corporate loans and advances</b>	<b>2,635,979</b>	<b>60.03</b>	<b>44,206</b>	<b>1.68</b>	2,399,276	57.94	43,276	1.80
Of which: Discounted bills	286,627	6.53	597	0.21	246,058	5.94	637	0.26
<b>Personal loans and advances</b>	<b>1,754,963</b>	<b>39.97</b>	<b>24,797</b>	<b>1.41</b>	1,741,868	42.06	26,111	1.50
Of which: Loans to MSEs	658,984	15.01	7,679	1.17	621,598	15.01	9,986	1.61
Residential mortgage	560,622	12.77	3,201	0.57	573,274	13.84	2,876	0.50
Credit card overdrafts	453,285	10.32	13,135	2.90	462,788	11.18	12,346	2.67
Others <sup>(Note)</sup>	82,072	1.87	782	0.95	84,208	2.03	903	1.07
<b>Total</b>	<b>4,390,942</b>	<b>100.00</b>	<b>69,003</b>	<b>1.57</b>	4,141,144	100.00	69,387	1.68

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

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (III) Loan distribution by industries

The Group adhered to high-quality development, and actively implemented the guiding opinions of the State on adjusting credit structure. Continuously focusing on the new development pattern of “industrial upgrading, economic development and transition to new from old economic engines”, the Bank increased supports for the real economy with further stronger policy support for the key sectors such as the manufacturing industry, green and low-carbon development, inclusive finance, rural revitalisation, major infrastructure and supply chain finance. It laid emphasis on the strategic emerging manufacturing industry and the transformation and upgrading of traditional manufacturing industry, and facilitated the leapfrog development of green finance. The Group adjusted and optimised real estate policies in due time, fully implemented the regulatory requirements of “16 financial measures”, constantly optimised the structure of existing customers, effectively increased the proportion of assets of high-quality customers, and promoted the steady and healthy development of the real estate business. As at the end of the Reporting Period, the corporate loan business of the Group was mainly concentrated in the industries of leasing and commercial services, manufacturing, and real estate. Of which, total loans to the leasing and commercial services industry amounted to RMB566,633 million, representing an increase of RMB43,290 million as compared with the end of the previous year. Total loans to the manufacturing industry amounted to RMB456,968 million, representing an increase of RMB60,660 million as compared with the end of the previous year. Total loans to the real estate industry amounted to RMB381,821 million, representing an increase of RMB18,477 million as compared with the end of the previous year.

As at the end of the Reporting Period, the corporate NPLs of the Group were mainly concentrated in the real estate and manufacturing industries. Total NPLs of the two major industries amounted to RMB27,757 million, accounting for 62.79% of total corporate NPLs. The increase of NPLs was mainly due to that the balances of NPLs of the real estate industry, the leasing and commercial services industry and the manufacturing industry increased by RMB4,053 million, RMB1,627 million and RMB652 million, respectively, as compared with the end of the previous year, as a result of the impacts of the macro-economic environment, industries and other factors. Total NPLs of other industries decreased by RMB5,402 million as compared with the end of the previous year, and the asset quality remained stable or tended to get better. Of which, the NPL ratio of the mining industry decreased by 4.85 percentage points as compared with the end of the previous year due to the accelerated collection and disposal of existing NPLs.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Item (RMB million)	30 June 2023				31 December 2022			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
<b>Corporate loans and advances</b>								
Leasing and commercial services	566,633	12.90	5,400	0.95	523,343	12.64	3,773	0.72
Manufacturing	456,968	10.41	8,159	1.79	396,308	9.57	7,507	1.89
Real estate	381,821	8.70	19,598	5.13	363,344	8.77	15,545	4.28
Wholesale and retail	289,191	6.59	4,123	1.43	263,607	6.37	5,497	2.09
Water, environment and public utilities management	181,155	4.13	351	0.19	167,684	4.05	355	0.21
Transportation, storage and postal service	168,599	3.84	497	0.29	154,492	3.73	1,061	0.69
Financial services	154,731	3.52	694	0.45	115,764	2.79	416	0.36
Production and supply of electric power, heat, gas and water	117,620	2.68	74	0.06	103,403	2.50	351	0.34
Construction	115,125	2.62	1,109	0.96	109,689	2.65	884	0.81
Mining	72,560	1.65	3,243	4.47	72,705	1.76	6,775	9.32
Information transmission, software and information technology services	40,622	0.93	414	1.02	41,727	1.01	322	0.77
Agriculture, forestry, animal husbandry and fishery	20,561	0.47	70	0.34	20,420	0.49	34	0.17
Accommodation and catering	16,727	0.38	239	1.43	17,578	0.42	577	3.28
Others	53,666	1.21	235	0.44	49,212	1.19	179	0.36
Subtotal	2,635,979	60.03	44,206	1.68	2,399,276	57.94	43,276	1.80
<b>Personal loans and advances</b>	1,754,963	39.97	24,797	1.41	1,741,868	42.06	26,111	1.50
<b>Total</b>	<b>4,390,942</b>	<b>100.00</b>	<b>69,003</b>	<b>1.57</b>	<b>4,141,144</b>	<b>100.00</b>	<b>69,387</b>	<b>1.68</b>

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) Loan distribution by geographical regions

The Group actively implemented national strategy for the development of major regions and the strategy of regional coordinated development, continued to devote efforts to key areas, proactively integrated into regional mainstream economy and kept step with the high-quality development of regional economy. The Group focused on key projects in each region, served the real economy, and promoted credit placements to the key regions. In the meantime, it also emphasised on the coordinated business development of other regions. As at the end of the Reporting Period, total loans of the Group to the Yangtze River Delta, Pearl River Delta and Bohai Rim ranked top three, being RMB1,149,963 million, RMB701,551 million and RMB678,041 million, respectively, accounting for 26.19%, 15.98% and 15.44%, respectively. In terms of increase in loans, total loans to the Yangtze River Delta and Pearl River Delta increased by RMB104,385 million and RMB71,538 million, respectively, as compared with the end of the previous year. Total increase in loans to the two regions accounted for 70.43% of total increase in loans.

As at the end of the Reporting Period, the NPLs of the Group were mainly concentrated in the Head Office, the Western Region and Yangtze River Delta, total NPLs of which amounted to RMB15,615 million, RMB12,554 million and RMB10,736 million, respectively, accounting for 56.38% of total NPLs. Of which, NPLs of the Head Office mainly came from credit card business. In terms of increase in NPLs, the Yangtze River Delta and the Northeastern Region had higher increased amount of RMB2,903 million and RMB2,405 million, respectively, as compared with the end of the previous year, and the NPL ratios increased by 0.18 percentage points and 2.21 percentage points, respectively, as compared with the end of the previous year, mainly due to the downgrading of certain corporate clients in the regions.

Item (RMB million)	30 June 2023				31 December 2022			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Head Office	469,807	10.70	15,615	3.32	488,895	11.81	14,565	2.98
Yangtze River Delta	1,149,963	26.19	10,736	0.93	1,045,578	25.25	7,833	0.75
Pearl River Delta	701,551	15.98	8,735	1.25	630,013	15.21	10,101	1.60
Bohai Rim	678,041	15.44	6,378	0.94	644,316	15.56	7,543	1.17
Northeastern Region	102,911	2.34	4,642	4.51	97,380	2.35	2,237	2.30
Central Region	516,484	11.76	7,944	1.54	497,398	12.01	11,756	2.36
Western Region	659,976	15.03	12,554	1.90	630,687	15.23	14,001	2.22
Institutions outside the Chinese mainland and subsidiaries	112,209	2.56	2,399	2.14	106,877	2.58	1,351	1.26
<b>Total</b>	<b>4,390,942</b>	<b>100.00</b>	<b>69,003</b>	<b>1.57</b>	<b>4,141,144</b>	<b>100.00</b>	<b>69,387</b>	<b>1.68</b>

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



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (V) Loan distribution by types of collateral

As at the end of the Reporting Period, total secured loans of the Group amounted to RMB2,418,724 million, representing an increase of RMB79,813 million as compared with the end of the previous year, accounting for 55.08% of total loans. Total unsecured loans amounted to RMB1,208,355 million, representing an increase of RMB77,559 million as compared with the end of the previous year, accounting for 27.52% of total loans. Total guaranteed loans amounted to RMB763,863 million, representing an increase of RMB92,426 million as compared with the end of the previous year, accounting for 17.40% of total loans. Due to the downgrading of certain corporate clients and the increase of NPLs of credit card business, the NPL ratios of loans secured by monetary assets and unsecured loans increased by 0.34 percentage points and 0.05 percentage points, respectively, as compared with the end of the previous year. The amounts of NPLs and NPL ratios of guaranteed loans and loans secured by tangible assets all decreased.

Item (RMB million)	30 June 2023				31 December 2022			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Unsecured loans	1,208,355	27.52	17,338	1.43	1,130,796	27.31	15,637	1.38
Guaranteed loans	763,863	17.40	10,967	1.44	671,437	16.21	14,566	2.17
Secured loans	2,418,724	55.08	40,698	1.68	2,338,911	56.48	39,184	1.68
Of which: Secured by tangible assets other than monetary assets	1,801,096	41.02	32,631	1.81	1,750,267	42.27	33,471	1.91
Secured by monetary assets	617,628	14.06	8,067	1.31	588,644	14.21	5,713	0.97
Total	4,390,942	100.00	69,003	1.57	4,141,144	100.00	69,387	1.68

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (VI) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of total loans to the top ten loan customers of the Group was RMB75,810 million, accounting for 1.73% of total loans and advances to customers and 10.23% of net capital base. The top ten loan customers are as follows:

<b>Item (RMB million)</b>	<b>Amount</b>	<b>% of total loans</b>	<b>% of net capital base</b>
Customer A	15,700	0.36	2.12
Customer B	9,200	0.21	1.24
Customer C	7,980	0.18	1.08
Customer D	7,949	0.18	1.07
Customer E	6,714	0.15	0.91
Customer F	6,612	0.15	0.89
Customer G	5,570	0.13	0.75
Customer H	5,500	0.13	0.74
Customer I	5,450	0.12	0.74
Customer J	5,135	0.12	0.69
<b>Total</b>	<b>75,810</b>	<b>1.73</b>	<b>10.23</b>

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (VII) Restructured loans and overdue loans

As at the end of the Reporting Period, total restructured loans of the Group amounted to RMB9,787 million, representing a decrease of RMB3,767 million as compared with the end of the previous year, accounting for 0.22% of total loans and advances to customers, representing a decrease of 0.11 percentage points as compared with the end of the previous year. Total overdue loans amounted to RMB87,988 million, representing an increase of RMB5,627 million as compared with the end of the previous year, accounting for 2.00% of total loans and advances to customers, representing a slight increase of 0.01 percentage points as compared with the end of the previous year.

Item (RMB million)	30 June 2023		31 December 2022	
	Amount	% of total	Amount	% of total
Restructured loans <sup>(Note 1)</sup>	9,787	0.22	13,554	0.33
Of which: Restructured loans overdue for more than 90 days	8,194	0.19	9,895	0.24
Overdue loans <sup>(Note 2)</sup>	87,988	2.00	82,361	1.99
Of which: Overdue within 3 months	22,583	0.51	22,508	0.54
Overdue from 3 months up to 1 year	35,075	0.80	28,480	0.69
Overdue from 1 year up to 3 years	26,366	0.60	27,069	0.66
Overdue more than 3 years	3,964	0.09	4,304	0.10

Notes:

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

### (VIII) Repossessed assets

Item (RMB million)	30 June 2023	31 December 2022
Reposessed assets	4,565	5,479
Of which: Real estate and land use right	3,174	4,551
Motor vehicles	1,313	847
Others	78	81
Allowance for impairment losses	589	959

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (IX) Changes in allowance for impairment losses on loans

Item (RMB million)	30 June 2023	31 December 2022
Opening balance	98,868	105,108
Charge for the period, net	19,435	41,695
Write-offs and transfer out during the period	-20,156	-53,919
Recoveries	3,832	7,221
Others	-648	-1,237
Ending balance	101,331	98,868

Method for assessing allowance for impairment losses on loans:

According to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments 《企業會計準則第22號－金融工具確認和計量》, the Bank calculates the allowance for impairment losses on loans with the expected credit loss model as the basis and the forward-looking information as reference. Of which, for retail loans and corporate loans in phase 1 and phase 2, the allowance for impairment losses is calculated based on risk parameters such as probability of default of customers and loss given default. For corporate loans in phase 3, the allowance for impairment losses is calculated based on the expected recovery of cash flow. In line with the Implementation Rules for Expected Credit Loss Approach of Commercial Banks (Yin Bao Jian Gui [2022] No. 10) 《商業銀行預期信用損失法實施管理辦法》(銀保監規〔2022〕10號), the Bank reviewed and optimised the expected credit loss model on a regular basis, and updated forward-looking information and relevant parameters in a timely manner.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### VI. Analysis of Capital Adequacy Ratio

#### (I) Capital adequacy ratio

The Group calculated its capital adequacy ratio (the “CAR”) in accordance with the Capital Rules for Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 (the “Capital Rules”) and other relevant regulatory provisions. The calculation of the CAR covers the Bank and the financial institutions directly or indirectly invested by the Bank in accordance with the requirements of the Capital Rules. According to regulatory requirements, during the Reporting Period, the minimum requirements of the CBIRC on the Group and the Bank’s core tier-1 CAR, tier-1 CAR and the CAR were 5%, 6%, and 8%, respectively. Based on the aforesaid minimum capital requirements, provisions of reserve capital, counter-cyclical capital and additional paid-in capital should also be made at the ratios of 2.5%, 0%, and 0.25%, respectively. During the Reporting Period, the core tier-1 CAR, tier-1 CAR, and the CAR of the Group and the Bank should be no less than 7.75%, 8.75%, and 10.75%, respectively.

As at the end of the Reporting Period, the core tier-1 CAR, tier-1 CAR and the CAR of the Group were 8.90%, 10.54% and 12.69%, respectively, representing decreases of 0.27 percentage points, 0.37 percentage points and 0.45 percentage points, respectively, as compared with the end of the previous year. Among the investees in which the Bank holds the majority equity interest or the right of control, there was one rural bank with regulatory capital shortfall of RMB265 million. The table below sets out the CAR of the Group and the Bank:

Item (RMB million)	30 June 2023		31 December 2022	
	The Group	The Bank	The Group	The Bank
Net core tier-1 capital	519,541	485,922	505,978	473,481
Net tier-1 capital	615,595	580,879	601,999	568,437
Total net capital base	741,134	702,714	725,136	687,392
Core tier-1 capital	526,644	507,305	512,909	494,518
Core tier-1 capital deductions	-7,103	-21,383	-6,931	-21,037
Other tier-1 capital	96,054	94,962	96,021	94,962
Other tier-1 capital deductions	-	-5	-	-6
Tier-2 capital	125,539	121,845	123,137	118,966
Tier-2 capital deductions	-	-10	-	-11
Total risk-weighted assets	5,838,288	5,549,942	5,517,289	5,223,266
Of which: Credit risk-weighted assets	5,455,125	5,191,633	5,144,232	4,870,020
Market risk-weighted assets	82,866	71,764	72,760	66,701
Operational risk-weighted assets	300,297	286,545	300,297	286,545
Core tier-1 CAR (%)	8.90	8.76	9.17	9.06
Tier-1 CAR (%)	10.54	10.47	10.91	10.88
CAR (%)	12.69	12.66	13.14	13.16

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, the leverage ratio of the Group was 7.29%, representing a decrease of 0.10 percentage points as compared with the end of March 2023. The leverage ratio of the Group is as follows:

Item (RMB million)	30 June 2023	31 March 2023	31 December 2022	30 September 2022
Leverage ratio (%)	7.29	7.39	7.46	7.54
Net tier-1 capital	615,595	620,321	601,999	601,464
On-and off-balance sheet assets after adjustment	8,450,150	8,392,807	8,067,379	7,980,689

For details of the regulatory capital, please refer to the section headed “Investors Relations – Announcements and Disclosures – Regulatory Capital” on the Bank’s website ([www.cmbc.com.cn](http://www.cmbc.com.cn)).

### (II) Credit risk exposure

The following table sets forth the exposure to credit risk of the Group measured according to the Capital Rules.

Item (RMB million)	30 June 2023	31 December 2022
On-balance sheet credit risk exposure	7,493,692	7,126,634
Off-balance sheet credit risk exposure	768,233	788,714
Counterparty credit risk exposure	44,579	40,189
Total	8,306,504	7,955,537

The asset-backed securitisation risk exposure of the Group is as follows:

Item (RMB million)	30 June 2023	31 December 2022
Asset-backed securitisation on-balance sheet risk exposure	196,930	214,549
Asset-backed securitisation off-balance sheet risk exposure	16	17

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (III) Capital requirements for market risks

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

Item (RMB million)	30 June 2023	31 December 2022
Interest rate risk	3,546	3,645
Stock risk	84	302
Foreign exchange risk	2,746	1,834
Commodity risk	144	26
Option risk	106	14
Specific risk of asset-backed securitisation risk exposure in the trading books	3	–
Total	6,629	5,821

### (IV) Capital requirements for operational risks

As at the end of the Reporting Period, the capital requirements for operational risks of the Group measured according to basic indicator approach amounted to RMB24,024 million.

## VII. Liquidity Indicators

### (I) Liquidity coverage ratio

As at the end of the Reporting Period, the liquidity coverage ratio of the Group was 131.84%, exceeding the regulatory requirements by 31.84 percentage points, indicating that the Group had an adequate reserve of high-quality current assets and maintained its liquidity stability.

Item (RMB million)	30 June 2023	31 December 2022
Liquidity coverage ratio (%)	131.84	134.89
High-quality current assets	1,052,500	1,003,957
Net cash outflow in 30 days	798,346	744,278

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Net stable funding ratio

As at the end of the Reporting Period, the net stable funding ratio of the Group was 103.22%, exceeding the regulatory requirements by 3.22 percentage points, indicating that the Group had sources of net stable funding that could support sustainable and stable business development.

Item (RMB million)	30 June 2023	31 March 2023	31 December 2022
Net stable funding ratio (%)	103.22	104.01	104.55
Stable funding available	4,307,447	4,271,016	4,001,558
Stable funding required	4,173,138	4,106,229	3,827,439

### VIII. Segment Report

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

#### (I) Segment operating results by business line

Item (RMB million)	30 June 2023	January-June 2023	
	Total assets	Operating income	Profit before income tax
Corporate banking	4,768,511	34,570	16,697
Retail banking	1,825,845	31,601	10,134
Others	990,118	3,697	-2,084
Total	7,584,474	69,868	24,747

Item (RMB million)	31 December 2022	January-June 2022	
	Total assets	Operating income	Profit before income tax
Corporate banking	4,406,031	37,341	17,729
Retail banking	1,785,335	33,449	13,759
Others	1,008,606	1,946	-4,969
Total	7,199,972	72,736	26,519

Note: Total assets exclude deferred income tax assets.



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Segment operating results by geographical region

Item (RMB million)	30 June	January-June 2023	
	2023 Total assets	Operating income	Profit before income tax
Head Office	3,338,611	22,020	4,627
Yangtze River Delta	1,232,798	12,044	4,038
Pearl River Delta	730,175	8,401	4,664
Bohai Rim	1,430,317	8,625	2,410
Northeastern Region	180,834	843	-832
Central Region	573,014	5,945	3,424
Western Region	664,105	7,468	4,639
Institutions outside the Chinese mainland and subsidiaries	386,507	4,522	1,777
Inter-region adjustment	-951,887	-	-
<b>Total</b>	<b>7,584,474</b>	<b>69,868</b>	<b>24,747</b>

Item (RMB million)	31 December	January-June 2022	
	2022 Total assets	Operating income	Profit before income tax
Head Office	3,245,459	21,477	4,721
Yangtze River Delta	1,231,497	12,980	6,083
Pearl River Delta	684,996	8,231	2,419
Bohai Rim	1,332,535	10,368	5,516
Northeastern Region	169,176	990	101
Central Region	545,393	6,151	2,527
Western Region	633,344	8,366	4,108
Institutions outside the Chinese mainland and subsidiaries	364,375	4,173	1,044
Inter-region adjustment	-1,006,803	-	-
<b>Total</b>	<b>7,199,972</b>	<b>72,736</b>	<b>26,519</b>

Note: Total assets exclude deferred income tax assets.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### IX. Other Financial Information

#### (I) Items relating to fair value measurement

##### 1. Internal control system relating to fair value measurement

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

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

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Financial instruments measured at fair value

The Bank's financial instruments measured at fair value include: financial assets/liabilities at fair value through profit or loss, derivative financial instruments, and financial assets at fair value through other comprehensive income. Of which, the valuation methods for bond investment are listed as follows: for RMB bonds, the valuation provided by China Central Depository & Clearing Co., Ltd. applied. For bonds denominated in foreign currencies, the valuation was determined through Bloomberg quotes. Derivative financial instruments mainly consisted of interest rate swaps as well as forwards, swaps and options of foreign exchanges and precious metals, the valuation of which was obtained from quotes in the open market and model valuation. The investment in publicly offered funds was valued by using market approach. Non-standard investments, such as discounted bills and rediscounted bills, forfeiting, asset management plans, income rights, equity investments, subordinated tranches of asset-backed securities and convertible bonds, were valued by using model valuation approach. The main valuation techniques included discounted cash flow approach and market approach, etc.

### (II) Overdue and outstanding liabilities

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

### (III) Cash flow

During the Reporting Period, the Group's net cash flow from operating activities amounted to RMB108,631 million, and the net inflow increased by RMB26,709 million as compared with the corresponding period of the previous year, mainly due to the increase in net cash inflow of deposits and placements from banks and other financial institutions, borrowings from central bank, and placements with banks and other financial institutions. The net cash flow from investing activities amounted to -RMB2,693 million, and the net outflow decreased by RMB115,678 million as compared with the corresponding period of the previous year, mainly due to the increase in cash inflow received from recovery of investments which offset the increase in cash outflow paid for investments and investment income. The net cash flow from financing activities amounted to -RMB41,417 million, and the net outflow increased by RMB74,328 million as compared with the corresponding period of the previous year, mainly due to the increase in cash outflow paid for repaying debts.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Items (RMB million)	January-June 2023	January-June 2022	Change
<b>Net cash flow from operating activities</b>	<b>108,631</b>	81,922	Net inflow increasing by 26,709
Of which: Net cash flow from deposits and placements from banks and other financial institutions	<b>51,500</b>	-23,933	Net inflow increasing by 75,433
Net cash flow from borrowings from central bank	<b>35,776</b>	-25,378	Net inflow increasing by 61,154
Net cash flow from placements with banks and other financial institutions	<b>7,788</b>	-33,251	Net inflow increasing by 41,039
Net cash flow from financial assets sold under repurchase agreements	<b>27,543</b>	15,954	Net inflow increasing by 11,589
Net cash flow from balances with central bank, banks and other financial institutions	<b>10,152</b>	-1,156	Net inflow increasing by 11,308
Net cash flow from taking deposits from customers	<b>247,934</b>	337,869	Net inflow decreasing by 89,935
Net cash flow from loans and advances to customers	<b>-265,774</b>	-185,389	Net outflow increasing by 80,385
<b>Net cash flow from investing activities</b>	<b>-2,693</b>	-118,371	Net outflow decreasing by 115,678
Of which: Cash received from recovery of investments and investment income	<b>833,127</b>	591,946	Inflow increasing by 241,181
Cash paid for investments	<b>-833,348</b>	-704,363	Outflow increasing by 128,985
<b>Net cash flow from financing activities</b>	<b>-41,417</b>	32,911	Net outflow increasing by 74,328
Of which: Cash received from issued debt securities	<b>506,253</b>	420,256	Inflow increasing by 85,997
Cash for repaying debts	<b>-530,375</b>	-374,285	Outflow increasing by 156,090

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### X. Operational Concerns

#### (I) Deposits from customers

During the Reporting Period, the deposits of the Group increased steadily in scale with continuously improved customer structure. As at the end of the Reporting Period, total deposits from customers of the Group amounted to RMB4,241,461 million, representing an increase of RMB247,934 million, or 6.21%, as compared with the end of the previous year, accounting for 60.46% of total liabilities, representing an increase of 0.34 percentage points as compared with the end of the previous year. Among them, the daily average balance of personal deposits accounted for 26.51% of that of all deposits, representing an increase of 4.24 percentage points as compared with the corresponding period of the previous year. These have reflected an enhanced stability in deposits.

During the Reporting Period, the Group focused on the management of basic customer groups, highlighted the driving role of products and services in deposits, and continued to enhance the capability in taking deposits from customers. Meanwhile, the Group proactively responded to the trend of fixed term deposits, controlled the scale of high-cost and long-term deposits, and promoted the coordinated development of scale and price of deposits. Going forward, the Group will centre on customer demands to further improve products and services, optimise resource allocation, speed up the development of deposit settlement platform, promote the steady increase in the scale of deposits, and expand the sources of low-cost and settlement-based deposits, thus consolidating the foundation for the sustainable growth of deposits.

#### (II) Loan placement

During the Reporting Period, the loans of the Group maintained relatively rapid growth. As at the end of the Reporting Period, total loans and advances to customers of the Group amounted to RMB4,390,942 million, representing an increase of RMB249,798 million as compared with the end of the previous year, representing an increase of RMB89,954 million, or 6.03%, as compared with the corresponding period of the previous year, accounting for 57.46% of total assets, representing an increase of 0.39 percentage points as compared with the end of the previous year.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group conscientiously implemented the decisions and arrangements of the CPC Central Committee and the State Council and the working requirements of the regulators, remained steadfast in the strategic direction, pursued progress in stability, and took multiple means to promote the effective growth and structure optimisation of credit business. Firstly, the Group strengthened guarantees for resources, fully supported loan growth, and intensified financial support for the key areas in national economy, such as MSEs, green finance, the manufacturing industry and the rural revitalisation, and improved the quality and effectiveness in serving the real economy. As at the end of the Reporting Period, green credit, loans to the manufacturing industry, and inclusive loans to MSEs grew by 35.47%, 15.39% and 8.10%, respectively, all higher than the average growth rate of various loans. Secondly, the Group proactively integrated into China's regional development strategy, and promoted the growth in high-quality credit in key regions such as Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing economic zone. As at the end of the Reporting Period, the proportion of loans to the four key regions of the Bank amounted to 62.02%, representing an increase of 1.76 percentage points as compared with the end of the previous year. Thirdly, the Group adhered to the origin of finance serving the real economy, and continued to reduce fees and surcharges, so as to facilitate the development of market entities.

Going forward, the Group will further focus on key strategic points, enhance the guidance of resource allocation, speed up the deployment of inclusive loans to MSEs, green and low-carbon development, the manufacturing industry and other key fields, and promote the placement of retail loans and other high-quality credit assets, hence supporting the high-quality development of the real economy.

### (III) Net interest margin

During the Reporting Period, the net interest margin of the Group was 1.48%, representing a decrease of 17BP as compared with the corresponding period of the previous year. Of which, the return on interest-earning assets was 3.85%, representing a decrease of 13BP as compared with the corresponding period of the previous year. In terms of pricing, due to the impact of continuous reduction of LPR and re-pricing, the return of various RMB loans all decreased. In terms of structure, due to the impact of weak demand, businesses of higher returns, such as consumer loans, mortgage loans and credit card witnessed sluggish growth. The cost of interest-bearing liabilities was 2.44%, representing an increase of 2BP as compared with the corresponding period of the previous year. The cost ratio of RMB deposits slightly decreased, but the trend of fixed and long-term deposits still remained. The growth of low-cost and settlement-based demand deposits was weak, and the growth of deposits mainly came from the mid- to long-term deposits. Meanwhile, against the backdrop of big interest rate hike of the US Federal Reserve, the cost of foreign currency liabilities increased on a large margin.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

In order to alleviate the pressure of lowered net interest margin, the Group proactively responded to market changes, vigorously promoted the growth in the scale of deposits and loans, reduced the cost of RMB deposits, and enhanced asset structure management, contributing to the contracting decrease in net interest margin. Going forward, the Group will continue to meet the requirements of finance serving the real economy, focus on the goals of “increasing profitability and optimising structure”, and enhance the management of net interest margin. The Group will further intensify the placement of high-quality credit assets and increase the proportion of retail loans in asset structure. Meanwhile, the Group will strengthen the cost management of RMB and foreign currency deposits, promote the growth in settlement-based deposits, optimise the term structure of time deposits, and strive to stabilise the level of interest margin of deposits and loans. Additionally, the Group will proactively leverage market opportunities, scientifically allocate bonds and other non-credit assets, continue to optimise asset structure, and improve the operational efficiency of assets and liabilities.

### **(IV) Net non-interest income**

During the Reporting Period, the fee and commission income of the Group amounted to RMB13,441 million, representing an increase of RMB1,188 million, or 9.70%, as compared with the corresponding period of the previous year, mainly due to the steady increase in agency and settlement fee income.

Firstly, the Group constantly enhanced agency sales of wealth management products. The Group optimised and innovated products and services, deepened the cooperation with leading institutions, and met the demands of customers for stable and secure fund allocation. During the Reporting Period, the fee income of agency and custody businesses of the Group amounted to RMB6,339 million, representing an increase of RMB1,317 million, or 26.22%, as compared with the corresponding period of the previous year.

Secondly, the Group consistently improved the quality and effectiveness of settlement services and comprehensive development of customers. The Group deepened the integrated and comprehensive marketing mechanism of customers, extensively established ecosystem scenarios for customer acquisition, and optimised product and service process. During the Reporting Period, the settlement fee income of the Group amounted to RMB1,096 million, representing an increase of RMB286 million, or 35.31%, as compared with the corresponding period of the previous year.

Going forward, the Group will continue to advance the integrated management of MSMEs, large enterprises and retail customers, and improve the comprehensive income of customers. By taking diversified development as the means and digital transformation as the support, the Group will speed up the launch of new products and marketing models, expand the scale of wealth management, and increase the fee income of services, such as agency, settlement and custody.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (V) Formation and collection and disposal of non-performing assets

The Bank constantly enhanced the full-process management of credit risks, intensified the policy support for key regions and fields, optimised the risk limit and portfolio management, consolidated the results of deepening approval system reform, and advanced the optimisation of post-loan management mechanism. The Bank also tightened the prevention and control of risks in key fields, strictly implemented the forward-looking and active exit of customers with risks, continuously adjusted and optimised credit asset structure, and strictly guarded against new credit risks. During the Reporting Period, the formation rate of NPLs<sup>1</sup> of the Bank (annualised) was 1.47%, representing a decrease of 0.60 percentage points as compared with the corresponding period of the previous year, with a steady decrease in the formation rate of NPLs. Of which, the formation rates of NPLs of corporate business, small business, mortgage and consumer loan business all recorded decreases as compared with the corresponding period of the previous year.

The Bank continuously advanced the collection and disposal of non-performing assets, adhered to the philosophy regarding the operation of non-performing assets, proactively enhanced the coordinated management of collection and disposal, leveraged the effectiveness of mechanism management, refined the segmentation and classification of assets, and comprehensively adopted multiple means to improve the results of collection and disposal. During the Reporting Period, the Bank collected and disposed non-performing assets of RMB35,202 million in total, of which, NPLs of RMB30,727 million were collected and disposed. Divided by disposal method, NPLs of RMB11,963 million were written off, RMB6,703 million were transferred, RMB5,804 million were collected in cash, RMB6,096 million were securitised, and RMB161 million were collected and disposed through repossession and other methods. Non-credit non-performing assets of RMB4,475 million were also collected and disposed. Meanwhile, the Bank consistently tapped the recovery clues of written-off assets to effectively reduce loss and improve recovery value, achieving sound results. During the Reporting Period, the Bank recovered RMB4,250 million written-off loans, representing an increase of 32.48% as compared with the corresponding period of the previous year.

Going forward, the Bank will closely follow and judge changes in risk conditions, continue to enhance the coordinated linkage of risk prevention and control, and collection and disposal, fully leverage the guiding role of credit policies in business development and risk prevention and control, and adjust and optimise credit structure. Meanwhile, the Bank will build up the capability in layered and classified post-loan management, and rely on market-based mechanisms, so as to promote risk prevention, control and mitigation in key fields with various measures. The Bank will also deepen the leading role of valuation in collection and disposal, and proactively elevate the results of recovering non-performing assets, so as to maintain steady improvement in asset quality.

<sup>1</sup> Formation rate of NPLs = New NPLs of the period/total loans and advances to customers as at the beginning of the period × annualised coefficient.



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (VI) Risk management and control of the real estate industry

The Group resolutely implemented national decisions and deployments and regulatory requirements in relation to the real estate industry, practised the general strategy of “stabilising total amount, adjusting structures, strengthening management and controlling risks (穩總量、調結構、強管理、控風險)”, focused on “good customers, good projects and good regions (好客戶、好項目、好區域)”, expanded business in an orderly manner, continuously optimised customer structure, safeguarded the reasonable financing demands of real estate enterprises, thus promoting the steady and healthy development of the real estate business of the Group. The Group coordinated efforts of “ensuring housing project delivery, safeguarding people’s livelihood and securing stability (保交樓、保民生、保穩定)”, continued to enhance the risk prevention and control of existing projects in the real estate field, and took classified measures according to market-based and rule of law principles, promoting the resolution of financial risks of real estate projects. As at the end of the Reporting Period, the balance of credit business assuming credit risks, such as loans, off-balance sheet credit, standard debt investment, non-standard debt investment and bond investment in relation to corporate real estate business of the Group was RMB453,797 million, representing an increase of RMB5,804 million, or 1.30%, as compared with the end of the previous year. Of which, the balance of loans to the real estate industry was RMB381,821 million, representing an increase of RMB18,477 million, or 5.09%, as compared with the end of the previous year, and accounted for 84.14%. New loans were mainly granted to high-quality projects of customers with steady operation in high-quality regions. The real estate business assuming credit risks of the Group was mainly project financing, and the projects were mainly concentrated in the tier-1 and tier-2 cities, and were secured by project lands and construction projects in progress as collaterals, and additional equity pledges of the project companies and guarantees of their group companies. The risks of real estate business were generally controllable. As at the end of the Reporting Period, the NPL ratio of corporate real estate business of the Group was 5.13%, representing an increase of 0.85 percentage points as compared with the end of the previous year.

As at the end of the Reporting Period, the balance of businesses not assuming credit risks in relation to the real estate industry of the Group, such as net-worth wealth management, entrusted loans, and debt financing instruments with the Bank as the leading underwriter, amounted to RMB61,692 million, representing a decrease of RMB657 million, or 1.05%, as compared with the end of the previous year. The business scale was small on the whole.

Going forward, the Group will continue to strictly implement policies for the real estate industry and regulatory requirements, mainly support the housing projects meeting general rigid demand and housing improvement demand, pay high attention to financial support for housing lease, continue to optimise the structure of real estate business, and mitigate risks in an orderly manner, so as to support the steady and healthy development of the real estate market.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (VII) Capital management

During the Reporting Period, the Group took “enhancing efficiency, creating values, strengthening constraints, optimising structure, strengthening endogenous accumulation and replenishing reasonably (提升效率、創造價值, 加強約束、優化結構, 強化內生、合理補充)” as the principle of capital management, continuously adjusted the asset-liability structure, fully guaranteed credit placements, guided the reasonable and effective allocation of resources, and promoted strategic transformation and value enhancement. As at the end of the Reporting Period, the Group’s core tier-1 CAR, tier-1 CAR and CAR were 8.90%, 10.54% and 12.69%, respectively, remaining stable in general.

With the official implementation of the additional regulatory requirements on the systemically important banks and the forthcoming implementation of the revised Capital Rules for Commercial Banks, the Group will deepen the concept of capital conservation, strictly control capital consumption, optimise the structure of capital occupation, and improve the capital efficiency. At the same time, the Group will continue to improve the capital replenishment mechanism, actively expand financing channels, replenish capital in due time and appropriate amount, and improve the capital adequacy level and risk resistance capability of the Group.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### XI. Review of Main Businesses

#### (I) Corporate banking business

##### 1. Strategic measures

During the Reporting Period, the Bank constantly optimised the layered and classified customer management system, and has built a business system consisting of multiple drivers of “strategic customer groups + basic customer groups + small business customer groups + institutional customer groups” and a business system with two wings of “basic products + eco-finance”, and promoted the transformation of corporate business operation model, so as to improve the sustainable development capability of corporate business. Meanwhile, the Bank actively integrated itself into the great picture of national development, thoroughly implemented ESG philosophy, regarded corporate finance as a vital method for facilitating the high-quality development of the real economy, and continued to strengthen financial support for green finance, rural revitalisation, high-end manufacturing and other important fields of the real economy, in an effort to fulfil “Minsheng Bank’s responsibility”.

During the Reporting Period, the corporate business of the Bank maintained a steady growth. As at the end of the Reporting Period, the balance of corporate deposits of the Bank amounted to RMB3,026,504 million, representing an increase of 2.55% as compared with the end of the previous year. The balance of general corporate loans amounted to RMB2,345,912 million, representing an increase of 9.12% as compared with the end of the previous year.

##### 2. Customer groups

**The scale of strategic clients witnessed a steady increase.** During the Reporting Period, the Bank adhered to long-termism, and implemented the philosophy of “being customer-centric and creating values for customers”. Relying on strategic clients, the Bank fostered new engine for business development, extended industry chain, and expanded financial ecosystem, so as to fully drive the increase of chain-based customers and retail customer groups while keeping a steady growth of business scale.

As at the end of the Reporting Period, the balance of deposits of strategic clients amounted to RMB1,209,059 million, representing an increase of RMB105,080 million, or 9.52%, as compared with the end of the previous year. The balance of loans to strategic clients amounted to RMB1,174,968 million, representing an increase of RMB93,786 million, or 8.67%, as compared with the end of the previous year.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### **Feature 1: Boosting Business Coordination and Integration and Taking Strategic Clients as New Engine**

Since the implementation of the strategic clients marketing service system in 2021, the Bank has adhered to the “customer-centric” philosophy, focused on the “points, chains and ecosystems (點、鏈、圈)” of strategic clients, and carried out integrated and coordinated operations among the Head Office, branches and sub-branches, so as to realise integrated services for MSMEs, large enterprises and retail customers. As at the end of the Reporting Period, strategic clients had gradually become the new engine for business development of the Bank, and three major improvements had been made.

Firstly, the Bank took strategic clients as the pivot and the key to stabilise the cornerstone. The balance of loans to strategic clients increased by 58.53% from RMB741,151 million as at the end of 2020 to RMB1,174,968 million as at the end of the Reporting Period. The daily average balance of deposits increased by 39.14% from RMB876,851 million in 2020 to RMB1,220,088 million during the Reporting Period.

Secondly, the Bank focused on the “upstream and downstream” of strategic clients to release traction force. In order to effectively realise batch customer acquisition and comprehensive development through supply chain business, and to further enhance the brand influence of supply chain products of the Bank, in 2023, the Bank launched the series of supply chain finance activities of supply chain customer conventions (客商大會) with the theme of “Supply Chain-Based Development (以鏈為基 綻放光芒)” nationwide, further empowering the acquisition, expansion, increase and retention of basic customer groups through supply chain business. During the Reporting Period, the Bank hosted a total of 65 supply chain customer conventions, involving 34 branches, 61 core enterprises, and 4,905 customers present on site. As at the end of the Reporting Period, the balance of key eco-finance products of the Bank reached RMB98,381 million, representing an increase of 32.55% as compared with the end of the previous year, and the newly increased chain-based financing customers amounted to 5,158.

Thirdly, the Bank conducted integrated management of MSMEs, large enterprises and retail customers to empower ecosystems. Through the integrated development of MSMEs, large enterprises and retail customers, the Bank provided senior executives and employees of strategic clients as well as retail customers with a wide range of comprehensive services, such as payroll agency, wealth management, private banking and consumer loans, gaining huge employee customer groups. During the Reporting Period, 205 new strategic clients signed contracts for payroll agency business, bringing in 101.1 thousand individual customers. As at the end of the Reporting Period, the proportion of payroll agency business for strategic clients in the whole bank rose from 13.00% as at the end of 2021 to 14.79%. During the Reporting Period, 19.2 thousand new customers signed contracts for consumer loans, with an approved amount of RMB4,233 million.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The basic customer group management system was deepened and implemented in an orderly manner, and the customer group foundation was consolidated constantly.** During the Reporting Period, the Bank continued to enhance the development of basic corporate customer groups, and concentrated on advancing the implementation of new system of basic customer groups. With three major plans of the “Joint Hands Plan, SME Credit Plan, and Sparks Plan” as important measures, the Bank constantly consolidated the customer group foundation, further unleashed new growth momentum of basic customer groups, and continuously enhanced the support and contribution of the new system of basic customer groups to the transformation and development of corporate business.

During the Reporting Period, the Bank continuously consolidated the new approach for development of basic customer groups, and improved the implementation and efficiency of business models. Firstly, focusing on “points, chains, ecosystems and parks”, the Bank promoted the implementation effectiveness of distinctive business models of basic customer groups and regional characteristic innovation, and realised comprehensive development of accounts, settlement and credit, supporting the development of basic customer group business. Secondly, the Bank advanced the building of batch customer acquisition platforms with a focus on governments, strategic clients, professional institutions, data platforms, etc., empowering customer expansion and contact. Thirdly, the Bank launched a non-financial benefits system for basic customer groups, which covered four series of “operation, intelligence, benefits and home”. Through “empowerment for enterprise operation, empowerment for enterprise intelligence, benefits of financial services and co-building of enterprise home”, the Bank met the needs of MSMEs for production operation, financial management, employee care and other pain spots, and built a rewarding system for basic customer groups covering full cycle and accompanying full-journey of such customer groups. Fourthly, the Bank continued to carry out the marketing campaign of “Park Visits (園區萬里行)”, optimised the “Easy Park (園易)” series of products, and launched such service themes as “Intelligence Inspires the Future, and Innovation Leads the Future (智啟未來、創領未來)”, in a bid to enhance the brand influence in the market. Fifthly, the Bank built an integrated digital intelligence-based management platform for MSMEs and large enterprises, improving full-process and closed-loop marketing management.

As at the end of the Reporting Period, the Bank had 276.5 thousand corporate clients with an annual daily average balance of deposits of more than RMB100 thousand, representing an increase of 14.9 thousand, or 5.70%, as compared with the end of the previous year, ranking first in terms of growth rate and second in terms of increment among joint-stock peers. At the same time, the Bank provided in-depth services for over 14.0 thousand “DRDI” small and medium customers with financial assets of more than RMB120.0 billion, and the proportion of credit support to “DRDI” small and medium customers exceeded 40%.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### **The Bank steadily advanced the high-quality development of institutional customer groups.**

Focusing on high-quality and sustainable development, the Bank insisted on serving national strategies, adhered to the customer-centric philosophy, and took platforms as the measures and win-win results as the orientation. The Bank has been dedicated to becoming the preferred bank providing comprehensive financial services for administrative agencies, public institutions, social organisations, and other institutional customers. As at the end of the Reporting Period, the Bank had 32,481 institutional customers, representing an increase of 6.82% as compared with the end of the previous year.

### **The Bank deepened agile collaboration and strengthened high-level-oriented marketing.**

The Bank gave full play to the advantages of the Head Office, organised special programme of head office-to-head office marketing, and continuously propelled high-level marketing and head office-to-head office cooperation. The Bank was successively qualified as the cooperative bank of mobile payment business of medical insurance in Beijing and the main cooperative bank of customs in Tianjin Free Trade Zone, and signed strategic cooperation agreements with the people's governments of municipalities of Guangzhou, Hefei, Jinan and many other local governments. In the meantime, the Bank reinforced basic-level-oriented marketing, and intensively cultivated key areas including finance, social security, governments, hospitals, colleges and universities, customs, tobaccos and others, so as to consolidate the customer foundation, and broaden the scope of services.

### **The Bank deepened platform cooperation and performed social responsibility.**

The Bank strengthened sci-tech output to institutional customers, and realised deep binding of settlement fund scenarios. Relying on platform cooperation, the Bank facilitated the digital transformation of institutional customers of all types at all levels, effectively addressing customer concerns about the focus of people's livelihood and pain spots of work. As at the end of the Reporting Period, the Bank continued to increase investment in platform projects. 365 platform projects were in operation, cumulatively serving 1,025 institutional customers of all types at all levels, and the balance of daily average deposits from the management of such projects amounted to RMB89,947 million.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Businesses and products

#### **Policy finance: comprehensively implementing national strategic arrangements and vigorously supporting the development of the real economy**

**The green service model was innovated constantly.** During the Reporting Period, the Bank maintained strategic focus, resolutely implemented national low-carbon transformation strategy, proactively integrated itself into the great picture of green development, constantly improved the marketing management system, and continuously improved the quality and efficiency of green financial services. Firstly, by focusing on clean energy, low-carbon transformation, clean production, green building, ecological governance and other key fields, the Bank closely followed national industrial development plans, met the green development demands of strategic clients and local enterprises with distinctive features, and provided comprehensive services in full industry chains. Secondly, the Bank continued to enrich and iterate the “Minsheng Carbon Peaking and Carbon Neutrality (民生峰和)” product system of “Green Investment Express, Green Finance Express, Green Supply Chain Express and Green Operation Express (綠投通、綠融通、綠鏈通、綠營通)”, and enhanced the innovation of product and comprehensive service models under segmented scenarios. The Bank vigorously promoted the product of “Emission Reduction Loan (減排貸)” by centring on “carbon emission reduction supporting tools” released by the central bank, to support clean energy and low-carbon technology transformation projects. The Bank optimised the “E Carbon Loan (碳e貸)” product to jointly facilitate the green and low-carbon development of MSMEs. Focusing on energy, transportation, infrastructure construction, cultural tourism and other fields, the Bank stepped up innovation and popularisation of green bonds, providing low-cost capital support for green and low-carbon transformation of high-quality enterprises. Additionally, the Bank proactively built investment ecosystems, and launched the comprehensive service solutions for the energy storage industry and the financial service solutions for the iron and steel industry, with a focus on the green development of energy storage industry and the green transformation of iron and steel industry. Thirdly, the Bank intensified marketing in key regions, successively promoted green credit business in the Yangtze River Delta, Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, and central and western key regions, and strengthened visits to strategic clients in clean energy, green manufacturing, exchanges and other key fields, so as to jointly facilitate the green and low-carbon development of these regions. Fourthly, the Bank carried out innovation and exploration of carbon finance, and reinforced the development of collateral system. The Bank closely tracked market dynamics and financing demands for green upgrading and transformation of industrial sectors, deepened cooperation with regional carbon exchanges, and successfully implemented the emission rights-based mortgage loan and the first local carbon quota-based pledge loan in Hubei Province.

As at the end of the Reporting Period, the balance of green credit of the Bank amounted to RMB243,723 million, representing an increase of 35.47% as compared with the end of the previous year, with the growth rate higher than the average of all loans. Thanks to the outstanding performance in green and low-carbon fields, the Bank was awarded the “Low-carbon Role Model of 2023 (2023年度低碳榜樣)” by the China News Service.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### **Feature 2: Introducing Innovative Carbon Emission Rights-Based Pledge Loan and Supporting SMEs in Energy Conservation and Carbon Reduction**

The Bank deeply excavated the financing demands in the green and low-carbon transformation fields, and actively advanced the innovation of carbon financial products and services. In order to address the operating turnover of a private small and medium-sized manufacturing enterprise and meet its financing demands for energy conservation and carbon reduction, the Wuhan Branch of the Bank issued a one-year-term carbon quota-based pledge loan of RMB3 million to the enterprise. As the first carbon quota-based pledge loan in local carbon market after the implementation of the Operational Guidelines for Carbon Emission Rights-Based Pledge Loans in Hubei Province (Provisional) 《湖北省碳排放權質押貸款操作指引(暫行)》, it helped the enterprise revitalise carbon assets, expand the financial channels for energy conservation and carbon reduction, and improve the capability of green and low-carbon development.

### **The Bank pushed forward the development of rural revitalisation business via model innovation.**

During the Reporting Period, the Bank resolutely implemented the national strategy on rural revitalisation, proactively fulfilled ESG responsibilities, and endeavored to promote rural revitalisation through financial services. The Bank pushed forward business development via model iteration and innovation, and set up a distinctive and differentiated rural revitalisation product and service system, so as to continuously improve the quality and efficiency of the Bank's financial services in serving rural revitalisation. Firstly, focusing on five major agricultural and animal husbandry sectors, i.e. "grain, cotton, milk, meat and liquor", the Bank created exclusive business model and product portfolio covering all scenarios in the industry chains of agriculture, and provided a series of financial services for transaction entities in the entire industry chains of agriculture, in a bid to "benefit farmers, enrich rural areas, and empower agriculture". Secondly, the Bank continued to enrich the connotation of "Photovoltaic Loan (光伏貸)" model, further expanded the "Roof Leasing (屋頂租賃)" model, and piloted the "Minsheng Photovoltaic Villages (民生光伏村)" in the counties receiving paired assistance from the Bank, thus driving farmers to increase wealth and income. Thirdly, the Bank constantly optimised product adaptability, enhanced market competitiveness, upgraded "Agricultural Loan Express (農貸通)" to "Digital Agricultural Loan Express (數字農貸通)", and extended the service target from farmers in non-reclamation areas to those in reclamation areas, satisfying diversified financial demands of customers in reclamation areas.

As at the end of the Reporting Period, the balance of loans related to agriculture, rural areas and farmers of the Bank amounted to RMB366,757 million, representing an increase of RMB35,151 million, or 10.60%, as compared with the end of the previous year. Both the amount and the rate of increment hit the best level in recent years. Loans for consolidating the results of poverty alleviation achieved double increases, i.e. loans to the areas that were lifted out of poverty and loans to the counties receiving focused paired assistance from the State in rural revitalisation increased by RMB2,059 million and RMB254 million, respectively, as compared with the end of the previous year.



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The quality and efficiency of services for the manufacturing industry improved continuously.** During the Reporting Period, the Bank comprehensively implemented the decisions and arrangements of the CPC Central Committee and the State Council for “implementing the strategy of building China into a leading manufacturer”, proactively seized the opportunities in the high-end, intelligent and green development of the manufacturing industry, and consistently intensified financial services for the manufacturing industry. The Bank closely focused on industrial policies and regional planning, deepened research on segmented sectors of the manufacturing industry, and strengthened planning guidance and forward-looking deployment. Centring on the transformation and upgrading of the traditional industries, innovative development of high-tech manufacturing industry, cultivation and growth of small and medium-sized manufacturing industry, and other key fields, the Bank has provided more credit resources, and improved the capability of precise services. The Bank perfected M&A, syndicated and project loan products, and enhanced mid- and long-term financial support for manufacturing enterprises in equipment renewal, technical transformation, low-carbon development and other scenarios. In addition, the Bank iterated and upgraded the “Minsheng E-Chain (民生E鏈)” product system to improve online and customised services of supply chain finance. The Bank innovatively launched the “Minsheng Knowledge Loan (民生知識貸)”, opening up new financing channels for technology-intensive manufacturing enterprises. Targeting “DRDI” enterprises and top manufacturing enterprises in a certain sector, the Bank optimised the “Easy Innovation Loan (易創貸)” series products to provide full life-cycle financial service support.

As at the end of the Reporting Period, the balance of loans to the manufacturing industry of the Bank amounted to RMB455,219 million, representing an increase of 15.39% as compared with the end of the previous year, and accounted for 10.42% of total loans of the Bank, representing an increase of 0.84 percentage points as compared with the end of the previous year.

**Transaction banking: speeding up innovation and iteration of products and creating new service experience for customers**

**The Bank optimised the effectiveness of account services and enhanced the experience of basic settlement products and services.** During the Reporting Period, with a focus on corporate account opening, account information change, adjustment to limits for internet banking and other sensitive links of customer experience, the Bank iterated and upgraded the “E-Account Opening (開戶e)” series products, and rolled out such convenient services as online self-service change of account information and online self-service adjustment to limits for internet banking, optimising the experience of account services in an all-round manner. Based on eight basic needs of customers, i.e. “business, finance, tax, expense, bill, letter of credit, foreign exchange and financing”, the Bank developed product pre-customisation solutions, including basic packages, recommended packages, exclusive packages and premium packages for customer services, pushed forward the rapid development of tax payment, payroll agency and other high-frequency services, and actively popularised income solutions for industries including macro consumption, automobile sales, and fund supervision solutions for infrastructure construction and wages of migrant workers, so as to continuously improve the scale of high-quality liabilities. During the Reporting Period, the daily average balance of general deposits of settlement customers of the Bank amounted to RMB1,232,429 million, representing an increase of RMB134,707 million, or 12.27%, as compared with the previous year.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The Bank continuously promoted the scenario-based iteration of trade finance products.** During the Reporting Period, the Bank launched the WeChat mini programme mobile billing at the application terminal of customers for e-letters of guarantee (LG) to achieve coordination between business operation and financial management of customers. The Bank optimised the handling process of cash guarantee-based online LG, and provided efficient and convenient LG services. During the Reporting Period, the business volume of e-LG amounted to RMB22,068 million, representing an increase of RMB12,196 million, or 123.54%, as compared with the corresponding period of the previous year. 6,012 e-LGs were handled, representing an increase of 3,133, or 108.82%, as compared with the corresponding period of the previous year. The Bank advanced the integrated full-process upgrading of factoring, completed the migration of all online bill products to the new-generation billing system, and realised the online trade background review of bills business. Moreover, it propelled the centralised operation and loan management of acceptance business, and promoted “Easy Bills Discounting (票易貼)”, “Acceptance and Discount Express (承貼直通車)”, “Bills Butler 4.0 (票據管家4.0)” and other products to serve customers in settlement and financing. As at the end of the Reporting Period, the balance of bills discounting of the Bank amounted to RMB286,627 million, representing an increase of RMB40,572 million, or 16.49%, as compared with the end of the previous year.

### **Feature 3: Upgrading the “E-Fund Collection and Payment” Series Products and Enhancing the Capability of Basic Settlement Services**

The Bank actively implemented the development philosophy of “concentrating on basic products and basic services, and expanding basic customer groups”, deeply explored customer demands and pain points with a focus on enterprise tax payment, reimbursement and other basic settlement scenarios, upgraded and optimised the “E-Fund Collection and Payment (資金e收付)” series products, and effectively enhanced the capability of basic settlement services of the Bank.

As for tax payment scenarios, the Bank innovatively researched and developed the “Tax and Fees Express (稅費通)” product. Based on the journey of enterprise tax payment, the Bank provided customers with a series of humanised functional services including electronic tax payment, smart remainder, inquiry analysis and mobile operations, significantly improving customer experience in tax payment. Since the launch of the product in April this year, more than 10.0 thousand customers have signed contracts with the Bank, involving a total of 2,679 transactions.

As for reimbursement scenarios, the Bank conducted special upgrade of the “Business and Finance Express (業財直通車)” product to support reimbursement application, approval and voucher upload via the “E-Connect (e點通)” mini programme. Upon approval, the reimbursement-related payment information will be directly sent to the corporate online banking system of customers, thus enabling one-click payment after financial review. During the Reporting Period, the Bank added the budgetary control payment model to meet the demands of business teams for real-time payment during non-financial working hours. Since the launch of the product last year, 12.6 thousand customers have signed contracts with the Bank.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The Bank strove to improve the facilitation of international business to help “stabilise foreign investment and foreign trade”.** During the Reporting Period, the Bank popularised smart remittance, automatic payment of inward remittance, electronic documents and other online products, promoted the centralised operation of online remittance, launched the management and control function for online transactions of capital accounts, and optimised the agency foreign exchange transaction system, providing convenient payment and settlement services for foreign trade customers. The Bank explored distinctive businesses and models, broke new ground in cross-border financial services for new energy vehicle export business, and gradually implemented cross-border e-commerce, market procurement and other new formats and businesses of foreign trade, so as to effectively enhance the brand image of “All Across the World (民生跨境一家)”.

**The Bank became the first bank in China to launch pilot foreign exchange business, and continuously promoted RMB internationalisation.** The Bank formulated the internal control system for foreign exchange business, optimised functions of foreign exchange business system, promoted the Shenzhen Branch, the Chongqing Branch and the Suzhou Branch to take the lead nationwide in launching pilot foreign exchange business, and handled nearly USD1 billion facilitation business for pilot enterprises. The Bank steadily promoted RMB internationalisation. During the Reporting Period, the business volume of cross-border RMB settlement of the Bank amounted to RMB100,977 million, representing an increase of 138.43% as compared with the corresponding period of the previous year.

**Investment banking: continuously enriching application scenarios and steadily improving comprehensive service capabilities**

During the Reporting Period, adhering to strategic orientation, services for customer groups, consistency and innovation, and risk prevention, the Bank continued to enrich application scenarios, and innovated operation models, so as to meet customers’ financial demands in an all-round, diversified and comprehensive manner. Firstly, the Bank proactively responded to the policies of the State, and enhanced resource allocation in key fields supported by the State, such as large infrastructure, the manufacturing industry, new energy and new materials, thereby facilitating the development of the real economy. As at the end of the Reporting Period, the balance of M&A loans of the Bank amounted to RMB182,824 million, representing an increase of 3.85% as compared with the end of the previous year. The balance of domestic syndicated loans (excluding M&A syndicated loans) amounted to RMB152,891 million, representing an increase of 36.21% as compared with the end of the previous year. Secondly, the Bank focused on serving national key strategies, and innovatively underwrote carbon neutrality bonds, green finance bonds, sustainable development-linked bonds, rural revitalisation bonds, and high-growth bonds, etc. During the Reporting Period, the bonds issued amounted to RMB185,751 million, of which, the Bank underwrote 369 debt financing instruments of non-financial enterprises with an amount of RMB180,881 million.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Risk management

**The Bank deepened management mechanism of the first line of defense, and pursued risk-based development.** During the Reporting Period, the Bank's corporate banking segment further consolidated its primary responsibilities of the first line of defense, and proactively transmitted and implemented various risk preferences and risk strategies. By strengthening the pre-loan, in-loan and post-loan management functions of the departments in the first line of defense, the Bank put in place internal control and compliance, case prevention and control, anti-money laundering and other comprehensive risk management work, and improved the first-line risk management of corporate business, in a bid to take a risk-based approach and strike a balance between risks and benefits.

**The Bank implemented the customer-centric philosophy and aligned risk management with customer experience.** Firstly, based on market and customer demands, the Bank optimised key business processes, strengthened standardised operation specifications, and reinforced early-warning and risk remainder for corporate clients. Furthermore, the Bank perfected the full-process management mechanism and supporting system for credit granting business to comprehensively enhance the quality and efficiency of corporate risk management, and empower business development. Secondly, the Bank constantly optimised corporate risk management tools through digital empowerment. The Bank continued to iterate the "Palm Eye (掌中眼)" system, improved digital risk control, and ensured the authenticity and accuracy of pre-loan, in-loan and post-loan on-site operations by virtue of face recognition, real-time positioning, automatic timing, image data collection, financial report recognition and other functions. Thirdly, the Bank strictly controlled qualifications of credit granting business personnel to constantly improve their professional competence.

**The Bank strictly controlled the steady progress of goals, and ensured a steady and bettering asset quality.** The Bank executed the risk preferences of "implementing strategies, safeguarding the bottom line, centring on risk control and pursuing steady progress". With the goals of strengthening value creation, saving capital consumption, and balancing risks and returns, the Bank scientifically set various risk preferences. During the Reporting Period, the asset quality of the Bank's corporate business continued to improve, and the risk resilience capability continued to enhance.

As at the end of the Reporting Period, the total NPLs of corporate business of the Group amounted to RMB44,206 million, representing an increase of RMB930 million as compared with the end of the previous year. The NPL ratio was 1.68%, representing a decrease of 0.12 percentage points as compared with the end of the previous year.

### (II) Retail banking business

#### 1. Strategic measures

During the Reporting Period, the Bank continued to deepen the development strategy of taking retail business as a long-term and fundamental strategic business, intensified the integrated development of customer groups, and continuously enhanced the capability in management of segmented customer groups. The Bank upgraded the product and service system, strengthened digital management capabilities, and improved customer experience, in an aim to foster competitive advantages of retail business in the market.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**In terms of customer acquisition, the Bank accelerated the integrated development and advanced batch and precise customer acquisition.** In terms of external expansion-oriented customer acquisition from ecosystems, the Bank deeply collaborated with internet platforms based on core needs of customers, enriched scenarios of shopping malls and supermarkets, and explored travel ecosystem, etc., striving to improve the quality and efficiency of batch customer acquisition. In terms of organic growth-oriented customer acquisition from “integrated development + members get member (MGM)”, the Bank strengthened the development of payroll agency service system, and reinforced the customer acquisition with coordination between debit card and credit card. During the Reporting Period, the number of new individual customers was 2,984.3 thousand, representing an increase of 22.58% as compared with the corresponding period of the previous year. Financial assets brought by the new customers increased by RMB67,454 million.

**In terms of customer group management, the Bank improved the effectiveness of layered and segmented management of customer groups to create distinctive advantages.** In connection to the standardised management of general customer groups, the Bank put emphasis on pushing forward large-scale and digital deployments. In connection to the professional management of wealth management customer groups, the Bank focused on stable wealth management product shelf and building of professional wealth management teams. In connection to the personalised management of private banking customer groups, the Bank deployed the construction of private banking centres and the remote expert service model. The Bank deepened the customised services of “Minsheng Intelligent Butler (民生慧管家)” for entrepreneur customer groups. As for credit card customer groups, the Bank continuously improved refined service capability and customer experience.

**In terms of products and services, customer experience was upgraded in an all-round manner to stimulate operational potential.** Firstly, the Bank strengthened the development of basic product shelf, enriched payment ecosystem, and set up exclusive savings products for distinctive customer groups. Secondly, the Bank upgraded product shelf for wealth management and private banking, innovated its services, and formed characteristics. Thirdly, the Bank perfected the customer experience monitoring system, advanced digital experience management, continuously expanded the net promoter score (NPS)<sup>2</sup> monitoring channel and journey, and strengthened the building of customer experience officer teams and event operations. During the Reporting Period, the NPS of customers who received systematic survey of the Bank reached 84.89%, representing an increase of 1.64 percentage points as compared with the corresponding period of the previous year.

<sup>2</sup> NPS (Net Promoter Score) is an indicator that measures the possibility of a customer in recommending an enterprise or service to others. The NPS value in this report is the result of NPS survey initiated by the self-built system of the Bank.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, total profit of retail business of the Bank amounted to RMB10,134 million, representing a decrease of 26.35% as compared with the corresponding period of the previous year. Operating income from retail business amounted to RMB31,601 million, representing a decrease of 5.52% as compared with the corresponding period of the previous year, accounting for 47.18% of operating income of the Bank, representing a decrease of 0.78 percentage points as compared with the corresponding period of the previous year (accounting for 47.76% of operating income from corporate and retail businesses of the Bank, representing an increase of 0.51 percentage points as compared with the corresponding period of the previous year). Of which, net interest income from retail business amounted to RMB25,405 million, representing a decrease of 4.33% as compared with the corresponding period of the previous year, accounting for 80.39% of operating income from retail business. Net non-interest income from retail business amounted to RMB6,196 million, representing a decrease of 10.14% as compared with the corresponding period of the previous year, accounting for 19.61% of operating income from retail business and 39.49% of net non-interest income from corporate and retail businesses of the Bank. During the Reporting Period, fee and commission income from retail wealth management of the Bank (excluding wealth management fee) amounted to RMB2,195 million, representing an increase of 14.08% as compared with the corresponding period of the previous year, accounting for 35.43% of the net non-interest income from retail business. Of which, income from agency sales of funds amounted to RMB412 million, income from agency sales of insurance amounted to RMB1,015 million, and income from agency sales of wealth management products amounted to RMB747 million. Fee income from retail bank card amounted to RMB5,276 million, representing an increase of 6.95% as compared with the corresponding period of the previous year.

As at the end of the Reporting Period, total retail AUM of the Bank amounted to RMB2,302,095 million, representing an increase of 4.76% as compared with the end of the previous year. Of which, the financial assets of customers holding gold and higher level cards amounted to RMB1,906,423 million, representing an increase of 3.78% as compared with the end of the previous year, accounting for 82.81% of total retail AUM of the Bank. Retail savings deposits amounted to RMB1,168,952 million, representing an increase of RMB166,891 million, or 16.65%, as compared with the end of the previous year. Of which, structured deposits amounted to RMB33,000 million, accounting for 2.82%.

As at the end of the Reporting Period, total retail loans (including credit card overdraft business) of the Bank amounted to RMB1,851,856 million, representing an increase of RMB52,698 million as compared with the end of the previous year, and accounted for 42.40% of total loans of the Bank, representing a decrease of 1.29 percentage points as compared with the end of the previous year. The balance of mortgage loans amounted to RMB557,918 million, representing a decrease of RMB12,478 million, or 2.19%, as compared with the end of the previous year. Credit card overdrafts amounted to RMB453,285 million, representing a decrease of RMB9,503 million as compared with the end of the previous year.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Customer groups

As at the end of the Reporting Period, the number of retail customers<sup>3</sup> of the Bank was 126,323.6 thousand, representing an increase of 3.69% as compared with the end of the previous year. The number of eligible private banking customers was 45,248, representing an increase of 3,054, or 7.24%, as compared with the end of the previous year.

The number of VIP customers was 3,833.2 thousand, representing an increase of 170.2 thousand as compared with the end of the previous year. The number of retail loan customers was 3,092.0 thousand, representing an increase of 153.2 thousand as compared with the end of the previous year.

**The Bank built high-quality internet scenarios and deepened the model of integrated customer acquisition.** In terms of customer acquisition through open platforms, with the goal of “creating a better life with customers”, the Bank built localised consumption ecosystems, and set up a diversified customer benefit system. The Bank proactively connected with government affairs-related projects for people’s convenience, and expanded the service scope of social insurance cards, medical insurance cards, and campus smart cards. During the Reporting Period, the number of new customers holding the UnionPay ecosystem-based cards was 701.4 thousand, and the number of new customers from other ecosystem-based projects was 1,407.8 thousand. In terms of organic growth-oriented customer acquisition, the Bank carried out the optimisation of “end-to-end” payroll agency customer joinery and the development of “Enterprise Payroll Express (企薪通)” platform, and strengthened the characteristics of “Salary-Based Happy Life (薪悦生活)” brand. During the Reporting Period, 47.1 thousand new enterprises signed the contracts for payroll agency, bringing in 700.4 thousand employee customers.

The Bank continuously built the layered management system for retail customer groups, and deepened the standardised management of general customer groups, the professional management of wealth management customer groups, the personalised management of private banking customer groups, the customised management of entrepreneur customer groups, and the refined management of credit card customer groups, so as to improve the capability in digital management of retail customers, and build up the core competitiveness for the management of segmented customer groups.

<sup>3</sup> Number of retail customers refers to individual customers (including class I, II, and III accounts), customers who only hold credit cards, and micro and small legal person customers with normal customer status.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The Bank conducted standardised management of general customer groups.** Firstly, the Bank deepened the standardised management system, and upgraded the strategy for the management of new customer journey. During the Reporting Period, the Bank reached a total of 162 million customers. Of which, 1,053.0 thousand were new customers, and 39.89% of new target customers reached the deposits level of RMB1,000. 769.1 thousand existing basic customers realised escalation to a higher deposit level<sup>4</sup>. Secondly, the Bank perfected quasi elderly care service scenarios to realise full series of personal pension product shelves. As at the end of the Reporting Period, the number of personal pension accounts of the Bank was 1,320.1 thousand, representing an increase of 924.9 thousand as compared with the end of the previous year. Thirdly, the Bank completed the full coverage of online companion services at branches, and promoted standardised management of communities. As at the end of the Reporting Period, the number of customers who added corporate WeChat accounts of the Bank exceeded 9,523.7 thousand, representing an increase of 2,118.7 thousand as compared with the end of the previous year. Of which, 81.91% were new customers.

**The Bank improved the professional service capabilities for wealth management customer groups.** Firstly, the Bank implemented a sound wealth management system, and continuously enriched full-scenario shelves of wealth management products with a focus on robust wealth management and guaranteed insurance products. Underpinned by the service system with exceptional experiences, the Bank worked to meet customer demands for sound investment. Secondly, the Bank strengthened professional empowerment to teams. Through the basic insurance skills training, the platform for exchange of experiences of “Insurance • Expert Talk (保險•達人說)” and other activities, the Bank effectively enhanced the advantages in professional management of teams, and achieved rapid growth in the scale of agency sales of insurance. During the Reporting Period, the premium scale of guaranteed insurance increased by 1.28 times as compared with the corresponding period of the previous year.

<sup>4</sup> Escalation of existing basic customers to a higher deposit level means that existing customers at a deposit level of RMB1,000 and below at the beginning of the period escalated into customers at effective and above levels.



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The Bank deepened personalised management of private banking customer groups and customised management of entrepreneur customer groups.** Firstly, the Bank continued to deepen the entrepreneur customer service system of “Minsheng Intelligent Butler”. During the Reporting Period, the remote experts of “Minsheng Intelligent Butler” provided customers with nearly 670 sessions of exclusive customised exchanges, and offered one-stop services to meet diversified demands of customers for wealth management, family inheritance, family property management, and enterprise operation. Secondly, the Bank comprehensively upgraded the private banking centre service model by developing core functions of new physical places, putting in place the remote expert service model, and launching the private banking lounge service. Thirdly, the Bank reshaped the investment consultant teams, gave full play to their professional competence to coordinate the use of resources, horizontally linked the “product lines” and the “service lines”, and empowered wealth managers in terms of customer services and product marketing in an all-round manner, so as to improve the customer service capability and the experience of private banking centres. Fourthly, the Bank built the “Tailor-Made by Minsheng (民生私人定制)” brand, and integrated internal and external expert and institution resources to customise exclusive investment strategies and asset allocation plans for customers. During the Reporting Period, the Bank provided customers with more than 700 private customisation services with customised products valuing nearly RMB8.7 billion. Fifthly, the Bank set up the “Wealth Management Desk (财富工作台)” for the wealth managers in the SA System, which enabled the private banking wealth managers to fully reach customers under the dual maintenance models of the private banking centres. As at the end of the Reporting Period, the financial assets of eligible private banking customers under management amounted to RMB600,720 million, representing an increase of 5.37% as compared with the end of the previous year.

**The Bank conducted refined management of credit card customer groups.** Firstly, the Bank constantly improved its customer group structure, struck a balance between risks and returns, and optimised customer access, granting of credit limit, and strategies for allocation of advantageous resources and exclusive benefits. During the Reporting Period, 86.43% of new credit card customers had stable consumption. Secondly, the Bank upgraded the intelligent customer management system, and made coordinated planning on existing customer management businesses, such as customer winback, dormant account revitalisation, and activation of card renewal, by applying big data models and intelligent robot interaction schemes, in a bid to elevate the effectiveness of refined management of customer groups. Thirdly, the Bank improved and iterated the functions of platforms, continuously optimised the user experience of Daily Life App (全民生活 APP), and promoted the development of Daily Butler (全民管家) mini programme, thus providing customers with more diversified payment modes of Daily Butler. As at the end of the Reporting Period, the total number of credit cards issued by the Bank was 70,084.5 thousand, representing an increase of 2.80% as compared with the end of the previous year. The number of credit card customers was 49,371.8 thousand, representing an increase of 3.23% as compared with the end of the previous year. The total number of customers holding both credit cards and debit cards was 16,041.6 thousand. During the Reporting Period, the transaction volume of credit card reached RMB1,176,601 million. Of which, the transaction volume of electronic payments (including fast payments, mobile payments, gateway payments, and Daily Life App payments) reached RMB305,936 million, representing an increase of 5.29% as compared with the corresponding period of the previous year.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The Bank improved the capabilities in customer group inventory and management driven by business opportunities and strategies.** The intelligent marketing platform witnessed a significant growth in terms of strategies and activities. As at the end of the Reporting Period, a total of 5,823 strategies were deposited in the strategy library, representing an increase of 65.93% as compared with the end of the previous year. 39,331.9 thousand customers were covered, representing an increase of 76.69% as compared with the end of the previous year. 357 million clues of business opportunities were generated in total, representing an increase of 83.01% as compared with the end of the previous year. During the Reporting Period, the marketing cloud activity platform initiated a total of 15,938 activities, representing an increase of 32.10% as compared with the corresponding period of the previous year. The application of intelligent sales tools achieved remarkable results. As at the end of the Reporting Period, the monthly active users of Minsheng Mofang (民生魔方) amounted to 20.0 thousand. The Bank unified multiple entrances and multiple scenarios of the SA System, emphasised internal user experience, and launched the community desk and wealth management desk, so as to improve the characteristic support of systems for community and wealth management businesses. Moreover, the scope of data application was further expanded.

### **Comprehensive management of micro and small customer groups**

**Breakthroughs were made in increment and expansion.** As at the end of the Reporting Period, the balance of small business loans of the Bank amounted to RMB760,594 million, representing an increase of RMB77,153 million, or 11.29%, as compared with the end of the previous year. The number of small business customers with balance of loans was 721.3 thousand, representing an increase of 72.6 thousand, or 11.19%, as compared with the end of the previous year. The balance of inclusive small business loans of the Bank amounted to RMB593,532 million, representing an increase of RMB44,481 million, or 8.10%, as compared with the end of the previous year. During the Reporting Period, the average interest rate of inclusive small business loans was 4.70%, representing a decrease of 7BP as compared with the previous year. As at the end of the Reporting Period, the NPL ratio of inclusive small business loans was 1.17%, representing a significant decrease of 0.53 percentage points as compared with the end of the previous year.

**Integrated services enhanced customer experience.** Firstly, the Bank built a five-in-one integrated service and host bank indicator system, covering account and settlement, convenient financing, scenario-based SaaS, benefit system, and integration of corporate banking and private banking, etc. Secondly, the Bank set up a manager team for SME customer groups, which, focusing on daily frequent operation demands of MSMEs, provided high-quality account services, convenient online services for basic settlement and cash management products, and the companion services of "Count on Me (有我在)" by the SME customer manager teams. Thirdly, the Bank shared comprehensive services in open ecosystems, and established a three-in-one internet platform service system for MSMEs, including building the ecosystem service platform and the benefit platform for micro, small and medium customer groups, optimising account and basic settlement products and services, and expanding the breadth and depth of services.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**“One Minsheng” enhanced collaboration capability.** The Bank gathered the strengths of the whole bank to conduct small business and established the integrated linkage mechanism for MSMEs, large enterprises and retail customers, providing three-dimensional and all-round services for MSEs. Firstly, through core enterprises, the Bank provided convenient online financing services such as “E-Credit Finance (信融e)” for customer groups in the industry chains, and extended its services to more micro, small and medium customers in the upstream and downstream of their industry chains. Secondly, the Bank established a two-way maintenance and coordination mechanism for the retail teams, strengthened the C-end customer services and the wealth management services for MSEs, and improved customer stickiness and comprehensive contribution. Thirdly, the Bank enhanced customer experience through “Go With You (與你同行)”, “Small Steps to Big Success (星火燎原)”, and dual butler services. Fourthly, through the “supply chain customer conventions”, the Bank achieved win-win results with enterprises by adopting the comprehensive service model of “finance + intelligence + commerce”. Fifthly, the Bank strengthened the construction of the manager teams for small business customers and enhanced customer service professionalism by strengthening layered qualification management and promoting the “Iron Discipline Action”.

**Product empowerment strengthened customer management.** Firstly, the Bank improved product offerings and diversified its products, and launched four major categories of innovative online products including “Minsheng Benefits (民生惠)” credit loan products, supply chain data-based credit enhancement products, scenario data-based credit enhancement products, and the products featuring the integration of inclusive finance and rural revitalisation. Secondly, the Bank expanded channels to offer green services, built Minsheng small business App 3.0, reconstructed the online platform of green financing services, and realised convenient digital acceptance on the mobile terminal. During the Reporting Period, the registered users of Minsheng small business App exceeded 1.37 million. Thirdly, the Bank built scenarios to upgrade accurate support. It formulated special business development plans for MSMEs such as industrial parks, customers in the industry chain, DRDI enterprises, and international business customer groups, and launched the “Honeycomb Plan (蜂巢計劃)” to focus on regional distinctive markets, and empowered micro and small sci-tech innovation enterprises to grow through the “Spark Loan (星火貸)”.

**Technology empowered digital inclusion.** Firstly, the Bank strengthened data and technology empowerment, built a smart decision-making risk base, strengthened the data-based middle office construction and the construction of data marketing clue portrait generation models, and enhanced the digital precision marketing capabilities. Secondly, the Bank promoted full-process digitalisation, enriched the functions of the SA System on customer relationship management, launched the micro and small credit risk management system (MCS system) for credit management, and improved the pre-loan, in-loan, and post-loan service efficiency and risk control ability.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The Bank pursued inclusive finance to fulfil its corporate social responsibility.** Firstly, the Bank continued to improve the working mechanism for inclusive finance of the whole bank, promoted the implementation of the national inclusive finance strategy with high-level planning, high-quality development, high-standard construction, and high-level management, and improved the quality and efficiency of financial services for MSEs. Secondly, the Bank improved policies and rules to serve national strategies such as rural revitalisation and green finance, strengthened the guidance of regional layout, continued to optimise inclusive agricultural products such as “Agricultural Loan Express”, “Photovoltaic Loan”, “Cotton Grower Loan (棉農貸)”, and “Agricultural Reclamation Loan (農墾貸)”, and quickly iterated the business process and administrative measures for key products. Thirdly, the Bank conducted the “Going to Thousands of Enterprises (民生進萬企)” series of activities, took the initiative to visit business areas, parks, business chambers and associations, and held a wide variety of financial and non-financial service activities. The Bank pushed services down to the basic-level areas, facilitated the operation and development of MSMEs, and made every effort to promote the orderly recovery and steady growth of the real economy.

### **Feature 4: Further Deepening the New Model for Small Business to Precisely Serve Small Business Customers**

On the basis of the reform of the new model of small business, the Bank continued to further deepen its efforts in model optimisation, product upgrading, team building, and activity empowerment, expanded services for micro and small market players, precisely served micro and small customers, and improved the quality and efficiency of services to the real economy.

**Firstly, the Bank launch the “Honeycomb Plan”, upgrading the model to serve regional distinctive customers.** Focusing on regional distinctive industries, the Bank launched the “Honeycomb Plan”. Through the combination model of “scenario + agile machine approval + qualification management + offline data supplement”, the Bank built a “honeycomb” for MSEs featuring “extensive customer acquisition, strong risk control and fast implementation”, and enhanced its ability to serve industries with regional distinctive characteristics. Since the launching in 2023, the “Honeycomb Plan” has been implemented at over 20 branches, and has accepted more than 40 projects with a total limit amount of over RMB5 billion.

**Secondly, the Bank introduced the “Minsheng Benefits” credit loan products and upgraded the products to serve online customers.** The Bank improved the spectrum of small business products, optimised the development strategy, created the “Minsheng Benefits” series of major credit loan products, and concentrated resources to iterate and upgrade product functions. Based on more than 200,000 data items inside and outside the Bank, the Bank completed customer value segmentation and precisely targeted customer groups based on active credit granting and smart decision-making, and realised the online legal person business and the aggregation of individual business. From the launching in 2023 to the end of the Reporting Period, the cumulative credit granting of “Minsheng Benefits” credit loan products exceeded RMB1.8 billion and the balance of outstanding loans exceeded RMB1.0 billion. In the future, the Bank will continue to rapidly iterate and optimise “Minsheng Benefits”, and strive to achieve innovative breakthroughs in smart risk control and business model of small business.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**Thirdly, the Bank built a dedicated manager team for SME customer groups to serve no loan customers.** Focusing on improving the capabilities of basic accounts, settlement products and online services for MSMEs, the Bank established a manager team for SME customer groups in 22 pilot branches in the first half of the year, in an aim to strengthen basic account services, fully implement the benefit system for SME customer groups, and enhance customer experience and customer stickiness. The Bank intensively served more than 800.0 thousand customers.

**Fourthly, the Bank carried out the “Going to Thousands of Enterprises” activities and upgraded services to serve tens of thousands of MSEs.** The Bank carried out the “Going to Thousands of Enterprises” series of activities, and the local branches developed relevant distinctive plans. Focusing on “field visits”, “credit support” and “comprehensive services”, the Bank introduced a series of support measures such as greater financing, better services, stronger actions and more preferential terms, and delivered key products, customer benefits, bonus and corporate financial management services to tens of thousands of MSEs in a more active, precise and effective manner. Since February 2023, the Bank has carried out a total of more than 10.0 thousand activities, including over 200 bank-government exchange activities, over 700 bank-industrial park activities, over 400 bank-business chamber and association activities, and more than 200 bank-supply chain customer groups activities.

### 3. Businesses and products

**The Bank strengthened basic products and services.** Firstly, the Bank enhanced cross-border financial service capabilities, and officially launched the “Northbound Connect (北向通)” under the “Cross-Border Wealth Management Connect (跨境理财通)”, designing a comprehensive service plan for exchange settlement of salary for corporate employees. Secondly, the Bank built an online comprehensive family financial service zone and promoted the “Little Wealth Butler (财富小管家)” to reinforce the concept of financial quotient education, and created the “Future Stars Programme” special account wealth management plan. Thirdly, the Bank developed the payment business in an integrated manner, continuously organised marketing activities by centring on fast payment binding, payment scenarios and preferential merchants. The Bank developed the “Preferential Minsheng Day (聚惠民生日)” activities focusing on the “Goddess Festival (女神節)” (8 March), “618 Global Shopping Gala” and other hot-spot themes to support customer consumption and expand settlement services. During the Reporting period, the newly contracted users of fast payment of debit card of the Bank increased by 2,016.6 thousand. Fourthly, the Bank upgraded the customer benefit system, launched a variety of activity forms, and enriched the benefit categories. During the Reporting Period, the new V+ member customers of the Bank increased by 292.1 thousand and the new customers of rewards points shopping mall increased by 104.5 thousand. The Bank continued to refine the VIP benefits of “Apex Privileges”, upgraded the mobile banking functional area, established a customer experience monitoring mechanism, and launched a full-dimensional benefit data board system. Fifthly, the Bank continued to improve consumer rights protection management, and in 2022, the Bank continued to maintain A level in the financial consumer rights protection assessment by the People’s Bank of China.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### **The Bank continued to upgrade the product shelf for wealth management and private banking.**

Firstly, the Bank further optimised the wealth management product system, subdivided it into nine series depending on product features, and focused on the main products of “Current Deposit Management (活錢理財)”, “Assured Wealth Management (安心理財)” and “Sound Selection (穩健優選)” to meet customer demands for sound wealth management. Secondly, the Bank upgraded the brand of “Minsheng Bedrock (民生磐石)”, comprehensively improved the capabilities in five aspects including product form, investment strategy, investment team, risk control, product type and service, deepened cooperation with premier fund companies, and gathered high-quality resources to deliver better investment experiences to investors. Thirdly, the Bank launched the new “Minsheng Daily Treasure (民生天天寶)” fund service, providing customers with current deposit management services of smart redemption and real-time arrival of large amount transfers. Fourthly, to further tap into the customer demands for long-term security, the Bank strengthened the introduction of annuity insurance, life-long life insurance, and other key security products, and effectively allocated insurance products for the customers. Fifthly, from the customers’ perspective, the Bank reshaped the product shelf for private placement, created a differentiated strategy system, continued to enrich the shelf products, and provided customised products and services to meet the personalised allocation demands of customers.

### **The Bank achieved the target of phased transformation of consumer loan business.**

Firstly, the Bank continued to increase the placement of housing loans. During the Reporting Period, the cumulative amount of personal housing loans placed was RMB45,153 million, representing an increase of RMB5,992 million as compared with the corresponding period of the previous year. At the same time, the Bank adhered to the customer-centric philosophy, provided customers with convenient repayment services, and handled loan repayments of RMB57,588 million in the first half of the year to effectively meet customers’ repayment needs. Secondly, the “Easy Loan (民易貸)” product basically realised online operation and automation. The Bank focused on the acquisition of employees of strategic clients and customers from ecosystems, and implemented integrated development. As at the end of the Reporting Period, the balance of “Easy Loan” – a personal credit consumer loan of the Bank amounted to RMB43,409 million, representing an increase of RMB6,454 million, or 17.46%, as compared with the end of the previous year. Thirdly, the auto finance business saw ice breaking and completed the construction of the full consumer loan product system. The auto loan business system was launched at the end of March, and the business process was fully online.

**Physical distribution channels.** The Bank has established an effective domestic distribution network for retail banking that covered all provinces in the Chinese mainland with focus on the Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and other regions. As at the end of the Reporting Period, the sales network of the Bank covered 138 cities in the Chinese mainland, including 146 branch-level institutions (including 41 tier-1 branches (excluding the Hong Kong Branch), 105 tier-2 branches (including the remote sub-branches)), 1,238 business outlets of sub-branches (including the business departments), 1,079 community sub-branches, and 137 small business sub-branches.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The Bank promoted the transformation of outlets and initiated the upgrading of community finance.** Firstly, the Bank started the network image renewal and upgrade, developed the grid-based customer acquisition and management platform, and promoted the integration and collaboration of channels. The Renmin Road Sub-branch in Nanyang and the Weixing Sub-branch in Changchun were awarded the “Top 100 Demonstration Outlets of Civilised and Standardised Service in the Banking Industry of China”. Secondly, the Bank started the upgrading of community sub-branches, positioned them as “convenient and intelligent banks providing inclusive services”, deepened their function of wealth management, expanded basic businesses such as consumer loan, credit card, payment and settlement, and comprehensively built referral service capabilities for MSMEs. As at the end of the Reporting Period, the financial assets of community customers amounted to RMB407,899 million, representing an increase of RMB25,075 million as compared with the end of the previous year. Thirdly, the Bank developed the innovative remote expert service model, expanded the business acceptance scope of outlets, provided professional services for value customers intensively and efficiently, promoted the all-rounder employee model, introduced the service philosophy across all outlets of the whole bank, and helped improve lobby operations. Fourthly, the Bank took over the AML due diligence and the anti-gambling and anti-fraud verification of personal accounts from outlets to implement centralised operations, introduced external data for cross-verification, optimised channel limit management and opened remote banking adjustment channels, and shortened the single business processing time by more than 40%.

### **Feature 5: Taking Root in the Communities and Upgrading Inclusive Services to Benefit the People**

The Bank established the first domestic community sub-branch in 2013. Over the past 10 years, adhering to the mission of “serving the public, caring about people’s livelihood”, the community outlets have taken root in the communities and are committed to covering the last mile of financial services. At present, the community outlets have covered 132 cities across the country, contributing the Minsheng strength to serving the public and developing inclusive finance. In 2023, the Bank fully launched the upgrading of community finance, innovated development models, improved service capabilities, optimised operation processes, deeply integrated community life service scenarios, delivered financial and non-financial services to communities and business districts, and created “the convenient and intelligent bank that provides inclusive services”.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**Relying on finance, the Bank embraced open integration for joint development of communities and business ecosystems.** The community outlets enjoyed the natural advantages of advancing together with the people and growing side by side with customers, providing professional financial services for community families and meeting their demands for savings deposits and investments for children, and building an elderly-friendly service ecosystem. The community outlets provided comprehensive financial services for businesses, and worked closely with industrial parks, sub-districts and properties to support the construction of commercial circles, in a bid to create a convenient life circle to inject new vitality into living and consumption. The community outlets provided new citizens with considerate financial services, supported them to find jobs, start up businesses, and integrate into new life. In addition, the community outlets provided customers with the experiences of multiple products and all channels, building the “one-stop” integrated finance experience stores in the communities. As at the end of the Reporting Period, 845 sessions of parent-child “Financial Quotient Training Camp (財商訓練營)” were carried out across the country, and the “Benefits around You” mini programme covered over 9,300 merchants, providing small business acceptance, preferential benefits in the life circle and other services.

**The Bank provided considerate companion services and improved the digital experience channels.** The Bank cared about segmented customer groups and the community outlets carried out considerate non-financial services including “Sports Circle (運動圈)” theme activities, “Coming Together for Charity (益起同行)” public welfare activities, and community group buying activities. In May 2023, the Bank launched the “Accompanying with Heart (用心•陪伴)” Mother’s Day themed activities. In cooperation with high-quality merchants around the communities, the Bank organised more than 700 activities such as women’s health theme lectures, emotional topic salons, flower arrangements, DIY greeting cards, beauty and nail art, and family photography. The Bank upgraded the mobile operation tools of community outlets, improved customer portrait, smart recommendation, standardised operation and smart management. With the help of the remote banking system, the community outlets launched the “remote signing” service for small business and consumer loan contracts. Customers could remotely connect to the agent of the branch at community outlets, who remotely witnessed the full signing process, so that important documents such as contracts could be signed safely and conveniently.

**The Bank forged characteristics in practice and explored the road of sustainable development.** The community outlets, which have become important channels to expand the basic customer base, have achieved consistent results in improving business structure and exploring light banking.

### 4. Risk management

**The Bank kept iterating the smart monitoring and early warning system, and continued to improve the risk prevention and control capability of consumer loans.** The Bank promoted the iteration and optimisation of the monitoring and inspection system for mortgage real estate and developers, and further improved the automatic early warning level of batch risks. The Bank continued to optimise the automatic monitoring and early warning indicators of platform cooperation loans, and continuously improved the accuracy of indicator data. The Bank improved the transaction control strategy for loan capital flow, and increased the accuracy and coverage of interception of illegal transactions.



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the quality of retail assets generally remained stable. As at the end of the Reporting Period, the NPLs of retail banking business (credit card inclusive)<sup>5</sup> amounted to RMB24,797 million, representing a decrease of RMB1,314 million as compared with the end of the previous year. The NPL ratio of retail banking business was 1.41%, representing a decrease of 0.09 percentage points as compared with the end of the previous year. Total special-mentioned retail (credit card inclusive) loans<sup>6</sup> amounted to RMB17,834 million, and the special-mentioned loan ratio was 1.02%. The NPLs of credit card business amounted to RMB13,135 million, representing an increase of RMB789 million as compared with the end of the previous year. The NPL ratio of credit card business was 2.90%, representing an increase of 0.23 percentage points as compared with the end of the previous year. The NPL ratio of mortgage loans was 0.57%, representing an increase of 0.07 percentage points as compared with the end of the previous year. The NPL ratio of non-mortgage consumer loans was 0.95%, representing a decrease of 0.13 percentage points as compared with the end of the previous year.

### (III) Treasury business

#### 1. Strategic measures

The Bank always adhered to the “customer-centric” strategic arrangements, resolutely advanced the reform and transformation of customer group management and business operation model, and promoted the steady and orderly development of all financial markets businesses. Firstly, the Bank continuously deepened the management of financial institution customer groups, strengthened the layered and classified marketing system for financial institution customers, focused on strategic clients, and developed the differentiated customer group management model, so as to comprehensively implement the integrated marketing coordination. Secondly, the Bank adhered to equal emphasis on the two-wheel drivers of “proprietary + agency”, strengthened the concept of “serving customers, serving branches, serving customer groups”, improved professional investment research capabilities, and deepened the reform on bond investment. Thirdly, the Bank focused on key customer groups and key products, improved comprehensive financial service capabilities of agency products, and promoted the high-quality development of financial markets business. Fourthly, the Bank advanced the reshaping of custody business and developed itself into a premier custody bank.

<sup>5-6</sup> The NPLs of retail banking business (credit card inclusive) and the special-mentioned retail (credit card inclusive) loans were information of the Group, excluding micro and small legal person loans.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Customer groups

The Bank continuously improved centralised marketing, centralised credit extension and other working mechanisms of financial institution customer groups, deepened the specialised management of financial institution customer groups, and sought to improve the quality and efficiency of comprehensive development. Firstly, the Bank strengthened the coordinated marketing of financial institution customer groups, focused on strategic clients, conducted layered and classified management, and increased the integrated service level for key customers. Secondly, the Bank optimised the credit extension management model for financial institution customer groups, refined risk management, and developed differentiated strategies to enhance the market competitiveness of credit extension to financial institution customers. Thirdly, the Bank improved the quality and efficiency of marketing work for financial institution customers, strengthened the coordination between the Head Office and branches, organised marketing activities, strengthened technology empowerment, created the “E-Interbank+ (同業e+)” brand, and continued to improve marketing effectiveness.

### 3. Businesses and products

#### (1) Interbank treasury business

During the Reporting Period, the Bank adhered to the customer-centric philosophy and market-oriented management, actively grasped the opportunities of treasury business and investment business, optimised the asset-liability structure, and achieved steady business development. Firstly, the Bank optimised the liability structure. The Bank maintained the scale of demand deposits from financial institutions business and the scale of interbank negotiable certificate of deposits (IBNCD) generally stable. As at the end of the Reporting Period, total interbank liabilities (including IBNCD) amounted to RMB2,071,746 million, representing an increase of 3.02% as compared with the end of the previous year. Secondly, the Bank promoted the asset placement. As at the end of the Reporting Period, total assets of financial institutions business amounted to RMB314,323 million, representing an increase of 10.91% as compared with the end of the previous year.

#### (2) Financial markets business

In terms of fixed-income business, the Bank deepened the business reform to improve portfolio management. The Bank deepened the reform of its bond investment business and created an integrated Minsheng fixed-income brand covering investment, trading, sales, agency and others. On the one hand, the Bank improved the market-oriented, specialised and standardised management of bond business. The Bank effectively improved the liquidity and profitability of bond portfolios by appropriately arranging product maturity terms, strengthening portfolio structure adjustments, and making focused allocation of treasury bonds, local government bonds, policy financial bonds and high-rating unsecured bonds. On the other hand, the Bank implemented the philosophy of “financing for the people”, supported the high-quality development of the real economy, proactively participated in the investments in themed bonds and asset-backed securitisation products related to green finance, “carbon neutrality” and rural revitalisation, etc., and served the transformation and upgrading of the real economy. As at the end of the Reporting Period, total bond assets of the Bank amounted to RMB1,925,511 million, of which, the RMB denominated bond assets amounted to RMB1,805,692 million and the bond assets denominated in foreign currencies amounted to RMB119,819 million (after conversion).

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

In terms of foreign exchange business, the Bank strengthened the publicity of foreign exchange hedging services, based on serving the real economy. The Bank advocated the philosophy of exchange rate risk neutral and continued to guide clients to enhance their awareness of exchange rate risk management. By strengthening the research and development of foreign exchange risk hedging products, optimising and upgrading business system, expanding sharing information with customers and other measures, the Bank continued to improve customer service efficiency, reduced the cost of enterprises in information acquisition and hedging transaction, and provided corporate clients with high-quality exchange rate risk hedging services. At the same time, the Bank actively expanded the foreign exchange business of interbank institutions to meet the exchange and hedging needs of small and medium financial institutions in foreign exchange settlement and sale, and foreign exchange trading. During the Reporting Period, the trading volume of derivatives in the domestic interbank foreign exchange market amounted to USD467,540 million, and the Bank ranked among the top in the comprehensive ranking of market makers in the interbank foreign exchange market.

In terms of precious metals business, the Bank implemented the “customer-centric” philosophy, and proactively established an integrated and comprehensive service platform encompassing “physical object, stocking, investment, trading, risk hedging, wealth management, and financing”. As for retail business, the Bank applied digital means to promote the innovation of products and channels, empowered the full life journey of individual customers, and grew together with them. As for corporate business, starting from customer demands, the Bank provided gold leasing, price risk hedging, agency trading of precious metals, agency sales of precious metals products, clearing bank and other services, met the production demands of enterprises in the gold industry chain, and supported the development of the real economy. Meanwhile, the Bank proactively fulfilled its responsibilities of a market maker in the interbank gold price asking market of Shanghai Gold Exchange and the market of Shanghai Futures Exchange, and prudently conducted proprietary trading within the risk limits. During the Reporting Period, the trading volume of gold of the Bank amounted to 539.47 tons with the trading amount reaching RMB235,254 million. The trading volume of silver amounted to 1,476.92 tons with the trading amount reaching RMB7,680 million. The Bank is one of the top 10 market makers in the interbank price asking market of Shanghai Gold Exchange, and also one of the gold-medal winner market makers of gold futures in Shanghai Futures Exchange.

In terms of structured products, the Bank continued to optimise customer investment tools and improved the allocation efficiency of social funds in the field of rural revitalisation. The Bank further enriched the shelf of structured deposit products and agency derivative products, providing diversified investment tools for corporate clients and individual customers. Based on customer needs, the Bank continuously promoted the construction of digital system, built an intelligent customisation platform for structured deposits, and helped enhance customer experience and core competitiveness of the products. The Bank proactively implemented the philosophy of green development, innovatively developed and successfully released the Minsheng Bank Rural Revitalisation Main-Category Assets Allocation Index – the market’s first asset allocation index with the theme of rural revitalisation – and was the first to launch the structured deposit products linked to the index, which further enriched investors’ asset allocation themes and strategy selection, and improved the allocation efficiency of social funds in the field of rural revitalisation.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (3) Asset custody business

In terms of asset custody business, the Bank continued to promote the reform and transformation of custody business, implemented the “custody+” coordination mechanism internally, and promoted the growth in the custody scale of core products. Externally, the Bank launched the self-service butler service for custody operation, and the real time gross settlement (RTGS) transaction fund clearing function, continuously improved professional service capabilities and customer service experience, and developed itself into a full-scenario custodian bank that served customer journey. As at the end of the Reporting Period, total assets under the custody of the Bank amounted to RMB11.96 trillion, of which, total insurance funds under the custody amounted to RMB428,087 million, representing an increase of 25.04% as compared with the end of the previous year.

In terms of pension business, the Bank closely focused on the strategic layout of the national pension system, continuously strengthened the strategic positioning of pension business, and attached great importance to the development of pension business such as corporate annuity and occupational annuity. During the Reporting Period, the Bank adhered to the customer-centric philosophy, constantly improved duty performance capabilities, and proactively promoted the high-quality development of pension business of the whole bank. As at the end of the Reporting Period, the number of personal accounts under corporate annuity account management business reached 240,034, representing an increase of 37.08% as compared with the end of the previous year. The size of corporate annuity under the custody of the Bank amounted to RMB53,030 million, representing an increase of 5.40% as compared with the end of the previous year.

## 4. Risk management

### (1) Credit granting to financial institution customer groups

The Bank continuously optimised the centralised and unified management model of credit granting to financial institution customer groups, and enhanced risk prevention responsibilities of the first line of defense. Taking the system reform of “the main accountable person for operation” as an opportunity, the Bank adopted antecedent risk management of financial institution customer groups. Following the principles of “regulatory compliance, refined management, system optimisation and merit-based support”, the Bank enhanced centralised management efficiency in credit granting to financial institution customers, standardised access management of interbank partners, and enhanced post-loan management and risk early warning of financial institution customers by focusing on such areas as strengthening institutional improvement, optimising management mechanism, firmly holding on to critical links and reinforcing system construction, thus realising effective risk control and promoting continuous and healthy development of financial institutions business.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (2) Financial markets business

According to the risk preferences, business plans and risk forecast of the Board of Directors, the Bank set market risk limits for 2023 and relevant business authorisations, carried out analysis on the risks of interest rates, exchange rates and commodities in time, and continued to strengthen the monitoring and reporting of risks in financial markets. During the Reporting Period, the Bank conducted reviews and approvals by taking into account the macro-economy, credit policy and subject qualifications, enhanced risk evaluation and early-warning capabilities concerning unsecured bond issuers, enhanced re-inspection and self-inspection frequency concerning relevant assets of key regions, key industries and key enterprises, effectively safeguarded the bottom line of credit risk, and served the unified management system for bonds of the whole bank. Meanwhile, following the principle of safe and steady bond investment, the Bank comprehensively considered bond risks and returns, optimised the structure of bond portfolios denominated in RMB and foreign currencies, and maintained high-liquidity asset portfolios such as government bonds and policy financial bonds at a reasonable level. During the Reporting Period, the credit qualifications of the proprietary bond investments were generally excellent.

### (IV) Digital transformation

During the Reporting Period, the Bank took digital transformation as the key driver to propel the development of the whole bank, and the Chairman served as the head of the leading group for digital transformation to strengthen coordinated management, optimise systems and mechanisms, continuously build the eco-bank and intelligent bank, enable the orderly implementation of digital transformation strategies, and effectively guide and support the high-quality operation and development of the whole bank.

#### 1. Strengthening top-level design and coordinated planning, and promoting orderly implementation of strategies

**The coordination mechanism was improved with initial achievements. The Bank gradually improved the normalised cross-department agile mechanism**, constantly deepened the cross-line coordination among business, risk management, IT, data and other departments, and continuously improved the R&D and iteration efficiency of innovative products. **The Bank made breakthroughs in major bank-level agile projects**, launched the smart decision-making product of “Minsheng Benefits” for proactive small business credit granting, and realised the upgrading of marketing model and the optimisation of risk control logic. In addition, the Bank put into operation the digital coordinated office platform of “iMinsheng (i民生)” in the whole group, effectively helping enhance the office efficiency and the cultural change of the Bank.

The Bank released the IT Development Planning of China Minsheng Bank (2023-2025) 《中國民生銀行信息科技發展規劃(2023-2025年)》, the Data Strategy of China Minsheng Bank (2023-2025) 《中國民生銀行數據戰略(2023-2025年)》 and the Key Tasks of Digital Transformation of China Minsheng Bank in 2023 《中國民生銀行 2023年度數字化轉型重點任務》 to strengthen top-level design and planning guidance, thus clarifying the development blueprint and implementation path for digital transformation.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### **Feature 6: IT Development Planning and Data Strategy of China Minsheng Bank (2023-2025)**

By introducing advanced enterprise-level architecture methodology, combining technology trends and advanced practices of the industry, and focusing on the demands of marketing, risk control, operation and others in the business value chain, the Bank has drawn a sci-tech blueprint with the vision of “becoming one of the leading domestic commercial banks in terms of sci-tech level”, and set the sci-tech development goal of “technology and data-driven development, large-scale application and systematic empowerment, and reshape of the value chain of operation and management”. The Bank consolidated digital infrastructure, and established a lean and agile sci-tech governance system integrating business and technology; promoted the evolution of IT architecture towards the enterprise level, and continuously built enterprise-level application architecture, data architecture, technology architecture and security architecture. The Bank accelerated the upgrading of operation and management, reshaped the business value chain based on seven enterprise-level digital solutions, and improved the digital capabilities in marketing, risk control, operation, products, decision-making, channels and ecosystem management.

At the same time, guided by national data strategies and regulatory policies, the Bank developed its data strategy simultaneously. Embracing the vision of “becoming a data-driven bank to realise data-based insight, decision-making and management”, the Bank proposed five goals, i.e. “visible and accessible”, “usable and understandable”, “easy to connect and available to share”, “empowering and value-adding”, and “secure and trustworthy”, clarified five guiding principles, i.e. “recognition of data as strategic assets”, “data matching with corporate strategy”, “holistic perspective and coordination”, “comprehensive evaluation and regular review”, and “compliance with data regulations and ethics”, and made full use of data assets to enhance its operation and management capabilities and innovate business models.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Strengthening scenario construction and ecosystem connection, and enhancing the service capabilities of ecosystem finance

**The supply chain finance ecosystem covered all customer groups. The Bank continued to innovate data-based credit enhancement products**, launched the E-Procurement-Data-Based Credit Enhancement (採購e—數據增信) product for self-employed customer groups on the basis of E-Procurement-Data-Based Credit Enhancement product for legal persons, optimised data risk control models and credit evaluation systems, and formed a supply chain finance service system covering all customer groups, i.e. micro, small, medium, large and retail customers. For micro, small and medium export enterprises, the Bank launched the online credit product of “E-Export Finance (出口e融)”. **The Bank reshaped the process of supply chain business**, applied the online smart risk control model and index system of supply chain finance to offline credit approval operations and post-loan management, and added functions such as graded and layered push of risk signals and multi-channel information notification, in a bid to support the integrated development of all customer groups. The Bank optimised the process of cash guarantee-based low-risk business, realised smart customer access, automatic rating and model quota verification, and introduced the auxiliary review model for loan disbursement at the in-loan stage. **The Bank empowered the digital transformation of MSMEs in the chains**, launched the ecosystem service platform for MSMEs, built supporting systems for platform operation and marketing, integrated services such as personnel management, payroll and tax payment agency, financial management and smart bookkeeping, and provided digital services for enterprises integrating business, finance and fund. **The Bank constantly increased its connection with platforms**, completed the direct connection of Supply Chain Bills (供應鏈票據) products with “CSCC (中企雲鏈)”, “JDH (簡單匯)” and “SDHS (山東高速)” and other platforms, and cooperated with 11 new platforms for E-Credit Finance. During the Reporting Period, the Bank optimised a total of 312 product functions for supply chain finance ecosystems, added nearly 50 risk early-warning signals, and significantly enhanced customer experience and risk monitoring capabilities.

**The internet ecosystem-based loan products quickly duplicated standardised scenario models.** In the cross-border scenarios including “International Station (國際站)” and “AliExpress (速賣通)”, the Bank completed the standardised duplication of Alibaba’s 1688 ecosystem loan scenario model. During the Reporting Period, the Bank continuously optimised the functions of internet ecosystem-based loan products and risk control strategies, and the customer approval rate rose to 60%.

**Intelligent government affairs ecosystem was continuously embedded in financial and non-financial services. The Bank launched the small credit model for Government Procurement Fast Loan (政採快貸)**, which combined with the bid-winning data of the Government Procurement Cloud (政採雲) platform to provide online credit-based operation loans for MSEs that won the bid. **The Bank became one of the first batch of acquiring and clearing banks for mobile payment of medical insurance in Beijing**, and provided registration and outpatient payment services for customers via Alipay’s mini program of “Beijingtoon (京通)”.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### **Feature 7: Constantly Optimising the Products and Services of Ecosystem Finance Series and Improving Capability of Providing Integrated Services for MSMEs, Large Enterprises and Retail Customers**

The Bank iterated and upgraded the product series of “Minsheng E-Chain (民生E鏈)”, including E-Procurement-Data-Based Credit Enhancement, E-Procurement-Strong Credit Enhancement, E-Order (訂單e), E-Credit Finance and Supply Chain Bills, and constantly optimised the product series of “Minsheng Express Loan (民生快貸)”, such as Government Procurement Fast Loan and Goods Ordering Fast Loan (訂貨快貸). The Bank duplicated and promoted the internet ecosystem-based loan model in cross-border e-commerce, and developed innovative products such as E-Export Finance, credit financing for DRDI enterprises, and Goods Supply Fast Loan (供貨快貸). The Bank also constantly promoted the full-process centralised operation of the product series of “Minsheng E-Chain”, and developed the ecosystem service platform for MSMEs, to enable them to improve operation capabilities and realise digital transformation.

During the Reporting Period, the Bank strengthened the comprehensive ecosystem-based cooperation with a large domestic electronic product manufacturer, provided tailor-made service solutions around the upstream and downstream supply chains of this enterprise as well as the open scenarios of its ecosystem, and realised all-round financial cooperation. It has become a typical case of providing integrated services for MSMEs, large enterprises and retail customers. As at the end of the Reporting Period, the Bank granted an overall credit of RMB13.5 billion to the enterprise, provided financing support for more than 130 enterprises in the supply chain, and served 280 thousand ecosystem-based retail customers of the enterprise, effectively supporting its ecosystem construction.

As at the end of the Reporting Period, the financing balance of ecosystem finance business amounted to RMB98,381 million, representing an increase of 32.55%, as compared with the end of the previous year. Of which, the financing balance of MSEs was RMB38,413 million, representing an increase of 56.97%, as compared with the end of the previous year.



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Accelerating the improvement of key digital capabilities and creating a new engine for the development of intelligent bank

The Bank continued to build an intelligent marketing brain. The Bank constructed a closed-loop operation strategy system, and significantly enhanced its capabilities of real-time strategy deployment and customer group segmentation management. It developed strategies for corporate clients and added new functions such as personalised marketing pitches, batch and real-time events marketing. It built the strategy deployment capacity concerning legal person customers of small business, and supported marketing breakthroughs in proactive credit granting products such as “Minsheng Benefits” (legal persons and individuals). The Bank extensively deployed the strategy for basic retail customer groups and effectively expanded customer coverage, with the number of customer contacts increased by 2.5 times as compared with the corresponding period of the previous year. **The Bank established a merit record system of strategic clients**, which integrated and displayed ten types of scenario-based data such as index data statistics and rankings of customer groups and the merit record of customer groups, realising a clear presentation of statistical indicators of the Group’s merit record. **The Bank upgraded its marketing tools and platforms**, added a one-click outbound calling function to the digital marketing platform, and connected customer journey with marketing pitch recommendation, making it more convenient for the corporate account managers to reach customers. The Bank continuously optimised corporate WeChat account, and launched the resignation inheritance function for corporate account managers and product library function, which supported activities such as adding welcome gifts for new customers and new joiners of WeChat groups, effectively enhancing the connection between account managers and customers. The Bank continued to iterate its benefits system, and constantly enriched its benefits categories such as V+ Members (V+會員) and Apex Privileges (非凡禮遇). **The Bank strengthened its capability of scenario-based activity operation**, and significantly improved the effect of scenario-based marketing activities for key customer groups such as personal pension business, exclusive activities for VIP customers, consumer loans, and small business customer acquisition. **The Bank improved the targeted and smart marketing**, put into operation the minimum viable product (MVP) version of the customer data platform (CDP), and made many capabilities available to gain insight into customer portraits. The Bank enabled its smart placement platform to carry out loopback of external data, support closed-loop customer group management analysis, and optimise scenarios such as payment benefit placement. The Bank launched the tool platform for A/B test, which supported the continuous optimisation of marketing strategies for pension, payroll agency benefit, mobile banking and other products. **The Bank continued to strengthen its omni-channel operation capabilities**, built enterprise-level digital capabilities for customer journey management, and carried out end-to-end full-journey data monitoring, analysis and optimisation.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### **The Bank constantly improved the smart risk control system. The risk data was further improved.**

The Bank added 390 risk indicators and 3,700 risk tags, launched risk maps, connected with third-party data, and improved risk data mart to consolidate the foundation of risk data. **The risk control models were smarter.** The Bank accurately identified customers through machine learning model. By combining with risk tags and risk indicators, the Bank effectively lowered the loss given default while improving the credit approval rate of online loans. The Bank built special risk control models for “DRDI customers” and “cross-border finance” to implement differentiated risk control strategies. **The risk early warning was more accurate.** The Bank constructed the unified data base for anti-money laundering and anti-fraud, and built smart money laundering monitoring and early warning models based on graph data to improve the quality and efficiency of anti-money laundering in the whole bank. The Bank continuously reinforced the governance of capital chains, comprehensively managed and controlled the fraud-related accounts of individuals, entities and credit cards, and carried out multi-channel early warning for all suspected victims to ensure the safety of customers’ funds. The Bank improved the “Windbell (風鈴)” system, built a closed loop of end-to-end operational risk monitoring and handling and enhanced the capability to proactively prevent and defuse risks. **The risk management was more efficient.** Through graded management of risk control rules and models, and unified online and offline, pre-loan and post-loan deployment, the Bank realised the full-link application of even just one modification to the risk control policies. The Bank connected with third-party systems and data, optimised the models of consumer loan, automobile loan products and cooperative loans for second-hand houses, and promoted full-scale online, automated and convenient operation of related businesses.

**The Bank enhanced the quality and efficiency of digital operation. Centralised operation further released the first-line production capacity.** The E-Procurement-Data-Based Credit Enhancement financing products completed comprehensive centralised operation, the centralised operation of E-Credit Finance and E-Bill Finance further improved both quality and efficiency, and the end-to-end operation service system of ecosystem finance business supported large-scale growth of online business. The Bank optimised the model of loan disbursement to corporate clients, and comprehensively completed the function operation undertaking regarding loan disbursement to corporate clients. The “account robots” realised 50% of automatic processing of corporate information change, effectively alleviating the pressure of the counter. **Smart operation strengthened data application and improved efficiency.** The Bank launched the blockchain-based electronic confirmation platform, which reduced the investigation assistance workload of business departments by 60% and shortened the time of responding to confirmation requests by 20% across the whole bank, significantly improving business efficiency. The Bank established the characteristic tag system for corporate accounts, which accurately identified high-risk accounts, provided professional advice and reference for account managers to conduct due diligence, and significantly improved the rating timeliness and accuracy. **The “counter-remote service coordination” model offered professional operation services,** providing remote professional operation services for high-frequency businesses such as credit contract signing, verification and attestation, and information collection for due diligence.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The Bank upgraded the experience of online service channels. In terms of online retail services, the concept of “rich, smart, fast and safe” services was fully implemented.** The Bank upgraded mobile banking services for the entrepreneur customer group, optimised elderly-friendly services, and continued to improve the service quality and efficiency of segmented customer groups. The Bank launched online products of current deposit management to meet customers’ needs of liquid asset allocation. The Bank expanded the smart search scenarios and helped customers enhance their smart account management capabilities by focusing on the “three sheets” of balance sheet, statement of cash flows, and income statement. The Bank optimised the security strategy for mobile banking and strengthened the security service guarantee for core scenarios such as registration, login, transfer and payment. As at the end of the Reporting Period, online retail platform users of the Bank amounted to 109,086 thousand, representing an increase of 5.31% as compared with the end of the previous year; the monthly active users of online retail platforms amounted to 26,275.7 thousand. **In terms of online corporate services, the service boundary was continuously expanded.** The Bank realised full-process online processing of such businesses as corporate internet banking limit management, enterprise information update, account information update, and certificate validity renewal. As at the end of the Reporting Period, online corporate platform users of the Bank amounted to 3,430.6 thousand, representing an increase of 4.67% as compared with the end of the previous year. During the Reporting Period, the cumulative amount of transactions on online corporate platforms was RMB38.93 trillion, representing an increase of 17.68% as compared with the corresponding period of the previous year. As at the end of the Reporting Period, there were 4,610 bank-enterprise direct connect customers, representing an increase of 11.14% as compared with the end of the previous year. **In terms of open bank, scenario-based services for win-win cooperation were created continuously.** Relying on the product series of “Minsheng Cloud (民生雲)”, the Bank provided “financial + non-financial” services in personnel management, financial management, expense control and management, network-based freight, agency bookkeeping and other scenarios. The Bank built two cloud wallet (雲錢包) product systems, namely Employee Wallet (員工錢包) and Eco-Wallet (生態錢包), and built standardised output capabilities for payroll agency, wealth management, loan and payment in retail scenarios. **In terms of three-dimensional service system, customer experience was constantly enhanced.** The Bank continued to improve the “man-machine coordination” service capability. Relying on multidimensional data such as customer flow and business type, the Bank clarified the configuration standards for outlet equipment, optimised equipment functions, and expanded non-financial service scenarios. The Bank added account limit maintenance, dormant account activation and other online business scenarios to the “remote bank” to continuously elevate the substitution rate of counter business. The service breakpoint monitoring system proactively identified and assisted in addressing service interruptions and transaction anomalies of the operating equipment across the whole bank, significantly reducing customer complaints on the equipment side. As at the end of the Reporting Period, the Bank officially put into operation a total of seven “intelligent bank experience stores”, and their “warm” and intelligent services were highly recognised by customers.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The Bank improved its capabilities in digital products and services. The Bank built digital product factories**, and advanced the construction of product factories of liability business with debit cards, distinctive deposits and transaction banking products as the pilots. **The Bank innovated products and services for payment and settlement**, upgraded the prioritised clearing services for settlement funds of asset management products, upgraded products such as receipts, reconciliation, payroll agency, bills and tax payment, and improved corporate settlement capabilities. Focusing on the payment scenarios including new energy vehicle sales, second-hand house transactions, transport QR code payment, etc., the Bank launched integrated online and offline payment and settlement services. The Bank completed the construction of unified cashier and unified fee payment platforms, laying a foundation for business sharing between the two Apps. **The Bank enriched e-CNY business functions**. It has been one of the first batch of banks that launched the function of “one code for all”, which enabled to make payments by scanning universal QR code among the Apps including WeChat, Alipay, China UnionPay Quick Pass and e-CNY. The product of Happy Cashier (樂收銀) supported the handling of e-CNY hardware wallet payments. As at the end of the Reporting Period, the number of Minsheng bank cards bounded with the e-CNY was 259 thousand, representing an increase of 42.31% as compared with the end of the previous year. During the Reporting Period, the transaction amount of debit card mobile payment was RMB41.419 billion, representing an increase of 24.95% as compared with the corresponding period of the previous year.

**The Bank was more intelligent in making decisions on business and management. The Bank empowered its business decision-making with the Business Intelligence (BI) platform**. Based on the lake and warehouse data system, the Bank built and deployed an agile, smart and open BI platform, kept developing the analysis index system featuring unified standards, consistent calibre and complete content, created data assets, and realised digital empowerment for retail business, corporate business, risk management and other areas. **The Bank enriched the management accounting index system**, and constantly perfected analysis models of the whole bank such as net income attribution analysis, targeted customer acquisition and input-output analysis. **The Bank promoted the financial sharing platform across the whole bank**. It realised the online, economical and digital management of costs and expenses across the bank, and improved cost efficiency.

#### 4. Enhancing IT and data capability, and further consolidating digital infrastructure

**The Bank steadily constructed new-type digital infrastructure**. The Bank optimised the dynamic baseline algorithm of monitoring indicators, elevated the alarm accuracy rate of dynamic indicators by 32 percentage points, and significantly enhanced the production fault identification capability. The Bank also upgraded the overall architecture of the integrated cloud of the Head Office, launched the “My Cloud (我的雲)” function for paying users of cloud, and continuously improved the efficiency of resource delivery.

**The Bank vigorously promoted the construction of enterprise-level architecture**. The Bank established an enterprise-level architecture governance system, systematically built technology architecture supporting capabilities of Cloud Native, and continuously optimised the low-code R&D system, distributed architecture system, and chaos engineering experiments. In addition, it promoted unit testing, impact analysis, interface management and other tools in an all-round manner, and has continuously improved the R&D quality and efficiency.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

**The Bank comprehensively enhanced its security protection capabilities.** The Bank implemented the Cybersecurity Law, the Data Security Law and various regulatory requirements in an in-depth manner, and continuously improved security protection capabilities in digital identity authentication, biometric features recognition, mobile trusted execution environment and other aspects. During the Reporting Period, the Bank obtained the Level 3 Certificate of Data Security Capability Maturity Mode (DSMM).

**The Bank effectively consolidated its data-related basic capabilities.** The Bank kept building basic platforms such as data lakes and AI platforms, constructed smart bases of data, and empowered the development of digital systems in marketing, risk control, decision-making and other aspects. The Bank improved the data governance system, and strengthened the management of data assets, so as to “make data useful” and “make good use of data”.

### (V) Business outside the Chinese mainland

During the Reporting Period, the Hong Kong Branch implemented the development strategy of the Bank, fully leveraged its role as a platform for business outside the Chinese mainland under the coordination mechanism of “One Minsheng”, continuously enhanced cross-border synergy and coordination, carried out in-depth management of strategic customer groups of the Head Office and branches, resolutely developed distinctive business fields, focused on building differentiated competitive advantages, and enhanced its capabilities in providing comprehensive cross-border financial services. All the three major businesses, namely corporate banking, financial markets, private banking and wealth management, saw high-quality and steady development.

As at the end of the Reporting Period, total assets of the Hong Kong Branch amounted to HKD205,923 million, representing an increase of 6.15% as compared with the end of the previous year. Among them, total loans and advances to customers amounted to HKD107,280 million, representing an increase of HKD1,809 million as compared with the end of the previous year; total deposits from customers amounted to HKD130,631 million, representing an increase of HKD7,204 million as compared with the end of the previous year. During the Reporting Period, net income amounted to HKD1,366 million, representing an increase of 4.12% as compared with the corresponding period of the previous year. Under the shock of US interest rate rise on net interest margin, the growth in net income of the Branch can be mainly attributed to the significant increase in net non-interest income from foreign exchange trading, interest rate risk hedging and other businesses.

#### 1. Taking root in Hong Kong, focusing on the Greater Bay Area to strengthen cross-border coordination and seek for more businesses with strategic customer groups

The Hong Kong Branch deeply fulfilled the development concept of “One Minsheng”, took Hong Kong SAR as the base and focused on the Guangdong-Hong Kong-Macau Greater Bay Area to expand its advantages in cross-border coordination and synergy, and provided customers with professional and integrated cross-border financial solutions. During the Reporting Period, the Hong Kong Branch implemented 23 significant synergy projects of strategic clients, and disbursed credit assets of RMB10,053 million in cross-border cooperation, accounting for 93% of total disbursement of the previous year.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Hong Kong Branch highly valued the adjustments to credit customer structure and the improvement in customer quality. During the Reporting Period, in new credit assets disbursement, high-quality corporate clients with high ratings accounted for 64.03%. The Branch attached importance to the in-depth development of strategic customer groups, and provided over 200 corporate strategic clients of the Bank with comprehensive financial services. As at the end of the Reporting Period, total credit assets of corporate strategic clients amounted to HKD50 billion, representing an increase of 10.55% as compared with the end of the previous year. In addition, the Branch valued cross-border wealth management of mid- to high-end retail customers. As at the end of the Reporting Period, the AUM of the private banking and wealth management customer groups exceeded HKD29.1 billion.

### **2. Following the philosophy of “customer first and considerate services” to develop featured business and build core advantages**

Committed to creating values for customers, the Hong Kong Branch explored business opportunities in distinctive business fields, and gained sound growth in asset custody, foreign exchange trading, green finance and other businesses. In terms of asset custody, the Branch continuously enriched custody product system, and greatly enhanced comprehensive custody capability. As at the end of the Reporting Period, the assets under custody amounted to HKD120,480 million, ranking among the top among comparable Chinese-invested joint-stock banks in Hong Kong. In terms of foreign exchange trading, the Branch comprehensively deployed and developed agency business of foreign exchange and derivatives, and achieved evident growth. During the Reporting Period, the trading volume of agency business of foreign exchange and derivatives amounted to USD7,826 million, representing an increase of 66.17% as compared with the corresponding period of the previous year. In terms of green finance, the Branch pursued sustainable and green development, deepened the development of green financial system, and advanced the green and low-carbon transition and upgrading of asset structure. As at the end of the Reporting Period, green assets<sup>7</sup> amounted to HKD11,861 million, representing an increase of 13.21% as compared with the end of the previous year. During the Reporting Period, the Branch completed the compilation and officially disclosed the first Special Disclosure Report on Green Finance and Climate Risk Management 《綠色金融與氣候風險管理專題披露報告》), and successfully issued the two-year offshore RMB medium-term notes with a value of RMB2 billion, becoming the first Chinese-invested joint-stock bank issuing green dim sum bonds.

<sup>7</sup> Green assets include green loans and bonds.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Adhering to the customer-centric philosophy, the Hong Kong Branch enriched product offerings, and innovated the model of value-adding services, thereby constantly enhancing its capabilities in providing cross-border comprehensive financial services. During the Reporting Period, the Branch strove to build a private banking and wealth management funds platform, and thanks to its professional competence and premium services, it won the “Best Private Banking – International Services and Investment” Gold Award (“最佳私人銀行 – 國際服務與投資”金獎) issued by the Asian Private Banker. The Branch constantly deepened cooperation with financial institution customer groups and kept expanding its leading advantages in the market of its bank-securities transfer business platform. As at the end of the Reporting Period, the Branch cooperated with 25 securities companies in bank-securities transfer business with a 24/7 online trading value of HKD24,014 million, representing an increase of over 70% as compared with the corresponding period of the previous year. Regarding “Cross-Border Wealth Management Connect (跨境理財通)”, the Branch has realised full-process electronic operation of account opening and trading. As at the end of the Reporting Period, the market share of “Cross-Border Wealth Management Connect” of the Bank maintained a leading position among over 30 banks with similar business.

### **3. Taking risk first and enhancing management and control to pursue comprehensive risk management and compliant and stable operation**

The Hong Kong Branch comprehensively deepened the philosophy of compliant operation, continued to improve the comprehensive risk management system, laid equal emphasis on business development and risk constraint, and practically formulated and implemented risk preference, thereby effectively safeguarding its stable operation. During the Reporting Period, the Branch comprehensively implemented the reform on the credit approval system, fully ensuring the professional, full-time, smart and standardised credit approval. The Branch further improved the management mode of treasury department, enhanced the liquidity risk management of funds, adopted an initiative and forward-looking liquidity risk management strategy, and continued to optimise asset-liability products and maturity term structure. During the Reporting Period, the Branch kept all its liquidity indicators at a sound and stable level. It kept a close eye on changes in market interest rate, and timely formulated and actively implemented the interest rate risk hedging strategies, so as to effectively defuse the shock of rapid US interest rate rise on the interest rate risk of the banking book. During the Reporting Period, thanks to its superior market performance of transactions of financial interest rate derivatives, the Hong Kong Branch won the award of “Most Active Settlement Member – USD Over-the-Counter Derivatives” (“最活躍結算會員 – 美元場外衍生品”卓越大獎) issued by the Hong Kong Stock Exchange.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (VI) Major equity investments and management of consolidated financial statements

As at the end of the Reporting Period, the Bank had long-term equity investments of RMB13,413 million. For details, please refer to the notes to the financial statements.

#### 1. Minsheng Financial Leasing

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

During the Reporting Period, Minsheng Financial Leasing overcame the challenges of external constraints, adhered to the leasing origin, and resolutely advanced reform, transition and high-quality development, keeping its operating results basically stable and continuously optimising its business structure. During the Reporting Period, the placement of leasing business of Minsheng Financial Leasing amounted to RMB34,450 million, representing an increase of 51.66% as compared with the corresponding period of the previous year. Of newly-increased placement, the retail and inclusive finance businesses accounted for 63.19%, representing an increase of 1.51 percentage points as compared with the end of the previous year. As at the end of the Reporting Period, total assets of Minsheng Financial Leasing amounted to RMB184,151 million, representing an increase of 5.57% as compared with the end of the previous year.

During the Reporting Period, the “customer service system of consumer rights protection” of Minsheng Financial Leasing was successfully included into the service innovation case of China’s banking industry and insurance industry in 2022 by the China Banking and Insurance News, becoming the only financial leasing company included and also the first company winning this honour in the financial leasing industry. Minsheng Financial Leasing also won the “Navigator Award” (Innovative Enterprise Award) of China’s auto industry and financial industry in 2023 presented by the Global Leasing Competitiveness Forum.

#### 2. Minsheng Royal Fund

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

The performance of mid- to long-term investments of Minsheng Royal Fund was outstanding. It won the Golden Bull Awards (金牛獎) for 24 times in the past ten years, and has been fully recognised by the investors and the industry. As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB2,228 million. Its net assets amounted to RMB1,726 million. During the Reporting Period, its net profits amounted to RMB81 million, and its net profit attributable to holders of equity shares of the Bank amounted to RMB47 million.



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, the AUM of Minsheng Royal Fund amounted to RMB189,838 million, representing an increase of 24.39% as compared with the end of the previous year. Among them, a total of 98 publicly offered funds were managed by Minsheng Royal Fund with a total amount of RMB155,291 million, representing an increase of 25.65% as compared with the end of the previous year; non-monetary funds under its management amounted to RMB120,560 million, representing an increase of 17.89% as compared with the end of the previous year. Minsheng Royal Fund also managed 58 private equity asset management plans with a total amount of RMB34,547 million, representing an increase of 19.00% as compared with the end of the previous year.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and currently holds 52.71% of equity interest in it. Minsheng Royal Asset Management's registered capital is RMB968 million, and the scope of business includes specific customer asset management and other businesses permitted by the CSRC. As at the end of the Reporting Period, the AUM of Minsheng Royal Asset Management amounted to RMB7,989 million.

### 3. CMBC International

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

During the Reporting Period, CMBC International fully utilised its unique investment banking license, asset management license outside the Chinese mainland and domestic private equity license, leveraged the joint advantages of "commercial bank + investment bank", optimised product and customer structure, and consolidated and improved its competitive edges in the industry. As at the end of the Reporting Period, CMBC International had total assets and total liabilities of HKD22,654 million and HKD18,954 million, respectively. Its net assets amounted to HKD3,700 million, and total equity attributable to holders of equity shares of the Bank amounted to HKD3,071 million.

### 4. Minsheng rural banks

Minsheng rural banks are collectively referred to as rural banks initiated and established by the Bank as a major promoter. As at the end of the Reporting Period, the Bank established a total of 29 rural banks with 83 business outlets. Total assets, the balance of deposits from customers and the balance of loans of the rural banks amounted to RMB43,217 million, RMB37,094 million and RMB26,389 million, respectively, representing increases of RMB2,850 million, RMB2,839 million, and RMB1,252 million, respectively, as compared with the end of the previous year. During the Reporting Period, its net profits amounted to RMB107 million.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank earnestly performed its duties as the major promoter, reinforced the guidance of Party building for the rural banks, promoted the deep integration of Party building and corporate governance of the rural banks, constantly optimised management system and mechanism of the rural banks, continuously upgraded and optimised IT system, dispatched senior management teams to enhance strategic guidance and management, and led the rural banks in constantly improving the quality of development. The rural banks adhered to the positioning of “supporting rural and micro businesses”, embraced the concept of compliant operation, and constantly served rural revitalisation and inclusive finance. They provided basic financial services for “agriculture, rural areas and farmers”, community residents and micro and small customers in their localities, continuously increased credit support, proactively fulfilled social responsibility, and maintained their sound and stable operation.

### 5. CMBC Wealth Management

CMBC Wealth Management is a wealth management company established on 24 June 2022 under the approval of the former CBIRC. With a registered capital of RMB5 billion, CMBC Wealth Management is a wholly-owned subsidiary of the Bank. Its main businesses include issuance and investment management of publicly offered wealth management products, issuance and investment management of private equity wealth management products, wealth management advisory and consultancy services, and other businesses approved by the former CBIRC.

During the Reporting Period, CMBC Wealth Management **served national and regional strategies, improved the coordination quality and effectiveness of the Group**, issued regionally themed wealth management product series and formed brand effect, effectively mobilising the linkage of assets and liabilities of regional operating units, improvement of services for strategic clients and growth of the number of wealth management customers. CMBC Wealth Management **fulfilled the national philosophy of high-quality development**, issued “Rongzhu Mixed High-quality Development 1-Year Wealth Management Product (榮竹混合高質量發展一年持有期理財產品)”, and proactively seized the market opportunities brought about by industrial development, sci-tech innovation, and state-owned enterprise reform during the high-quality development process in China. CMBC Wealth Management further **improved the layout of net-value products**, and continuously enriched the product lines such as retail, private banking, institutional customisation, and third-party agency. CMBC Wealth Management innovated product strategies, issued the product of “Mu Biao Ying (目標盈)” and structured products. Moreover, CMBC Wealth Management **enhanced product quality management**, and established the full life-cycle product management system. The effectiveness of investment-research integration appeared gradually. CMBC Wealth Management won three major awards of PY Standard, including “Excellent Innovative Wealth Management Company (卓越創新理財公司)”, “Excellent Wealth Management Company in Return on Investment (卓越投資回報理財公司)” and “Outstanding Equity-Based Bank Wealth Management Product (優秀權益類銀行理財產品)”. CMBC Wealth Management **pushed ahead with the expansion of third-party agency channel**, and signed agency sales cooperation agreements with 10 banks, achieving the release and sales of agency products at seven banks.

As at the end of the Reporting Period, the AUM under entrustment of CMBC Wealth Management amounted to RMB751,578 million. Its total assets amounted to RMB6,899 million, and net assets amounted to RMB6,607 million. During the Reporting Period, its net profits amounted to RMB569 million.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 6. Consolidated structured entities

Consolidated structured entities of the Group amounted to RMB46,828 million, which were mainly calculated as financial assets and financial liabilities at fair value through profit or loss.

### 7. Consolidated management

During the Reporting Period, the Bank conducted consolidated management of subsidiaries in strict accordance with the Guidelines for the Consolidated Management and Supervision of Commercial Banks 《商業銀行並表管理與監管指引》, enhanced professional management of corporate governance, capital and financial management, risk management and other aspects, promoting the steady and high-quality development of the Group. Firstly, according to regulatory requirements, the Bank compiled the 2022 consolidated management report of the Group, completed the consolidated evaluation of the Group in 2022, formulated and promoted the execution of the 2023 consolidated management plan, hence promoting consolidated management work in an orderly manner. Secondly, the Bank coordinated the formulation of the 2023 development goal of the Group, continuously enhanced the management of annual business plan and financial budgets of subsidiaries, and guided the organic combination of business activities and strategies. Thirdly, the Bank propelled its subsidiaries to supplement and improve the corporate governance framework, so as to improve the effectiveness of corporate governance. Fourthly, the Bank strengthened comprehensive risk management, and enhanced risk monitoring and early-warning in a timely way in light of the crisis in the banking industry across Europe and America, thus ensuring that the risk status of the Group remains stable and is generally controllable. Fifthly, the Bank continuously pushed forward the upgrading and reform of the consolidated management system of the Group, and fully leveraged the supporting role of the IT system in consolidated management.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### XII. Risk Management

During the Reporting Period, the Bank adhered to the concept that “internal risk control is the core competitiveness”, and in accordance with the general strategy of “implementing strategies, guarding against risks, supporting development, seeking progress in stability, and seeking better development in progress”, the Bank constantly consolidated the development of internal risk control system featuring “four beams and eight pillars”, sped up the digital transformation of risk management, and continuously improved the risk management of all categories, all businesses, all processes, all subsidiaries and all employees, thereby ensuring the steady asset quality and continuously improved risk capability, when proactively following the road of steady and sustainable development. As at the end of the Reporting Period, the Bank basically completed the development of main project of smart risk control, upgraded from the traditional mode of “manual prevention” to the mode of “technological prevention” in credit approval, risk control of small business, post-loan early-warning, asset preservation, and other major business areas and gradually shifted to “smart” risk management. Among them, the Bank put into operation the smart decision-making system for proactive small business credit granting, and by centring on the double players of “legal person + individuals”, it fully used the four types of data, namely authoritative data of the State, transaction data, scenario-based data and its own data to reshape the risk control logic for smart decision-making, and develop the smart decision-making foundation of small business. As a result, with full data access, panoramic display, fully automatic decision-making and full-process design of projects, the Bank has made new breakthroughs in digital customer acquisition.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (I) Credit risk management

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

The Bank continued to adjust and optimise the credit structure. Firstly, according to the overall strategy of the year, the Bank constantly optimised its credit policy system, increased support for key fields and key customer groups, and strove to facilitate high-quality development. Secondly, the Bank continuously intensified policy support in major fields, such as inclusive finance, green and low-carbon development, rural revitalisation, sci-tech innovation, major infrastructure construction, manufacturing industry, loans to SMEs and supply chain finance. Thirdly, the Bank enhanced support for mid- to long-term loans to the manufacturing industry, supported the transition and upgrading of strategic emerging manufacturing industry and traditional manufacturing industry, and drove the stable development of green finance. The Bank continuously implemented the development strategy for the four major regions including Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area, and the Chengdu-Chongqing economic zone, focused on key points, and worked to keep pace with high-quality economic development of the regions. The Bank continuously optimised regional credit policies, proactively guided operating units in developing regional key projects and serving the real economy, and promoted credit placement in major regions. Fourthly, the Bank continuously advanced inclusive finance strategy, gained effects in the “integrated” credit management mode of inclusive business, achieving stable growth in the size of inclusive finance business and number of customers.

The Bank released the effectiveness of credit approval system reform. Since the reform of the credit approval system for legal person customers, the Bank has constantly deepened and consolidated the achievements of reform, adhered to the bottom line of risk compliance, focused on the development of key fields, and served the execution of the Bank’s strategies, so as to steadily improve the quality and efficiency of credit approval. Firstly, the Bank clarified the credit approval strategy of the Group featuring “relaxing total quantity control and optimising structure (寬總量、優結構)” for high-quality customers of the Group, coordinated with the front-line staff to serve customers, and supported the development of key fields. Secondly, the Bank continuously improved the credit approval mechanism, proactively investigated and re-examined key projects and strategic customer groups, and solidly promoted the post-approval evaluation management mechanism. The Bank steadily promoted the execution and popularisation of new small business credit approval system and mechanism, established full-time credit officers teams for small business, and performed “one-time approval (一次審批)” to improve the approval efficiency of basic customers. Thirdly, the Bank optimised credit approval procedures and standards, and integrated the template of due diligence report, further improving the precise and standardised management of credit approval process. Fourthly, the Bank pushed forward the establishment of smart review and approval platform, released the digital template of credit survey report of financial institution customers, and continuously optimised the experience of smart due diligence. Among them, by updating the smart review items in the system, the Bank has delivered the automatic review mode to the main accountable persons for operation.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank strengthened risk prevention and control in key fields. Firstly, the Bank strictly implemented national laws, regulations and regulatory policies on local debt management and financing platforms, and enhanced new access management and existing business monitoring in accordance with the general principle of “complying with laws and regulations, controlling total quantity, selecting preferred regions and making structural adjustment (合法合規、總量控制、優選區域、結構調整)”. By improving compliant management requirements, the Bank elevated the access standard for low-level and high-risk areas, enhanced business structure adjustment, improved regional limit control, strengthened the full-process management mechanism of hidden debt business, and comprehensively tightened risk management in the field of government credit. Secondly, the Bank carefully followed the national policy orientation in the field of real estate, strictly implemented the regulatory requirements of “16 financial measures”, dynamically improved its real estate credit policies, continuously optimised customer structure, and mainly supported the housing projects that meet ordinary rigid demands and improvement needs. The Bank practised city access management of real estate and namelist-based management of real estate corporate clients, hence effectively elevating the proportion of assets of high-quality customers. On the premise of marketisation and legalisation, the Bank proactively defused the financial risks of existing real estate projects by adopting various measures, such as reasonable term extension, M&A loans, supporting financing of special loans for ensuring housing project delivery.

The Bank continued to enhance post-loan management capability. Firstly, the Bank comprehensively implemented optimisation plans for post-loan and post-investment management system, and built a three-level management structure involving “execution, management and supervision”, among which, the first line of defense effectively undertook the management responsibility of organisation and implementation, and the second line of defense took charge of improving layered and classified management, and intensifying supervision and inspection. The Bank also completed the launch of supporting system functions, and realised the online operation of key tasks and process of the first line of defense. Secondly, the Bank enhanced post-loan early-warning and risk management of key fields, solidly advanced the monitoring of key customers, deeply conducted the investigation and early-warning of key fields, and practically enhanced early-warning and control of key institutions. For customers with potential risks and problems, the Bank implemented concentrated risk diagnosis and optimised customer structure via the active risk exit mechanism, thus guarding against and defusing potential credit risk in advance. Thirdly, the Bank optimised post-loan examination mode of supply chain scenario, evidently elevated the automation rate of post-loan examination, and effectively improved the post-loan examination quality and the completion efficiency.

The Bank upgraded the construction of risk control system. Firstly, the Bank put into operation the automatic rating process for low-risk business, applied and promoted new application scoring model for micro, small and individual customers, and completed the iteration and optimisation of automatic rating model of sci-tech enterprises. Secondly, the Bank optimised the monitoring and early-warning system, expanded information sources, and released the three functions of “risk signal, early-warning model and differentiated process” for the smart monitoring and early-warning platform project of corporate business. The Bank sped up the establishment of smart collaterals and pledges system. Thirdly, the Bank carried out “EAST data quality improvement” and data governance of key business fields, and constantly improved the capability in credit risk data management. It optimised the functions of the credit reference system, standardised the data use, and improved the work efficiency.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank continuously strengthened the collection and disposal of non-performing assets. Firstly, the Bank remained problem-oriented, further optimised the asset preservation and management mechanism, and continuously improved the management that closely linked with task orientation, monitoring and analysis, and coordinated supervision. It improved the performance evaluation with clear appraisal requirements and effective constraint, comprehensively elevating the management effectiveness of collection and disposal. Secondly, the Bank focused on key points, improved the layered, classified and comprehensive application of policies for non-performing assets, and worked to improve the professional competence in handling and defusing risks in key fields. Thirdly, the Bank focused on loss improvement, proactively fulfilled the concept of operating non-performing assets, and continuously enhanced the cash collection of non-performing assets, further reducing resource consumption in collection and disposal. Fourthly, the Bank stepped up efforts to collect written-off assets. During the Reporting Period, the cash collection of written-off assets of the Bank grew by 32.48% as compared with the corresponding period of the previous year, further elevating the value contribution of collection and disposal. Fifthly, the Bank enhanced coordinated disposal, advanced coordinated management of collection and disposal at the Group level, promoted the coordination and synchronisation between disposal of non-performing assets and mitigation of assets with potential risks, and improved the capabilities of subsidiaries in coordinated disposal.

As at the end of the Reporting Period, total NPLs and the NPL ratio of the Bank decreased as compared with the end of the previous year, realising “double decreases” for three quarters in succession, and the asset quality maintained the tendency of getting better in stability.

### (II) Large-amount exposure

According to the provisions of the Administrative Measures on Large-amount Exposures of Commercial Banks (Yin Bao Jian Hui 2018 No.1 Order 《商業銀行大額風險暴露管理辦法》銀保監會2018年1號令), the large-amount exposure refers to the credit risk exposure of a commercial bank exceeding 2.5% of its net tier-1 capital (including various kinds of credit risk exposures arising in the banking book and the trading book) to a single customer or a group of connected customers.

The Bank proactively established and improved the management mechanism for large-amount exposures, improved management rules, developed management systems, clarified large-amount exposure management limits in annual risk preference, and orderly implemented the measurement, monitoring and reporting of large-amount exposures, thus ensuring the compliance and effectiveness of management.

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

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (III) Market risk management

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. With compliance requirements as the bottom line and combining the development plan and management strategies for investment trading businesses, the Bank continuously improved the market risk management system, conducted market risk monitoring, and continued to improve its market risk management capabilities in terms of risk preference and limit transmission, data governance and system development, risk measurement and valuation management, product access and evaluation control, etc.

During the Reporting Period, the Bank conducted the identification, measurement, monitoring and reporting of market risks in an orderly manner, all policies and procedures for market risks operated well, the occupation of market risk capital was generally stable, and the investment trading businesses witnessed steady and sustainable profitability. Meanwhile, the Bank, on the premise of meeting regulatory requirements, continuously improved the synergy, consistency, refinement, and visualisation of market risk management and control through implementing the project for upgrading the comprehensive market risk management platform. Firstly, the Bank carried out daily limit monitoring of market risks, formulated and issued the annual market risk limit plan of the Group, and optimised the setting of some limits. Additionally, it continuously monitored the implementation of such limits, and made risk warnings in a timely manner based on management needs. Secondly, the Bank constantly improved product access management, and organised and completed the review of access to multiple investment trading products, ensuring that the Bank had appropriate management and control capacity in all risks and full-process of each investment trading product recorded in the banking book and the trading book of the Bank. Thirdly, to facilitate the connection and implementation of the measurement of market risk capital set out in the new capital management measures, the Bank conducted differential analysis and calculation on the part related to the measurement of market risks and counterparty's credit risks as stipulated in the Measures for the Capital Management of Commercial Banks (Exposure Draft) 《商業銀行資本管理辦法(徵求意見稿)》, and continued to revise and formulate relevant rules for capital measurement according to the new regulations on capital management. Fourthly, the Bank promoted the innovation of risk management mechanism for complex derivatives, connected the processes of front, middle and back offices concerning binary options of foreign exchange, and consistently optimised and perfected the smart early-warning management platform for financial market risks. Fifthly, the Bank further enhanced risk data governance, and optimised the comparison mechanism for valuation data and profit and loss data in the middle and back offices, so as to realise consistency between the underlying management units of the investment portfolio and investment trading strategies, and guide the reasonable allocation of market risk capital.



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) Operational risk management

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

During the Reporting Period, under the guidance of the Basel III accord, the Bank actively explored advanced modes for operational risk management and measurement, strengthened data governance, developed measurement models, and met the new requirements for capital measurement ahead of schedule. Taking this as an opportunity, the Bank continuously improved the operational risk management mechanism. Firstly, the Bank comprehensively optimised the basic tools for operational risk management, and formed the list of 168 targets at four levels of classified management covering the core businesses and management procedures of the Bank. The Bank built the standardised key indicator system for operational risks of different levels, established a high-quality database for operational risk-related losses, and upgraded the new management system for operational risks. Secondly, the Bank further strengthened the management of IT risks, rebuilt the second line of defense of the IT risk monitoring mechanism, and promoted automatic collection of monitoring indicators. Thirdly, the Bank organised and implemented a new mechanism for outsourcing risk management and control, and supervised the compliant operation of outsourcing projects of the Bank. Fourthly, the Bank consistently reinforced the development of business continuity management system, and organised and implemented comprehensive drills on business continuity to constantly enhance its capability of responding to operation discontinuity events.

### (V) Liquidity risk management

Liquidity risk refers to the risk that a commercial bank is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations. The Bank established a scientific and complete liquidity risk governance framework, set up a clear and efficient system for division of duties regarding liquidity risk management, formulated effective management rules, processes, strategies and policies for liquidity risks, and developed and optimised advanced risk management tools, thus constantly improving its capabilities in identifying, measuring, monitoring, controlling and reporting liquidity risks.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank strictly held the bottom line of liquidity risks, adhered to prudent liquidity risk preference, closely monitored the changes in domestic and international macro economy, currency and regulatory policies, market liquidity and price level, proactively judged and predicted future trends, and enhanced the monitoring frequency and preciseness. The Bank continued to improve the active management capability, maintained the monitoring indicators of liquidity risks in a good and compliant status, and achieved a safe and controllable status of daytime liquidity risks. Firstly, the Bank optimised the Group's consolidated management system for liquidity risks, enhanced the development of institutional system, and effectively reinforced the overall management of liquidity risks of the Group. Secondly, the Bank strengthened the management of limit and the monitoring of liquidity risks, and improved the risk monitoring and limit management system based on the risk factors, such as asset-liability maturity mismatch, liability structure stability, high-quality liquidity assets, cash flow gap distribution, and customer and industry concentration degree, thus effectively managing liquidity risk points. Thirdly, the Bank optimised the asset-liability structure, guided the increase of the proportion of core liabilities, strictly managed and controlled the maturity structure of interbank liabilities, and intensified efforts in high-quality current assets reserve and use management. Fourthly, the Bank further enhanced the management of early-warning of liquidity risks, upgraded the stress test system of liquidity risks, comprehensively improved the stress test scenarios and scenario assumption conditions, used systematic tools to elevate the frequency and efficiency of stress tests, regularly conducted emergency drills for liquidity risks, and improved its capability in risk identification and emergency response. Fifthly, the Bank strengthened system construction, improved risk measurement, analysis, prediction and early-warning functions, optimised and perfected the risk monitoring statement system.

### (VI) Country risk management

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to the Bank, or the Bank suffering from commercial or asset losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region. In strict accordance with the regulatory requirements, the Bank integrates country risk management into the comprehensive risk management system.

During the Reporting Period, the Bank continued to strengthen risk monitoring and risk investigation mechanisms according to the new circumstances of country risk management and based on regulatory requirements, country risk management objectives, size of country risk exposures and business complexity. The Bank formulated a new contingency plan for country risks, optimised the management and control of country risk limits, reinforced the establishment of systematic tools, and strengthened refined management. In addition, it calculated in full amount the allowance for impairment losses of country risks, and continuously enhanced its capabilities of preventing and controlling country risks. So far, the limits of country risk exposures of the Bank have been implemented well, the country risk exposures were mainly distributed in countries with "low" and "relatively low" country risk ratings, and the country risks were maintained at a good and stable level.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### **(VII) Management of interest rate risk in banking book**

Interest rate risk in banking book refers to the adverse changes in the level of interest rate, maturity structure and other factors which lead to loss on the economic value and overall revenue of banking book, primarily including gap risk, benchmark risk and option risk.

During the Reporting Period, the Bank optimised and improved the governance and management system of interest rate risk in banking book, proactively adjusted asset-liability structure, strictly managed and controlled the mismatch level of asset and liability repricing, and strengthened the interest rate sensitivity analysis and stress tests, in a bid to ensure the steady operation of regulatory indicators and internal management indicators of interest rate risk in banking book. Firstly, the Bank optimised the Group's consolidated management system of interest rate risk in banking book, effectively strengthening the coordinated management of interest rate risk in banking book of the Group. Secondly, the Bank enhanced the identification, measurement, monitoring and control system for interest rate risk in banking book, comprehensively adopted repricing gap analysis, duration analysis, sensitivity analysis, stress test and other methods to analyse and monitor risks, closely followed changes in internal and external market environment as well as internal business structure, enhanced forward-looking judgment, and adjusted asset-liability structure and term management strategies in a dynamic manner, so as to ensure the steady operation of indicators of interest rate risk in banking book. Thirdly, the Bank improved the limit system, appraisal and supervision and early-warning and reminder of interest rate risk in banking book, practised strict and effective management in terms of repricing gap, maturity mismatch, duration, investment business account and valuation fluctuation, etc., so as to ensure that all risk factors were kept at a prudent and healthy level. Fourthly, the Bank enhanced the early-warning management of interest rate risk in banking book, further enriched and perfected scenario-based assumption and parameter setting for stress tests, used systematic tools to elevate the frequency of stress tests, and improved its capability in risk identification and emergency response. Fifthly, the Bank optimised the functions of the asset-liability risk management system, improved management models and data governance, and enhanced its capability in risk data analysis, early-warning and mining.

### **(VIII) Reputation risk management**

Reputation risk refers to the risk that stakeholders, the public, media and other parties negatively evaluate the Bank due to the institutional behaviours, behaviours of practitioners or external events, etc., which then undermines the brand value, goes against normal operation, and even affects market stability and social stability. The Bank regards reputation risk management as one of the important means and necessary measures to safeguard normal business development, create a harmonious public opinion environment, safeguard its sound image in the industry and fulfil corporate citizenship responsibilities.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank implemented external regulatory requirements and internal management requirements in an all-round manner. Firstly, the Bank assessed the potential threats of contagion among risks in a timely manner within the purview of comprehensive risk management, pre-judged public opinion trends, deployed special monitoring, and formulated plans in advance. Secondly, the Bank took the initiative to deal with and resolve reputation events and potential hazards, so as to guarantee proactive and effective prevention, and to minimise the loss and negative impact caused to the public. Thirdly, the Bank continuously spread positive voices and enhanced corporate reputation through multiple channels, creating a favourable public opinion environment for the operation and development of the Bank.

### **(IX) IT risk management**

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

During the Reporting Period, the Bank comprehensively promoted digital transformation and development, and continued to perfect the IT risk management system and improve IT risk management level. Firstly, the Bank issued the three-year development plan on IT and the data strategy to specify the objectives, major tasks and implementation paths of IT work of the Bank, as well as the strategic vision, development objectives and key measures for data work in the next three years, providing clear guidance for the Bank to build up its IT capability, data capability and IT risk management capability. Secondly, the Bank carried out the activity of “IT and Operational Risk Management Year (信息科技操作風險管理年)” to consolidate all staff’s consciousness of IT risk bottom-line, and enhance IT risk management capability. Thirdly, the Bank continuously pushed forward digital transformation and empowerment, and strengthened the assessment of operational risks of technical framework and the system optimisation. Fourthly, the Bank safeguarded the stable operation of production system, improved the processes of event handling and system change management, regularly conducted drills on real-time switch of important systems, and built an intelligent and reliable operation and maintenance system, thus enhancing controllability of security. Fifthly, the Bank continued to improve the establishment of information security and compliance management system, and strove to strengthen the full-life cycle management and control of data security and network security.

### **(X) Legal risk management**

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

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank deeply implemented the decisions and arrangements on rule of law and the regulatory requirements for promoting rule of financial law, introduced guiding opinions on rule of law, and organised demonstration activities on rule of law. Furthermore, it strengthened the basic development of law-abiding operation and management and the full-process management and control of legal risks, and improved the legal risk management framework system. Firstly, the Bank strengthened the basic development of legal risk management. It followed and supervised the implementation of the Civil Code 《民法典》, the Personal Information Protection Law 《個人信息保護法》, the Civil Procedure Law 《民事訴訟法》 and other laws and regulations, studied on legal risks that might be encountered by banks and the countermeasures, advanced the legalised development of business systems, and continuously optimised business systems and processes, thus further consolidating the foundation of legal risk management. Secondly, the Bank strengthened the full-process management and control of legal risks. The Bank released guidelines on early-warning in a timely manner to strengthen forward-looking prevention of legal risks. The Bank strictly implemented full-coverage legal review to enhance control over legal access of crucial links. Moreover, it organised assessment of legal risks of key businesses and supervision of rectification to further reinforce the full-process and closed-loop management of legal risks. Thirdly, the Bank strengthened the handling of lawsuit cases and the prevention and control of risks. The Bank perfected the diversified resolution mechanism of financial disputes, intensified efforts in dealing with litigation cases, vigorously conducted source tracing and rectification of litigation risks, and strengthened the conclusion of existing cases and the risk prevention and control of new cases, effectively managing and controlling litigation case risks. Fourthly, the Bank thoroughly carried out the “8th Five Year” law popularisation activity. Internally, it held training on the latest civil and commercial legislative and judicial rules and the prevention and control skills of legal risks. Externally, it organised legal publicity and education events concerning financial consumer rights protection, anti-illegal fund raising, and telecommunication fraud prevention, so as to enhance all staff’s consciousness and ability of rule of law, and boost the law-abiding image as a financial brand. Fifthly, the Bank carried out regular operations to eradicate gang-related crimes. The Bank organised special governance in key areas, improved the rules for eradicating gang-related crimes, and conducted regular assessment and rectification. Holding on to the prevention, early identification, substantial rectification and long-lasting supervision of problems, the Bank kept a tough stance on eradicating gang-related crimes.

### (XI) Compliance risk management

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

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank strove to push forward the “systematic, standardised, refined, integrated and digital” development, further consolidated the philosophy and the model of compliant operation, and built a strong “firewall” of internal control and compliance, pushing the quality and effectiveness of management to a higher level. Firstly, the Bank actively practised the requirements of regulatory policies. The Bank regularly conducted comprehensive policy analysis, and promptly circulated key points of regulatory policies. It reported regulatory punishments on a quarterly basis, and urged operating units to make timely rectification and carry out compliant operations. Secondly, the Bank optimised and improved the compliance management system. The Bank strengthened the formulation of duty performance standards, and mapped out guidelines on duty performance in internal control and compliance management. Additionally, it made annual plans on system construction, and promoted clean-up and optimisation of systems. It revised the administrative measures on due diligence and accountability exemption, unveiled detailed implementation rules for business lines, and circulated notices on typical cases of due diligence and accountability exemption. Thirdly, the Bank strictly prevented and controlled illegal behaviours. A special campaign against illegal loan intermediaries was conducted within the Group. The Bank advanced grid-based management, and basically included all employees into the grids. It also revised the administrative measures on criminal cases. Fourthly, the Bank pushed ahead with digital transformation of compliance. The Bank promoted the labeling of compliance issues, and accelerated the establishment of the system of litigation and lawsuit cases-related information. It deeply conducted special governance of equity and related-party transaction data, and propelled data sharing between the related-party transaction management system and the business system. Fifthly, the integrated management of the Group was deepened. The Bank launched the management modules for compliance issues of subsidiaries, developed the functions of behaviour monitoring on employees of subsidiaries, carried out training on related-party transactions in rural banks, and implemented on-site compliance inspections in rural banks.

### **(XII) Money laundering risk management**

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

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank actively improved the internal control mechanism for anti-money laundering (AML), strengthened the management of assessment and inspection of money laundering risks, and conducted monitoring and analysis as well as prevention and control of money laundering risks, promoting the transformation of the Bank's AML work from compliance to effectiveness. The AML lines and individuals of the Head Office and branches received commendations for many times from the state organs for their assistance in combating money laundering crimes and their outstanding professional AML ability. Firstly, the Bank carried out special work for improving the capability of frontline staff in AML service, vigorously advanced five major categories of prioritised tasks of standard unification, process optimisation, system improvement, expertise enhancement and culture building, and introduced measures to reduce burden and increase efficiency of AML. Secondly, the Bank sped up digital and smart development of AML, launched a new-generation smart AML management and monitoring system and carried out synchronised iterative development of phase-II, and elevated the substitution rate of core AML obligation performance system. Additionally, the Bank rolled out and promoted the platform for individual/corporate customer due diligence, and upgraded tools to enable the frontline staff to efficiently conduct customer due diligence. The Bank also proactively pushed forward the development of online functions in terms of product assessment as well as assessment and inspection of money laundering risks of operating units, conducted research and developed distinctive suspicious transaction monitoring models, rebuilt integral method indicators for rating of money laundering risks of customers, and optimised the standards for money laundering risk monitoring of employee accounts, so as to continuously improve the digital and smart level of AML. Thirdly, the Bank improved the efficiency of the "double pillars" of assessment and inspection. The Bank promoted the application of self-assessment results of money laundering risks of operating units, implemented refined management throughout the process from money laundering risk assessment of products to rectification and optimisation, and carried out "full-coverage on-site + off-site" inspections. Fourthly, the Bank intensified the monitoring and analysis of suspicious transactions. The Bank launched special work for improving the quality and effectiveness of money laundering risk monitoring, and introduced the lecture activity of "Agile Learning Initiative (敏學行動)" once in a week in AML lines, constantly enabling operating units to enhance the quality and effectiveness of money laundering risk monitoring. The Bank set up the platform for money laundering risk monitoring and supervision, and guided operating units to reduce the number of customers with high money laundering risks, and to continuously optimise their customer group structure. The Bank unveiled guiding opinions on the prevention of tax-related money laundering risks, providing professional support for operating units to judge tax-related money laundering risks. It deepened the application of gang crime monitoring models to consistently increase the quantity and quality of reports on suspicious transactions regarding high-value gang cases of the Bank. Fifthly, the Bank proactively carried out the publicity and education on AML culture. The Bank built special learning sections for AML "1+N" series of courses, and held multiple sessions of special training on AML at the primary-level institutions.

## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### XIII. Prospects

#### (I) Layout and trend of the banking industry

Looking into the second half of 2023, China's economy will face a more complex and severer external environment. Domestic economy will see a stable and bettering operation, but also lack of strong internal momentum and sufficient demand drivers. Regulators will intensify counter-cyclical adjustments, and make comprehensive use of policy tools to effectively support the expansion of internal demands, improve the consumption environment, and promote the virtuous cycle of the economy, which will bring new opportunities and challenges to the business development of banks. The banking industry shall follow relevant policy guidance and implement regulatory requirements, comprehensively enhance financial service capability, and provide better financial support.

Firstly, the banking industry shall optimise service supply to fully guarantee the financing needs in key areas. The banking industry shall strengthen effective support for steady investment, take the initiative to align with the implementation of major national strategies and the development of major engineering projects, and provide comprehensive financial services. The banking industry shall optimise consumer finance services, and actively support the resumption of and the development of consumer markets such as automobiles, home furnishings, home appliances and other bulk commodities. Banks shall support the development of foreign trade and foreign investment in an all-round manner, establish green channel mechanism for foreign exchange asset business, and provide integrated capital pool of domestic and foreign currencies, cross-border loans and other distinctive services.

Secondly, the banking industry shall promote the scientific and technological empowerment to improve the accuracy and direct accessibility of financial services. The banking industry shall make reasonable use of big data, cloud computing and other technical means to innovate risk assessment approaches, increase the efficiency of loan approval, and broaden the coverage of customers. Banks shall focus on enterprise services, services related to people's livelihood and other high-frequency sectors, and build more ecosystems featuring close integration of finance with industry and people's livelihood. Banks shall also strengthen tracking and research of digital consumption, social e-commerce and other new formats and new models, and actively embed products and services therein to enhance non-contact and full-chain service capability.

Thirdly, the banking industry shall enhance risk control capability to facilitate the creation of a sound financial environment. The banking industry shall continue to strengthen the modernisation drive of risk governance system and governance capability, and incorporate the sound and prudent compliance culture into the comprehensive risk management system featuring "full coverage, full-process, professional operation and accountability", so as to constantly improve the core capability of risk prevention. Banks shall firmly set up the operation philosophy of "prioritising internal control and ensuring compliance", continuously perfect the internal control system, raise the effectiveness of internal control, establish a strong compliance consciousness, foster a compliance culture, and solidly advance the rectification of inherent problems and deep-rooted problems, in a bid to promote high-quality development and high-level security.



## CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Potential risks

Currently, the economic operation in China is confronted with new difficulties and challenges, mainly including insufficient domestic demand, operation difficulty of some enterprises, hidden risks in some areas, and a complex and severe external environment. The first potential risk is the impact of geopolitics on economic and trade development. China is still currently challenged by external risk factors, such as prevailing unilateralism and protectionism, sluggish global economic recovery, and frequent outbreaks of regional conflicts and disturbances. Such geopolitical risks have affected the development of China's economy and trade as well as science and technology. The second potential risk lies in, according to CPI and PPI data, insufficient internal impetus driving economic growth, and continuing real estate adjustment cycle. At present, affected by income slump, the willingness to increase leverage in the residential sector is low, housing price goes down, and market sales are weakening. The third potential risk comes from the relatively heavy debt burden in some regions. China has a vast territory, with different regions varying in resource endowment, industrial structure, and population structure. Some regions are facing slow economic growth and relatively slow market-oriented transformation of government financing platform companies, as well as pressure of debt repayment. The fourth potential risk is the headwinds against the recovery of short-term financing demands. The speed of domestic economic recovery tends to slow down mainly due to the lack of demands. Enterprises are still concerned about their business expectations, and less willing to proactively invest in production expansion, and residents' willingness to save money remains high. Therefore, the overall financing demand is still weak.

Faced with the above risks, in order to better implement the decisions and arrangements of the CPC Central Committee, the regulatory authorities have introduced a series of measures. The foundation for the turnaround of domestic economy has been constantly consolidated, the vitality of market players has begun to recover, and the economy is expected to return to full growth. For the purposes of effectively ensuring the implementation of strategies, meeting the requirements of high-quality development, and meanwhile deepening the philosophy that "internal risk control is the core competitiveness", in the second half of 2023, the Bank will continue to implement the risk preferences of "implementing strategies, guarding against the bottom line, taking risk control as the basis and seeking prudent progress", comprehensively implement national policies and the Bank's strategies, and implement various requirements on law-abiding and compliant operation. Focusing on the layout of modern industrial system, the Bank will actively integrate and support the development of the real economy, deeply implement national and regional strategic arrangements, and promote the coordinated development of all regions. In addition, the Bank will thoroughly practise the "customer-centric" philosophy, and build a financial service system covering all products, so as to facilitate the high-quality development of China's economy.

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### I. Ordinary Shares

#### (I) Changes in ordinary shares

	30 June 2023		Changes over the Reporting Period Number of shares (share)	31 December 2022	
	Number of shares (share)	Percentage (%)		Number of shares (share)	Percentage (%)
I. Shares subject to restriction on sales	-	-	-	-	-
1. State-owned shares	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-
3. Other domestic shares	-	-	-	-	-
Of which: Held by domestic legal person	-	-	-	-	-
Held by domestic natural person	-	-	-	-	-
4. Foreign investor shares	-	-	-	-	-
Of which: Held by offshore legal person	-	-	-	-	-
Held by offshore natural person	-	-	-	-	-
II. Shares not subject to restriction on sales	43,782,418,502	100.00	-	43,782,418,502	100.00
1. Ordinary shares in RMB	35,462,123,213	81.00	-	35,462,123,213	81.00
2. Domestic listed foreign invested shares	-	-	-	-	-
3. Offshore listed foreign invested shares	8,320,295,289	19.00	-	8,320,295,289	19.00
4. Others	-	-	-	-	-
III. Total number of ordinary shares	43,782,418,502	100.00	-	43,782,418,502	100.00

#### (II) Shares subject to restriction on sales and restrictions

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

### II. Issuance and Listing of Securities

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

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

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### III. Shareholders

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

Total number of holders of ordinary shares as at the end of the Reporting Period 370,671 Total number of holders of preference shares whose voting rights had been restored at the end of the Reporting Period 0

#### Particulars of shareholding of the top 10 holders of ordinary shares

Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held as at the end of the Reporting Period (share)	Changes over the Reporting Period (share)	Number of shares held subject to restriction on sales (share)	Shares pledged/ marked/frozen	
						Status	Number (share)
HKSCC Nominees Limited	Other	18.92	8,285,688,674	337,820	–		Unknown
Dajia Life Insurance Co., Ltd. – Universal Product	Domestic legal person	10.30	4,508,984,567	–	–		Nil
Dajia Life Insurance Co., Ltd. – Traditional Product	Domestic legal person	6.49	2,843,300,122	–	–		Nil
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	Domestic legal person	4.31	1,888,530,701	–	–	Pledged	1,850,802,321
New Hope Liuhe Investment Co., Ltd.	Domestic non-state-owned legal person	4.18	1,828,327,362	–	–		Nil
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state-owned legal person	4.12	1,803,182,618	–	–	Pledged Frozen Marked	1,803,182,617 388,800,001 1,410,782,617
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	3.15	1,379,679,587	–	–	Pledged	1,379,678,400
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	Domestic non-state-owned legal person	3.08	1,350,203,341	–	–		Nil
China Shipowners Mutual Assurance Association	Domestic non-state-owned legal person	3.02	1,324,284,453	–	–		Nil
Orient Group Incorporation	Domestic non-state-owned legal person	2.92	1,280,117,123	–	–	Pledged	1,277,949,488

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

Name of shareholder	Number of shares held not subject to restriction on sales (share)	Class of shares
HKSCC Nominees Limited	8,285,688,674	H Shares
Dajia Life Insurance Co., Ltd. – Universal Product	4,508,984,567	A Shares
Dajia Life Insurance Co., Ltd. – Traditional Product	2,843,300,122	A Shares
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	1,888,530,701	A Shares
New Hope Liuhe Investment Co., Ltd.	1,828,327,362	A Shares
China Oceanwide Holdings Group Co., Ltd.	1,803,182,618	A Shares
Shanghai Giant Lifetech Co., Ltd.	1,379,679,587	A Shares
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	1,350,203,341	A Shares
China Shipowners Mutual Assurance Association	1,324,284,453	A Shares
Orient Group Incorporation	1,280,117,123	A Shares
Statement on the special accounts for repurchase of top 10 shareholders	Uninvolved	
Statement on entrusting, being entrusted with and waiving the voting rights of the aforesaid shareholders	Uninvolved	
<b>Statement on the related relationship or concerted actions among the aforesaid shareholders</b>	<ol style="list-style-type: none"> <li>Dajia Life Insurance Co., Ltd. – Universal Product and Dajia Life Insurance Co., Ltd. – Traditional Product have the same legal person;</li> <li>Save as mentioned above, the Bank is not aware of any related relationship or concerted action among the above shareholders.</li> </ol>	
<b>Statement on holders of preference shares whose voting rights had been restored and their shareholdings</b>	Uninvolved	

#### Notes:

- The number of shares held by holders of A shares and the number of shares held by holders of H shares in the above table were recorded in accordance with the registers of shareholders of the Bank provided by China Securities Depository and Clearing Corporation Limited (Shanghai Branch) and Computershare Hong Kong Investor Services Limited, respectively;
- Total number of the shares held by HKSCC Nominees Limited acting as an agent represents the total amount of H shares of the Bank held by all institutional and individual investors that registered in the account of such investors as at the end of the Reporting Period;
- Shares held and pledged by Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. included 1,850,802,321 shares transferred to "Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. – special account for pledge of convertible corporate bonds non-publicly issued to professional investors ("同方國信投資控股有限公司 – 面向專業投資者非公開發行可交換公司債券質押專戶")" (five tranches in total) due to issuing bonds;
- On 10 August 2023, 1,803,182,618 shares of the Bank held by China Oceanwide Holdings Group Co., Ltd. were under waiting list freezing.

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

As at 30 June 2023, substantial shareholders and other persons (other than the Directors, Supervisors and chief executives of the Bank as defined in the Hong Kong Listing Rules) had the following interests or short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares of relevant class (%)	Percentage of all the issued ordinary shares (%)
Dajia Life Insurance Co., Ltd.	A	Long position	Beneficial owner	7,352,284,689	1	20.73	16.79
	H	Long position	Beneficial owner	457,930,200	1	5.50	1.05
Dajia Insurance Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	7,352,284,689	1	20.73	16.79
	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	457,930,200	1	5.50	1.05
New Hope Liuhe Investment Co., Ltd.	A	Long position	Beneficial owner	1,828,327,362*	2	5.16	4.18
New Hope Liuhe Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,828,327,362*	2	5.16	4.18
New Hope Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	2 and 5	5.44	4.41
LI Wei	A	Long position	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,930,715,189*	3 and 5	5.44	4.41
LIU Chang	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	4 and 5	5.44	4.41
China Oceanwide Holdings Group Co., Ltd.	A	Long position	Beneficial owner	1,803,182,618	6 and 7	5.08	4.12
Oceanwide Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	6 and 7	5.08	4.12

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares of relevant class (%)	Percentage of all the issued ordinary shares (%)
Tohigh Holdings Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	6 and 7	5.08	4.12
Oceanwide International Equity Investment Limited	H	Long position	Beneficial owner	523,667,104			
		Long position	Interest held by the corporation(s) controlled by this substantial shareholder	13,997,500			
				537,664,604	8	6.46	1.23
		Short position	Beneficial owner	523,667,104	8	6.29	1.20
Alpha Frontier Limited	H	Long position	Beneficial owner	713,501,653	9 and 10	8.58	1.63
Shanghai Cibi Business Information Consulting Co., Ltd.	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	9 and 10	8.58	1.63
Giant Investment Co., Ltd.	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	9 and 10	8.58	1.63

\* In accordance with the SFO, the changes in the interests did not result in a percentage subject to disclosure obligation. Relevant changes were not reported in the disclosure forms completed by the above-mentioned substantial shareholders.

## Notes:

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

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

2. According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. through direct and indirect control over several enterprises. As Mr. LIU Yonghao (a Non-Executive Director of the Bank) had control over New Hope Group Co., Ltd., he was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd.
3. Ms. LI Wei is the spouse of Mr. LIU Yonghao (a Non-Executive Director of the Bank). According to the SFO, Ms. LI was deemed to have interests in the 1,930,715,189 A shares of the Bank in which Mr. LIU Yonghao had interests (Mr. LIU Yonghao's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4. Ms. LIU Chang held equity interest of New Hope Group Co., Ltd. (see note 2 above), Ms. LIU was deemed to have interests in the 1,930,715,189 A shares of the Bank in which New Hope Group Co., Ltd. had interests. Ms. LIU Chang is the daughter of Mr. LIU Yonghao (a Non-Executive Director of the Bank).
5. The interests that New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang held in the 1,930,715,189 A shares, as set out in the above table, were the same block of shares.
6. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. through direct and indirect control over Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. As Mr. LU Zhiqiang (a Non-Executive Director of the Bank) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. (Mr. LU Zhiqiang's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
7. The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. held in the 1,803,182,618 A shares, as set out in the above table, were the same block of shares.
8. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 523,667,104 H shares and 523,667,104 H shares (short positions) (all of which were held through other unlisted derivatives) held by Oceanwide International Equity Investment Limited and 13,997,500 H shares held by Long Prosper Capital Company Limited through direct and indirect control over several enterprises. As Mr. LU Zhiqiang (a Non-Executive Director of the Bank) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the 537,664,604 H shares and 523,667,104 H shares (short positions) as mentioned above.
9. According to the SFO, Giant Investment Co., Ltd. was deemed to have interests in the 713,501,653 H shares held by Alpha Frontier Limited through direct and indirect control over Shanghai Cibi Business Information Consulting Co., Ltd. (上海賜比商務信息諮詢有限公司) and Alpha Frontier Limited. As Mr. SHI Yuzhu (a Non-Executive Director of the Bank) held 97.86% of the issued share capital of Giant Investment Co., Ltd., he was also deemed to have interests in the 713,501,653 H shares of the Bank held by Alpha Frontier Limited (Mr. SHI Yuzhu's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
10. The interests that Giant Investment Co., Ltd., Shanghai Cibi Business Information Consulting Co., Ltd. and Alpha Frontier Limited held in the 713,501,653 H shares, as set out in the above table, were the same block of shares.

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

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### (III) Controlling shareholder and ultimate controller

The Bank does not have any controlling shareholder or ultimate controller. According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange 《上海證券交易所股票上市規則》, the largest shareholder and its ultimate controller shall comply with corporate governance regulations by referring to the requirements for controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top 10 single shareholders of the Bank held an aggregate of 43.48% of the Bank's shares. Dajia Life Insurance Co., Ltd. – Universal Product is the single largest shareholder who held 10.30% of the total shares of the Bank. There was no shareholder who could control more than half of the voting rights of the Board or at the general meetings in accordance with the shareholding percentage, the Articles of Association or any agreements.

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

Not applicable.

### (V) Purchase, sale or redemption of securities

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

### (VI) Substantial shareholders

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

- (1) Dajia Life Insurance Co., Ltd.: It was incorporated on 23 June 2010; its registered capital was RMB30,790 million; its unified social credit code is 91110000556828452N; its legal representative is HE Xiaofeng; its controlling shareholder is Dajia Insurance Group Co., Ltd.; the controlling shareholder, the ultimate controller and the ultimate beneficiary of Dajia Insurance Group Co., Ltd. is China Insurance Security Fund Co., Ltd.; it has no party acting in concert; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, the shares of the Bank held by Dajia Life Insurance Co., Ltd. had not been pledged.
- (2) China Oceanwide Holdings Group Co., Ltd.: It was incorporated on 7 April 1988; its registered capital was RMB20,000 million; its unified social credit code is 911100001017122936; its legal representative is LU Zhiqiang; its controlling shareholder is Oceanwide Group Co., Ltd.; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are Oceanwide International Equity Investment Limited, Long Prosper Capital Company Limited and China Oceanwide International Investment Company Limited; its principal business includes: finance, real estate and investment management, etc. As at the end of the Reporting Period, China Oceanwide Holdings Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,803,182,617 ordinary shares, representing 4.12% of the total share capital of the Bank. Of which, 388,800,001 shares were under judicial freezing, and 1,410,782,617 shares were under judicial marking.



## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Oceanwide International Equity Investment Limited: It was incorporated on 17 March 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Wuhan CBD (Hong Kong) Company Limited; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Long Prosper Capital Company Limited and China Oceanwide International Investment Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, Oceanwide International Equity Investment Limited had pledged over 50% of the shares of the Bank it held, being 523,667,104 ordinary shares, representing 1.20% of the total share capital of the Bank.

Long Prosper Capital Company Limited: It was incorporated on 31 August 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Oceanwide International Equity Investment Limited; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and China Oceanwide International Investment Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, Long Prosper Capital Company Limited had pledged over 50% of the shares of the Bank it held, being 13,997,500 ordinary shares, representing 0.03% of the total share capital of the Bank.

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

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

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

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Alpha Frontier Limited: It was incorporated on 24 June 2016; its registered capital was USD17.519 thousand; its controlling shareholder is Shanghai Cibi Business Information Consulting Co., Ltd.; its ultimate controller is SHI Yuzhu; its ultimate beneficiaries are SHI Yuzhu and SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Liberal Rise Limited; its principal business includes: investment holding. As at the end of the Reporting Period, Alpha Frontier Limited had pledged over 38.54% of the shares of the Bank it held, being 275,000,000 ordinary shares, representing 0.63% of the total share capital of the Bank.

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

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

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

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

- (3) Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.: It was incorporated on 23 May 2007; its registered capital was RMB2,574,162,500; its unified social credit code is 91500000660887401L; its legal representative is LIU Qinqin; its largest shareholder is Tongfang Innovation Investment (Shenzhen) Co., Ltd., a wholly-owned subsidiary of Tongfang Co., Ltd., a subsidiary controlled by CNNC Capital Holding Co., Ltd.; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its party acting in concert is Chongqing International Trust Company Limited; its business includes: transportation facilities maintenance; engineering management services; standardisation services; planning and design management; corporate headquarters management; corporate management; management services of commercial complex; international project contracting; property management; investments with its own funds (excluding financial businesses such as accepting public deposits or accepting public deposits in any form, extending loans or securities and futures); consultancy services in relation to investment information and policies for its related party companies; planning and consultancy services in relation to corporate restructuring and merger and acquisition (businesses could be operated independently with business licenses in accordance with laws, except those subject to pre-approvals according to laws). As at the end of the Reporting Period, Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,850,802,321 ordinary shares (all being 1,850,802,321 ordinary shares held by “Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. – special account for pledge of convertible corporate bonds non-publicly issued to professional investors” (“同方國信投資控股有限公司 – 面向專業投資者非公開發行可交換公司債券質押專戶”)), representing 4.23% of the total share capital of the Bank.

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

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

- (4) China Shipowners Mutual Assurance Association: It was incorporated on 1 January 1984; its registered capital was RMB100,000; its unified social credit code is 51100000500010993L; its legal representative is SONG Chunfeng; it has no controlling shareholder; it has no ultimate controller; it has no ultimate beneficiary; it has no party acting in concert; its principal business includes: marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service. As at the end of the Reporting Period, the shares of the Bank held by China Shipowners Mutual Assurance Association had not been pledged.
- (5) Orient Group Incorporation: It was incorporated on 16 August 1989; its registered capital was RMB3,658,744,935; its unified social credit code is 91230199126965908A; its legal representative is SUN Mingtao; its controlling shareholder is Orient Group Co., Ltd.; its ultimate controller is ZHANG Hongwei; its ultimate beneficiary is ZHANG Hongwei; its party acting in concert is Orient Group Co., Ltd.; its principal business includes: permitted items: food production (through its subsidiaries), grain processing and food production (through its subsidiaries), bean product manufacturing (through its subsidiaries), operation of crop seeds (through its subsidiaries), employment agency activities. General items: grain procurement, import and export of goods, import and export of technologies, international project contracting, property management, sales of light building materials, sales of building materials, sales of construction machines, sales of furniture, wholesale of hardware and electrical appliances, sales of sanitary wares, sales of metal materials, technology research and development of new materials, sales of grain, plantation of grain (through its subsidiaries), corporate headquarters management, and primary processing of edible agricultural products (through its subsidiaries). As at the end of the Reporting Period, Orient Group Incorporation had pledged over 50% of the shares of the Bank it held, being 1,277,949,488 ordinary shares, representing 2.92% of the total share capital of the Bank.

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

## CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

- (6) Good First Group Co., Ltd.: It was incorporated on 2 May 1995; its registered capital was RMB133 million; its unified social credit code is 91310000612260305J; its legal representative is WU Di; its controlling shareholder is WONG Hei; its ultimate controller is WONG Hei; its ultimate beneficiary is WONG Hei; its parties acting in concert are Tibet Fujun Enterprise Management Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes: research, development and sales of high-tech products; industrial investment; investments in education, agriculture, secondary industry, entertainment industry and healthcare products; sales of photographic equipment and new-type construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, daily sundry goods, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products approved by the State. As at the end of the Reporting Period, Good First Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 133,200,000 ordinary shares, representing 0.30% of the total share capital of the Bank.

Tibet Fujun Enterprise Management Co., Ltd. (formerly known as Tibet Fujun Investment Co., Ltd.): It was incorporated on 3 May 2016, its registered capital was RMB300 million; its unified social credit code is 91540195MA6T1A2K32; its legal representative is WU Di; its controlling shareholder is Xiamen Good First Investment Co., Ltd. (廈門福信投資有限公司); its ultimate controller is CHEN Tianyi; its ultimate beneficiary is CHEN Tianyi; its parties acting in concert are Good First Group Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes: investments in commercial, agricultural, medical, entertainment and education industries (excluding trust, financial asset management and securities asset management business, and excluding securities, insurance, fund and financial businesses and relevant restricted businesses) (businesses that require pre-approvals according to laws shall be operated only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Fujun Enterprise Management Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 120,100,000 ordinary shares, representing 0.27% of the total share capital of the Bank.

Tibet Heng Xun Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its unified social credit code is 91540195321324233N; its legal representative is HONG Zhihua; its controlling shareholder is HONG Zhihua; its ultimate controller is HONG Zhihua; its ultimate beneficiary is HONG Zhihua; its parties acting in concert are Good First Group Co., Ltd. and Tibet Fujun Enterprise Management Co., Ltd.; its principal business includes: service of corporate image, marketing and brand planning, exhibition and display service, market research (other than those that involve state secrets and personal privacy), retail of building materials and ancillary materials, and sales of feeds and raw materials, chemical fertilisers, rubber products, chemical materials (other than hazardous chemical products and precursor chemicals), and metal materials (businesses that require pre-approvals according to laws shall be operated only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Heng Xun Corporate Management Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 93,500,000 ordinary shares, representing 0.21% of the total share capital of the Bank.

## CHAPTER 5 INFORMATION ON PREFERENCE SHARES

### I. Issuance and Listing of Preference Shares during the Reporting Period

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

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

As at the end of the Reporting Period, the number of holders of preference shares (or nominees) of the Bank was 30.

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

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period	Shareholding percentage (%)	Total number of shares held (share)	Number of shares subject to restriction on sales held	Shares pledged/ marked/frozen
Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific MultiCustomer Assets Management Plan	Other	Domestic preference share	–	10.00	20,000,000	–	Nil
Hwabao Trust Co., Ltd. – Hwabao Trust – Bao Fu Investment No. 1 Collective Fund Trust Plan	Other	Domestic preference share	–	8.89	17,780,000	–	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product	Other	Domestic preference share	–	7.00	14,000,000	–	Nil
CGB Trust Co., Ltd. – “Qian Yuan – Ri Xin Yue Yi” Open-Ended Wealth Management Product Single Fund Trust	Other	Domestic preference share	–	7.00	14,000,000	–	Nil
Jiangsu International Trust Corporation Limited – JSITC – He Xiang Tian Li No. 1 Collective Fund Trust Plan	Other	Domestic preference share	–	6.11	12,220,000	–	Nil
Guotai Junan Securities Asset Management – Huaxia Bank – Guotai Junan Jun Xiang Tian Yi No.1 Collective Asset Management Plan	Other	Domestic preference share	–	5.50	11,000,000	–	Nil
China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001SH	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Self – Owned Funds	Other	Domestic preference share	–	5.00	10,000,000	–	Nil

## CHAPTER 5 INFORMATION ON PREFERENCE SHARES

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period	Shareholding percentage (%)	Total number of shares held (share)	Number of shares subject to restriction on sales held	Shares pledged/ marked/frozen
Taiping Life Insurance Co., Ltd. – Traditional – General Insurance Product – 022L – CT001SH	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Guotai Junan Securities Asset Management – Futong • Rixin H14001 RMB Wealth Management Product – Guojun Asset Management 0638 Targeted Asset Management Contract	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Statement on the related relationship or concerted actions among the top 10 holders of preference shares or among the above shareholders and the top 10 holders of ordinary shares	"Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product" and "Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Fund" have a related relationship. "Guotai Junan Securities Asset Management – Huaxia Bank – Guotai Junan Jun Xiang Tian Yi No.1 Collective Asset Management Plan" and "Guotai Junan Securities Asset Management – Futong • Rixin H14001 RMB Wealth Management Product – Guojun Asset Management 0638 Targeted Asset Management Contract" have a related relationship. Save as disclosed above, the Bank does not know if there is any related relationship or concerted action among the above holders of domestic preference shares or among the above holders of domestic preference shares and the top 10 holders of ordinary shares.						

### III. Distribution of Dividends of Preference Shares

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

### IV. Repurchase or Conversion of Preference Shares

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

### V. Recovery of Voting Rights of Preference Shares

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

### VI. Accounting Policies for Preference Shares and the Underlying Reasons

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

# Corporate Governance





## CHAPTER 6 CORPORATE GOVERNANCE

### I. Corporate Governance Overview

During the Reporting Period, the Bank strictly complied with laws and regulations, administrative rules, regulatory provisions, as well as the requirements of the listing rules of the stock exchanges where it is listed, and continuously and deeply promoted in-depth integration of the Party's leadership with its corporate governance. In accordance with the principles of "each performing its own duties, each taking responsibility for itself, coordinated operation, and effective checks and balances", the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors, and the Senior Management performed their statutory duties in compliance with laws and rules, and continuously enhanced corporate governance.

The Board of Directors resolutely implemented the decisions and arrangements made by the CPC Central Committee and the State Council, worked harder to serve the real economy, and resolutely pushed ahead fundamental transformation for long-term benefits; continuously improved the construction of corporate governance mechanisms to ensure the effective implementation of development strategies. The Bank optimised the composition of the Board of Directors to satisfy relevant requirements on diversity and international experiences of Board members. The Bank attached great importance to the opinions and suggestions of Independent Directors. The Independent Directors performed their duties independently, professionally, and diligently, attended shareholders' general meetings, Board meetings and meetings of special committees of the Board on time, where they leveraged their professionalism and advantages to express independent opinions on major matters such as major related party transactions and remuneration of the Directors and the Senior Management. They fully utilised normalised working mechanisms including independent director meeting mechanism, independent director on-duty mechanism, special committee chairman work reporting mechanism and others to receive briefings on relevant reports regarding the annual audit progress, consumer rights protection and risk management, and carry out prior approval for matters on related party transactions.

The Board of Supervisors conducted all-round and multi-level supervision in key areas such as policy implementation, strategy execution, risk management, internal control and compliance, and financial management. It promoted antecedent supervision, conducted performance evaluation carefully and solidly, innovated the digital supervision and guarantee mechanism, continuously improved the quality and effectiveness of supervision work, and pushed for the closer integration of the supervision work of the Board of Supervisors with the key reform and development work of the Bank. All External Supervisors of the Bank strictly complied with the requirements of laws and regulations, regulatory provisions, and the Articles of Association, abided by the high-standard code of professional ethics, maintained independence in duty performance and financial soundness, performed their supervisory duties faithfully and diligently, actively conducted research and investigation, attended the meetings for discussion in compliance with laws and regulations, independently and objectively proposed supervisory opinions, and safeguarded the legitimate rights and interests of stakeholders, and promoted the acceleration of high-quality development of the whole bank.

## CHAPTER 6 CORPORATE GOVERNANCE

### II. Shareholders' General Meetings

During the Reporting Period, the Bank held one shareholders' general meeting and considered and approved 25 resolutions and received briefings on three special reports. Details are as follows:

On 9 June 2023, the 2022 Annual General Meeting, the First A Share Class Meeting for 2023 and the First H Share Class Meeting for 2023 of the Bank were held in Beijing, in which the shareholders attended and voted on-site and online. For details of the resolutions of the meetings, please refer to the announcements published on the website of the Bank, the website of the SSE and the HKEXnews website of the SEHK on 9 June 2023, and the China Securities Journal, the Shanghai Securities News and the Securities Times on 10 June 2023.

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

During the Reporting Period, eight Board meetings were convened to consider a total of 65 proposals as well as to receive briefings on and study 43 special work reports. The Strategic Development and Consumer Rights Protection Committee, the Nomination Committee, the Compensation and Remuneration Committee, the Audit Committee, the Related Party Transactions Supervision Committee, and the Risk Management Committee under the Board convened a total of 29 meetings to consider 95 proposals and receive briefings on and study 40 special work reports.

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

During the Reporting Period, five meetings (including one non-resolution meeting) of the Board of Supervisors of the Bank were convened to consider a total of 24 proposals and review 44 reports. A total of six meetings of the special committees of the Board of Supervisors were organised and convened, including three meetings of the Supervisory Committee with 15 matters considered and reviewed and 18 matters studied, conveyed, and circulated; and three meetings of the Nomination and Examination Committee with 10 proposals considered.

During the Reporting Period, in accordance with regulatory requirements and based on the need for duty performance, the Board of Supervisors and its special committees focused on supervision of day-to-day meetings and performed the duties of deliberation and supervision. The members of the Board of Supervisors supervised the legality and compliance of the meeting proposals and decision-making process and adopted antecedent supervision by regularly attending important Board meetings and meetings of the Senior Management as non-voting delegates. The Board of Supervisors highlighted problem orientation and systematic concept, pushed for improvement in the effectiveness of deliberation and supervision, and reminded key issues and urged for rectification through supervisory notices. It formulated one comparative analysis on other banks and financial institutions and operation supervision report, and issued 16 supervisory notices.

## CHAPTER 6 CORPORATE GOVERNANCE

## V. Directors, Supervisors and Senior Management

## (I) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)
GAO Yingxin	M	1962	Chairman & Executive Director	July 2020 – 2023 election	500,000	500,000
ZHANG Hongwei	M	1954	Vice Chairman & Non-Executive Director	January 2001 – 2023 election	–	–
LU Zhiqiang	M	1951	Vice Chairman & Non-Executive Director	November 2006 – 2023 election	–	–
LIU Yonghao	M	1951	Vice Chairman & Non-Executive Director	June 2009 – 2023 election	–	–
ZHENG Wanchun	M	1964	Vice Chairman	December 2020 – 2023 election	430,000	430,000
			Executive Director	March 2016 – 2023 election		
			President	January 2016 – 2023 election		
SHI Yuzhu	M	1962	Non-Executive Director	March 2017 – 2023 election	–	–
WU Di	M	1965	Non-Executive Director	March 2013 – 2023 election	–	–
SONG Chunfeng	M	1969	Non-Executive Director	March 2017 – 2023 election	–	–
WENG Zhenjie	M	1962	Non-Executive Director	February 2017 – 2023 election	–	–
YANG Xiaoling	M	1958	Non-Executive Director	March 2021 – 2023 election	–	–
ZHAO Peng	M	1973	Non-Executive Director	June 2021 – 2023 election	–	–
LIU Jipeng	M	1956	Independent Non-Executive Director	February 2017 – (Note 1)	150,000	150,000
LI Hancheng	M	1963	Independent Non-Executive Director	February 2017 – (Note 1)	–	–
XIE Zhichun	M	1958	Independent Non-Executive Director	March 2017 – (Note 1)	–	–
PENG Xuefeng	M	1962	Independent Non-Executive Director	March 2017 – (Note 1)	–	–
LIU Ningyu	M	1969	Independent Non-Executive Director	March 2017 – August 2023	–	–
QU Xinjiu	M	1964	Independent Non-Executive Director	March 2021 – 2023 election	–	–
YUAN Guijun	M	1963	Executive Director	March 2021 – 2023 election	150,000	150,000
			Executive Vice President	December 2020 – 2023 election		
ZHANG Juntong	M	1974	Chairman of the Board of Supervisors & Employee Supervisor	February 2017 – 2023 election	350,000	350,000
YANG Yu	M	1964	Vice Chairman of the Board of Supervisors & Employee Supervisor	November 2021 – 2023 election	–	–
LU Zhongnan	M	1955	Shareholder Supervisor	January 2007 – 2023 election	–	–
LI Yu	M	1974	Shareholder Supervisor	October 2020 – 2023 election	–	–
WANG Yugui	M	1951	External Supervisor	February 2017 – Present	–	–
ZHAO Fugao	M	1955	External Supervisor	June 2019 – 2023 election	–	–

## CHAPTER 6 CORPORATE GOVERNANCE

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)
ZHANG Liqing	M	1963	External Supervisor	October 2020 – 2023 election	–	–
GONG Zhijian	M	1967	Employee Supervisor	November 2021 – 2023 election	–	–
SHI Jie	M	1965	Executive Vice President	January 2017 – 2023 election	350,000	350,000
LI Bin	F	1967	Executive Vice President	January 2017 – 2023 election	350,000	350,000
LIN Yunshan	M	1970	Executive Vice President	January 2017 – 2023 election	350,000	350,000
BAI Dan	F	1963	Chief Financial Officer	May 2012 – 2023 election	360,000	360,000
			Board Secretary	August 2018 – 2023 election		
ZHANG Bin	M	1967	Chief Information Officer	November 2021 – 2023 election	–	–
<b>Resigned Senior Management</b>						
CHEN Qiong	F	1963	Former Executive Vice President	August 2018 – May 2023	350,000	350,000

*Notes:*

- On 28 October 2022, the 28th meeting of the eighth session of the Board approved the nomination of Mr. YEUNG Chi Wai, Jason, Ms. WEN Qiuju and Mr. SONG Huanzheng as the candidates for Independent Directors of the eighth session of the Board. On 21 February 2023, the 32nd meeting of the eighth session of the Board approved the nomination of Mr. CHENG Fengchao, and Mr. LIU Hanxing as the candidates for Independent Directors of the eighth session of the Board. On 9 June 2023, Mr. YEUNG Chi Wai, Jason, Ms. WEN Qiuju, Mr. SONG Huanzheng, Mr. CHENG Fengchao and Mr. LIU Hanxing were elected as Independent Directors of the eighth session of the Board of Directors of the Bank at the 2022 Annual General Meeting. According to the regulatory requirements, independent directors shall not perform duties until their qualifications are approved by the NAFR. On 2 August 2023, the qualification of Ms. WEN Qiuju as an Independent Director was approved by the NAFR and she began performing her duties on the date of approval, and Mr. LIU Ningyu ceased to perform his duties. Mr. LIU Jipeng, Mr. LI Hancheng, Mr. XIE Zhichun and Mr. PENG Xuefeng shall continue to perform their duties before the qualifications of Mr. YEUNG Chi Wai, Jason, Mr. SONG Huanzheng, Mr. CHENG Fengchao and Mr. LIU Hanxing are approved;
- According to the regulations of the CSRC, the commencement date of the terms of office of re-elected Directors, Supervisors and Senior Management in the above table shall be the date of their first appointment and qualification approval. As the qualification of Mr. WENG Zhenjie as a Director is subject to the approval of the NAFR, the commencement date of his term of office is taken as the date when he is elected at the Shareholders' General Meeting;
- During the Reporting Period, none of the incumbent Directors, Supervisors and Senior Management or Directors, Supervisors or Senior Management resigned during the Reporting Period had been subject to any penalty imposed by the securities regulatory authorities during the past three years.

## CHAPTER 6 CORPORATE GOVERNANCE

### (II) Appointment and resignation of Directors, Supervisors and Senior Management

#### Senior Management

On 26 May 2023, Ms. CHEN Qiong resigned from the position of an Executive Vice President of the Bank and retired due to reaching the age.

### (III) Changes of information of Directors and Supervisors

1. Mr. WENG Zhenjie, a Non-Executive Director of the Bank, ceased to serve as a director of Chongqing Three Gorges Bank Co., Ltd.
2. Mr. LIU Ningyu, an Independent Non-Executive Director of the Bank, was appointed as an independent director of Jinko Power Technology Co., Ltd. (listed on the SSE (stock code: 601778)).
3. Mr. ZHANG Liqing, a Supervisor of the Bank, was appointed as Chairman of the Nomination and Examination Committee of the Board of Supervisors of the Bank.
4. Mr. WANG Yugui, a Supervisor of the Bank, ceased to serve as Chairman of the Nomination and Examination Committee of the Board of Supervisors of the Bank.

### (IV) Service contracts of Directors and Supervisors

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

## CHAPTER 6 CORPORATE GOVERNANCE

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

1. As at 30 June 2023, the following Directors and Supervisors of the Bank had the following interests or short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Note	Percentage of shares of relevant class in issue (%)	Percentage of all the issued ordinary shares (%)
GAO Yingxin	Executive Director	A	Long position	Beneficial owner	200,000		0.0006	0.0005
		H	Long position	Beneficial owner	300,000		0.0036	0.0007
ZHENG Wanchun	Executive Director	A	Long position	Beneficial owner	180,000		0.0005	0.0004
		H	Long position	Beneficial owner	250,000		0.0030	0.0006
YUAN Guijun	Executive Director	A	Long position	Beneficial owner	150,000		0.0004	0.0003
LIU Yonghao	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,930,715,189	1	5.44	4.41
		H	Long position	Interest held by his controlled corporation(s)	240,789,500	2	2.89	0.55
LU Zhiqiang	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,803,182,618	3	5.08	4.12
		H	Long position	Interest held by his controlled corporation(s)	545,902,124	4	6.56	1.25
		H	Short position	Interest held by his controlled corporation(s)	523,667,104	4	6.29	1.20
SHI Yuzhu	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,379,679,587	5	3.89	3.15
		H	Long position	Interest held by his controlled corporation(s)	713,501,653	6	8.58	1.63
ZHANG Hongwei	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,315,117,123	7	3.71	3.00
LIU Jipeng	Independent Non-Executive Director	A	Long position	Beneficial owner	150,000		0.0004	0.0003
ZHANG Juntong	Employee Supervisor	A	Long position	Beneficial owner	150,000		0.0004	0.0003
		H	Long position	Beneficial owner	200,000		0.0024	0.0005

## CHAPTER 6 CORPORATE GOVERNANCE

### Notes:

1. The 1,930,715,189 A shares comprised 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. through direct and indirect control over several enterprises. As Mr. LIU Yonghao had control over New Hope Group Co., Ltd., he was deemed to be interested in the 1,930,715,189 A shares as mentioned above.

Such interests held by Mr. LIU Yonghao and the interests held by New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang, the details of which are disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations" in this Interim Report, were the same block of shares.

2. The 240,789,500 H shares were held by South Hope Industrial Co., Ltd. (see note 1 above).
3. The 1,803,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. through direct and indirect control over Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. As Mr. LU Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the 1,803,182,618 A shares as mentioned above.
4. The 545,902,124 H shares comprised 8,237,520 H shares held by China Oceanwide International Investment Company Limited, 523,667,104 H shares held by Oceanwide International Equity Investment Limited and 13,997,500 H shares held by Long Prosper Capital Company Limited. The 523,667,104 H shares (short position) were held by Oceanwide International Equity Investment Limited. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 545,902,124 H shares and 523,667,104 H shares (short position) as mentioned above through direct and indirect control over several enterprises. As Mr. LU Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the H shares and short positions as mentioned above.
5. The 1,379,679,587 A shares were held by Shanghai Giant Lifetech Co., Ltd. According to the SFO, Giant Investment Co., Ltd. has control over Shanghai Giant Lifetech Co., Ltd. As Mr. SHI Yuzhu held 97.86% of the issued share capital of Giant Investment Co., Ltd., he was deemed to be interested in the 1,379,679,587 A shares as mentioned above.
6. The 713,501,653 H shares were held by Alpha Frontier Limited. According to the SFO, Shanghai Cibi Business Information Consulting Co., Ltd. has control over Alpha Frontier Limited. Giant Investment Co., Ltd. (see note 5 above) was deemed to be interested in the 713,501,653 H shares held by Alpha Frontier Limited through its control over Shanghai Cibi Business Information Consulting Co., Ltd.
7. The 1,315,117,123 A shares comprised 1,280,117,123 A shares held by Orient Group Incorporation and 35,000,000 A shares held by Orient Group Co., Ltd. Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司) has direct and indirect control over Orient Group Incorporation and Orient Group Co., Ltd. Mr. ZHANG Hongwei was deemed to be interested in the 1,315,117,123 A shares as mentioned above through wholly-owning Mingze Orient Investment Co., Ltd.

## CHAPTER 6 CORPORATE GOVERNANCE

### 2. As at 30 June 2023, the following Director of the Bank had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

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

Note:

1. New Hope Group Co., Ltd. is interested in RMB2 million of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. LIU Yonghao had control over New Hope Group Co., Ltd., Mr. LIU Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.

### 3. As at 30 June 2023, the following Director of the Bank had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

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

Note:

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



## CHAPTER 6 CORPORATE GOVERNANCE

### 4. As at 30 June 2023, the following Directors of the Bank had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

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

*Notes:*

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

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

## CHAPTER 6 CORPORATE GOVERNANCE

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

The Bank has adopted its own code of conduct of the Directors and the Supervisors regarding transactions in securities, on terms no less exacting than the Model Code set out in Appendix 10 to the Hong Kong Listing Rules. The Bank has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the above-mentioned code during the Reporting Period. The Bank also formulated the guidelines for dealings in securities of the Bank by employees, which are no more lenient than the Model Code. The Bank is not aware of any non-compliance with these guidelines by the relevant employees.

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

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

## **VI. Employees**

As at the end of the Reporting Period, the Group had 61,973 employees, of which 59,123 were employees of the Bank and 2,850 were employees of the subsidiaries of the Bank. Divided by work nature, 6,159 employees were categorised as employees in management posts and 52,964 employees as employees in professional posts<sup>8</sup>. 12,505 employees had graduate degree or above, accounting for 21.2%, 43,289 employees had bachelor's degree, accounting for 73.2%, and 3,329 employees had tertiary qualification or below, accounting for 5.6%. 960 employees of the Bank have retired.

The guiding principles of human resources and remuneration policies of the Bank are: Focusing on strategic transformation requirements and mid- to long-term development goals, the Bank strives to establish high-quality strategic talent teams with adequate members and reasonable structure, establish a high-quality and sustainable new development model with forward-looking and targeted human capital investment, guide the whole bank to consolidate customer base, push forward customer-centric transformation of business model, maintain reasonable market competitiveness of remunerations and strengthen the restraining role of remuneration and incentive policies in risk management and control.

<sup>8</sup> Employees in professional posts include personnel engaging in product research and development, risk management, IT and operation support, etc.

## CHAPTER 6 CORPORATE GOVERNANCE

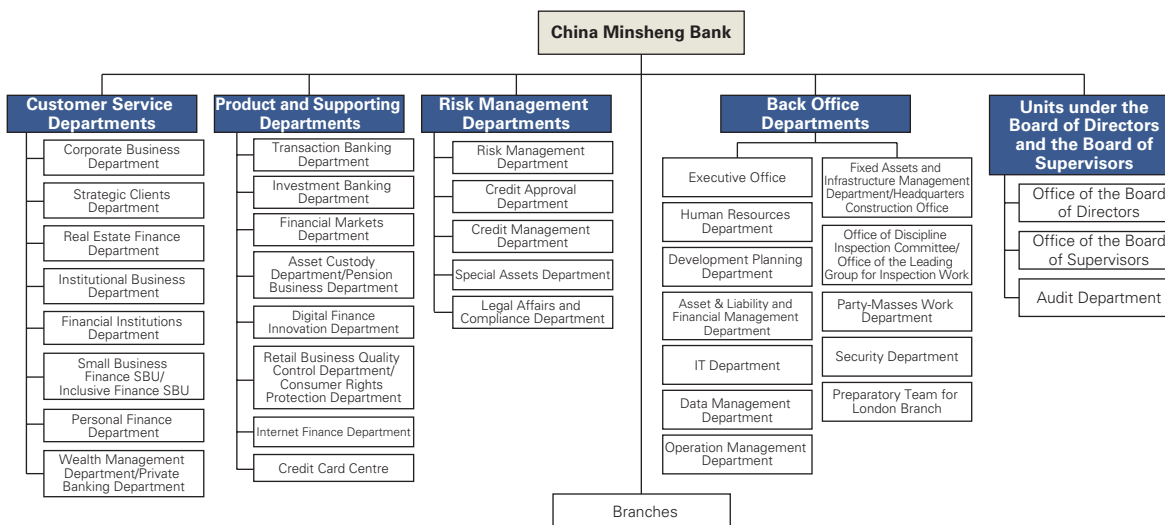
In accordance with the internal management mechanism, the total remunerations of employees are determined after comprehensively considering the total number and structure of employees, development of young employees, talent introduction and cultivation in strategic business areas, risk control, operating results and other factors. In addition, the performance-based remuneration of employees is pegged to the comprehensive performance of the business unit (department) and themselves. In terms of evaluation indicators, key performance indicators, such as sustainable development, customer base, risk control, economic efficiency and social responsibility, were set up to align the remuneration with operating results, risk prevention and social responsibilities. During the Reporting Period, the Bank continued to step up efforts in the cultivation and incentive of young employees and employees in the front office, carried out professional series and position-based remuneration reform, and established a dual-channel talent development system featuring with “management + professionalism” and a position-based remuneration system. Adhering to the value orientation of “respecting professionalism and value creation”, it has gradually established a scientific and reasonable appointment and allocation mechanism, and fostered a cyclical dynamic system with “scientific value evaluation, reasonable value allocation and value creation in full strength”, in a bid to realise the incentive goal of “responsible senior management, efficient middle-level management and enthusiastic primary-level employees”.

In order to improve the incentive and restraint mechanism for performance-based remuneration, give full play to its leading role in corporate governance and risk management and control, strike a balance between current and long-term periods as well as benefits and risks, and prevent radical operation behaviours and violations of laws and regulations, the Bank has set up the mechanism for deferred payment, recourse and recovery of performance-based remuneration regarding the senior management, employees in key posts and in posts having significant impact on risks. In the cases of violations of laws, regulations and disciplines, occurrence of abnormal risk exposure within the scope of duty, or major risk incidents, the Bank will, depending on the circumstances, deduct, stop paying, recourse and recover the performance-based remuneration of relevant accountable persons.

In the first half of 2023, the Bank closely focused on its central tasks, optimised training guidance mechanism, and continuously strengthened training and publicity on reform and transformation as well as strategic priorities. The Bank advanced the development of learning maps matching with professional series, and organised training projects, such as the trainings at Party schools for the senior management, “The Voice of Reform (改革V動力)” Session III, the “Morning Knowledge Supply (晨光充電站)” Session II, as well as the “Youth Growth Training Camp and Digital Champions CampLive (民生青年訓練營暨數字化金融生力軍)”. 4,087 online courses were delivered with a total of 1,798 thousand class hours. The training activities were carried out in multiple forms including offline, online and live-streamed teaching, which effectively helped the Bank improve its organising capability and develop its strategic business.

## CHAPTER 6 CORPORATE GOVERNANCE

### VII. Setting of Departments of the Bank



### VIII. Business Network

As at the end of the Reporting Period, the Bank had 42 tier-1 branches and 105 tier-2 branches (including remote sub-branches) in 41 cities across China. The total number of branch-level business outlets was 147.

During the Reporting Period, the Bank did not have newly opened tier-1 branch and tier-2 branch.

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

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Head Office	1	12,938	3,246,213	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	165	4,165	1,037,444	Unit 02 on 1/F & 3/F-12/F, Tower B, Zhaotai International Centre, No. 10 Chaoyangmen Nan Avenue, Chaoyang District, Beijing
Shanghai Branch	93	2,793	530,422	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	104	2,778	333,262	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province
Shenzhen Branch	60	1,943	252,591	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen, Guangdong Province
Wuhan Branch	89	1,580	91,054	China Minsheng Bank Tower, No. 396 Xinhua Road, Jiangnan District, Wuhan, Hubei Province

## CHAPTER 6 CORPORATE GOVERNANCE

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Taiyuan Branch	110	1,479	129,255	3-5/F, 9-21/F, Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan, Shanxi Province
Shijiazhuang Branch	139	2,069	122,485	Minsheng Bank Tower, No. 197 Yuhua Dong Road, Chang'an District, Shijiazhuang, Hebei Province
Dalian Branch	46	843	107,955	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian, Liaoning Province
Nanjing Branch	182	3,409	383,322	Minsheng Bank, Block One, Zijin Finance Centre, No. 399 Jiangdong Zhong Road, Jianye District, Nanjing, Jiangsu Province
Hangzhou Branch	90	2,024	270,720	Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Shangcheng District, Hangzhou, Zhejiang Province
Chongqing Branch	109	1,254	130,347	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	95	1,334	91,754	Minsheng Bank, Building 5, Taihua Jinmao International, No. 16, Fenghui Nan Road, Gaoxin District, Xi'an, Shaanxi Province
Fuzhou Branch	43	987	52,288	No. 282 Hudong Road, Fuzhou, Fujian Province
Jinan Branch	131	1,990	142,612	Bo'ao (Shandong) Building, No. 12376 Jingshi Road, Lixia District, Jinan, Shandong Province
Ningbo Branch	42	771	54,111	No. 815 Juxian Road, Gaoxin District, Ningbo, Zhejiang Province
Chengdu Branch	116	1,573	156,868	Block 6, No. 966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu, Sichuan Province
Tianjin Branch	52	977	99,291	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	72	937	76,805	No. 11800 Caiyun Bei Road, Kunming, Yunnan Province
Quanzhou Branch	43	655	37,077	No. 689 Citong Road, Fengze District, Quanzhou, Fujian Province
Suzhou Branch	36	1,113	117,184	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou, Jiangsu Province
Qingdao Branch	49	959	72,464	No. 190 Hai'er Road, Laoshan District, Qingdao, Shandong Province

## CHAPTER 6 CORPORATE GOVERNANCE

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Wenzhou Branch	23	598	68,655	Minsheng Bank, Finance Tower, No. 1 Huaijiang Road, Lucheng District, Wenzhou, Zhejiang Province
Xiamen Branch	29	549	41,430	Xiamen Minsheng Bank Tower, No. 50 Hubin Nan Road, Xiamen, Fujian Province
Zhengzhou Branch	105	1,585	152,971	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province
Changsha Branch	45	1,018	76,309	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha, Hunan Province
Changchun Branch	24	569	24,002	Minsheng Tower, No. 500 Changchun Street, Nanguan District, Changchun, Jilin Province
Hefei Branch	70	937	86,458	Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District, Hefei, Anhui Province
Nanchang Branch	40	639	75,641	No. 545, Huizhan Road, Honggutan New District, Nanchang, Jiangxi Province
Shantou Branch	29	504	33,207	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou, Guangdong Province
Nanning Branch	42	634	72,357	1-3/F, 3M/F, 30-31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning, Guangxi Zhuang Autonomous Region
Hohhot Branch	23	463	34,935	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chilechuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region
Shenyang Branch	47	533	27,913	No. 65 Nanjing Bei Street, Heping District, Shenyang, Liaoning Province
Hong Kong Branch	1	281	189,288	3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	41	565	54,900	Block 8, Tianyi International Plaza, No. 33 Changling Nan Road, Gaoxin District, Guiyang, Guizhou Province
Haikou Branch	17	223	9,848	Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou, Hainan Province
Lhasa Branch	4	168	9,333	Global Plaza, No. 8 Beijing Xi Road, Lhasa, Tibet Autonomous Region

## CHAPTER 6 CORPORATE GOVERNANCE

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Shanghai Pilot Free Trade Zone Branch	1	118	74,612	40/F, No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Harbin Branch	17	341	25,763	1-6/F, Zone One, Olympic Centre, No. 11 Aijian Road, Daoli District, Harbin, Heilongjiang Province
Lanzhou Branch	11	285	19,478	1-4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou, Gansu Province
Urumqi Branch	8	221	19,870	No. 314, Yangzijiang Road, Saybagh District, Urumqi, Xinjiang Autonomous Region
Xining Branch	5	150	9,937	1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining, Qinghai Province
Yinchuan Branch	7	171	14,787	1-5/F, Minsheng Bank Tower, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region
Inter-Region adjustment	-	-	-1,291,224	
<b>Total</b>	<b>2,456</b>	<b>59,123</b>	<b>7,365,994</b>	

*Notes:*

1. The number of institutions takes into account all types of banking outlets, including the Head Office, tier-1 branches and business departments, business departments of tier-2 branches, remote sub-branches, county-level sub-branches, intra-city sub-branches, community sub-branches, small-business special sub-branches and small-business sub-branches;
2. Headcount of the Head Office includes the total number of employees in the departments of the Head Office, Credit Card Centre and centralised operation, exclusive of employees of branches. Of which, the headcount of the Credit Card Centre was 8,131;
3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

## CHAPTER 6 CORPORATE GOVERNANCE

### IX. Internal Control and Internal Audit

#### (I) Internal control evaluation

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

The Bank has given full play to the role of internal audit in supervision and evaluation, constantly improved the evaluation and supervision system of internal control, optimised procedures and tools of internal control evaluation, and enhanced refined internal control management. During the Reporting Period, in accordance with the principles of internal control evaluation and annual audit plan, the Bank conducted comprehensive inspections of internal control evaluation in the first half of 2023 on three subsidiaries, i.e. Minsheng Royal Fund, CMBC International, and Jiangxia Rural Bank, and six tier-1 branches in Guangzhou, Wenzhou, Shijiazhuang, Qingdao Lhasa and Tianjin, which covered key businesses and major risks. The Bank supervised the effective rectifications of internal control and risk-related issues through various measures, including daily monitoring, subsequent centralised audits, rectification and acceptance, and assessment on effectiveness of internal control. Accountabilities on the violations of regulations and disciplines found in the inspections were made according to the regulations of the Company. Through constant internal control evaluations, the Bank effectively improved the internal control system and enhanced the internal control management.

#### (II) Internal audit

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



## CHAPTER 6 CORPORATE GOVERNANCE

The Bank performed supervision and examination on the internal control of business units through various forms including comprehensive audits, special audits and economic accountability audits. During the Reporting Period, in accordance with the annual audit plan, the Audit Department efficiently completed the audit tasks for the first half of the year and carried out a total of 32 special audits, and 56 economic accountability audits. It also issued nine risk reminders and audit reminders. Moreover, 15 reports concerning major events, briefings and researches were issued, giving full swing to the role of internal audit in supervision, evaluation and consultation.

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

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

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

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

## CHAPTER 7 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

### I. Environmental Protection

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

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

### II. Performance of Social Responsibilities

**The Bank facilitated rural revitalisation with financial services.** The Bank implemented the strategic policies, decisions and arrangements on rural revitalisation of the CPC Central Committee and the State Council, and deeply learned and used the experience of the "Green Rural Revival Programme (千萬工程)" to innovate assistance models and give full play to the advantages of main businesses. It continued to promote the key financial products, such as "Photovoltaic Loan", "Revitalisation Loan (振興貸)", and the commercial vehicle leasing product of "Minsheng Easy Leasing (民生易租)", and has taken multiple measures including "One Branch Supporting One Township (一行興一鄉)", "Joint Hands Plan with Strategic Clients (戰略客戶攜手計劃)" and "New Business of Financial Assistance and Benefit to Farmers (金融助農惠農新業務)", thus embarking on a characteristic road of rural development via financial services. During the Reporting Period, the B&B eco-tourism project of "100 Beautiful Villages – White Horse Forest Valley (百美村莊 – 白馬林谷)" funded by the Bank through learning and using the experience of the "Green Rural Revival Programme" started operation. Designed and built to be a cultural landmark with the support of Minsheng art institutions, it promoted the integrated development of primary, secondary and tertiary industries in the village, and helped the villagers get employed and increase income. As at the end of the Reporting Period, the Bank raised free assistance fund of RMB31 million for counties receiving paired assistance, introduced free assistance fund of RMB16.40 million, earmarked paid assistance fund of RMB97.43 million, and introduced paid assistance fund of RMB9.43 million. The balance of loans to areas lifted out of poverty of the whole bank amounted to RMB43,243 million, and that of loans to counties receiving focused assistance from the State for rural revitalisation amounted to RMB8,185 million.

## CHAPTER 7 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

**The Bank delivered the warmth of Minsheng with charity and public welfare works.** Adhering to the philosophy of sharing development achievements with the society, the Bank fully utilised its advantages, optimised the public welfare service system, and carried out public welfare practices covering paired assistance, assistance to the vulnerable group and those in difficulties, educational support, health and well-being, culture and art, community development and other aspects. The Bank has supported the “AIDS Prevention and Control Programme” of China Red Ribbon Foundation, the “Guangcai • Minsheng” medical care programme for children with congenital heart disease (“光彩•民生”先天性心臟病患兒救治項目), and the educational funding project of “Beautiful Xinjiang Minsheng Class (美疆民生班)” for many years, so as to continuously shoulder its responsibilities, deliver Minsheng’s warmth, and give back to the society with practical actions. The Bank has launched public welfare projects with brand characteristics for multiple years in a row. During the Reporting Period, the Bank organised the eighth session of the “Power of Minsheng’s Love – ME Charity Innovation Funding Scheme (我決定民生愛的力量—ME公益創新計劃)”, funding 27 innovative charity plans committed to rural revitalisation, community development, educational support, health and well-being, ecological civilisation and other sectors.

**The Bank carried out cultural welfare undertakings to serve the society with arts.** In the first half of 2023, the public welfare art institutions sponsored and operated by the Bank further served the national strategy and the public, and successfully concluded “The Trace of Civilisation – The Great Art of Dunhuang (文明的印記—敦煌藝術大展)”, which attracted 240 thousand visits and was widely praised by all sectors of the society. During the Reporting Period, the Bank has well planned a series of key exhibitions of “Civilisation (文明)”, including “The Inheritance of Civilisation – The Great Art of Century-Old Masters (文明的傳承: 以啟山林—百年巨匠藝術大展)” and “The Integration of Civilisation – The Great Art of Silk Road (文明的融合: 絲路文明大展)”.

**The Bank focused on the improvement of ESG management.** The Board of the Bank attached great importance to ESG, elevated ESG issues to an important position in corporate governance, and ensured to integrate ESG issues into all aspects of corporate governance, such as decision-making, supervision and implementation. The Board comprehensively supervised the implementation of ESG policies and plans, continued to improve the ESG governance structure, regularly reviewed ESG reports, studied and discussed on ESG issues, guided and supervised the management to carry out ESG related work, disclosed information in accordance with laws and regulations, and continued to improve the quality of ESG disclosure. In the first half of 2023, the Bank made multiple honorary achievements in the works related to the improvement of ESG management, including getting on the lists of “China ESG Listed Company Pioneer 100 (中國 ESG 上市公司先鋒 100)” by CCTV, “ESG Practice 50• Responsible Banks (ESG 踐行 50•責任銀行)” for 2023 by The Economic Observer, and “Top 30 Banks in ESG Star Rating of Comprehensive Strength for 2022 (2022 年銀行綜合實力 ESG 星級測評 TOP30)” by business.sohu.com, and ranking first in social responsibility fulfillment.

# Major Events



## CHAPTER 8 MAJOR EVENTS

### I. Material Litigation and Arbitration

During the Reporting Period, the Bank had no litigation or arbitration proceeding that had significant impact on its operations. As at 30 June 2023, there were 2,654 pending litigations with disputed amounts of over RMB1 million involving the Bank as plaintiff for approximately RMB75,969 million and 183 pending litigations involving the Bank as defendant for approximately RMB3,723 million.

### II. Purchase and Disposal of Assets and Mergers and Acquisitions

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

### III. Material Contracts and Their Performances

The Bank participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing. Currently, the major structure construction is under progress.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 in the north of Headquarters Economic Zone in Donghai Sub-District, Quanzhou. The construction commenced in May 2016. The main part of the project officially passed the joint acceptance for completion of the Quanzhou Municipal Bureau of Housing and Urban-Rural Development on 5 July 2023. The bid invitation work for second-round refined decoration, security engineering and advertising engineering has been completed. Approval procedures for the second-round refined decoration permit were completed on 6 July 2023, and the refined decoration team has commenced construction.

The Bank participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side Road in Taijiang District, Fuzhou. The land handover was completed with Fuzhou Land Development Centre (福州市土地發展中心) in August 2018. The project was approved by the Board on 23 September 2020. The approval procedures of pile foundation construction permit were completed on 25 September 2020. The Bank signed the contract with entrusted construction firms in May 2021, and the construction management work is being carried out pursuant to the entrusted construction management model. The overall construction work commenced formally on 15 January 2022. The pile foundation construction was completed on 15 May 2022. The acceptance of pile foundation subdivisional engineering was completed on 10 December 2022. The basement floor cement construction was completed on 30 December 2022. The basement structure construction was completed on 28 February 2023. As at 30 June 2023, the structure construction of ten floors above the ground was completed.

## CHAPTER 8 MAJOR EVENTS

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

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

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

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

### IV. Major Guarantees

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

## CHAPTER 8 MAJOR EVENTS

### V. Commitments by the Bank and Its Relevant Entities

According to the relevant rules of the CSRC, the Bank considered and approved the Proposal on Impacts on Dilution of Current Returns of the Non-public Issuance of Preference Shares and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd. 《關於中國民生銀行股份有限公司非公開發行優先股攤薄即期回報及填補措施的議案》 at the first extraordinary meeting for 2016 on 1 February 2016 and the Proposal on Impacts on Dilution of Current Returns of the Public Issuance of A Shares Convertible Corporate Bonds and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd. 《關於中國民生銀行股份有限公司公開發行A股可轉換公司債券攤薄即期回報及填補措施的議案》 at the 2019 Annual General Meeting on 29 June 2020, in which remedial measures on the dilution of current returns that might arise from the non-public issuance of preference shares and the public issuance of A Share convertible corporate bonds by the Bank were formulated, respectively. These measures included strengthening capital management and optimising resources allocation, promoting the transformation of business model and management mechanism, enhancing comprehensive management and refined management, improving comprehensive risk management, and further increasing its corporate value. At the same time, the Directors and the Senior Management of the Bank also made commitments to effectively execute the remedial measures on current returns. On 11 August 2023, the Bank terminated the issuance of convertible corporate bonds. During the Reporting Period, the Bank and the Directors and the Senior Management of the Bank did not violate any of the aforesaid commitments.

### VI. Appointment of Accounting Firms

The 2022 Annual General Meeting of the Bank approved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Bank, being the auditing firms responsible for domestic and international auditing of the Bank for 2023, respectively.

According to the terms of contracts, the total remuneration agreed between the Bank and the above auditors in respect of their audit services for the year, including 2023 annual auditing, 2023 interim review, agreed procedures of 2023 quarterly financial statements, auditing of the effectiveness of internal control for 2023, and insurance services of tier-two capital bonds and financial bonds in 2023, was RMB9.89 million, including a service fee of RMB1.0 million for the audit of the effectiveness of internal control.

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

## CHAPTER 8 MAJOR EVENTS

### VII. Material Related Party Transactions

The Bank does not have any controlling shareholders.

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

### VIII. Profit and Dividend Distribution

#### (I) Annual profit distribution for 2022

The Bank distributed dividends to all shareholders according to the profit distribution plan for 2022, which was considered and approved at the 34th meeting of the eighth session of the Board and the 2022 Annual General Meeting. On the basis of the total share capital of the Bank as at the record dates, the Bank distributed a cash dividend for 2022 of RMB0.214 (tax inclusive) per share to all shareholders whose names appeared on the registers as at the record dates. The total cash dividend amounted to RMB9,369 million. The cash dividend was denominated and declared in RMB and was paid in RMB to holders of A shares and in Hong Kong dollar to holders of H shares.

The Bank distributed the cash dividends to holders of A shares and investors of Northbound Trading in June 2023 in accordance with relevant provisions, and distributed the cash dividends to holders of H shares and investors of Southbound Trading in July 2023 in accordance with relevant provisions. The implementation of the distribution plan was thus completed. For details, please refer to the announcement of the Bank dated 9 June 2023 published on the HKEXnews website of the SEHK and the announcement dated 15 June 2023 published on the website of the SSE, respectively.

#### (II) Profit distribution plan for the first half of 2023

No interim profit will be distributed and no capital reserve will be used for capitalisation for the first half of 2023.

### IX. Audit Committee

The main duties of the Audit Committee include reviewing and supervising the financial reporting procedures and internal monitoring system of the Bank and issuing opinions to the Board. The Audit Committee of the Bank has reviewed and confirmed the 2023 Interim Report and the 2023 interim results announcement as at 30 June 2023.



## CHAPTER 8 MAJOR EVENTS

### X. Integrity of the Bank, Controlling Shareholders and Ultimate Controllers

The Bank does not have any controlling shareholder or ultimate controller. Dajia Life Insurance Co., Ltd. is the largest shareholder. During the Reporting Period, the largest shareholder and its ultimate controller did not have any effective court ruling which was not implemented or any overdue debt in large amounts.

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

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

### XII. Illegal Guarantees

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

### XIII. Pre-Emptive Rights

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

## CHAPTER 8 MAJOR EVENTS

### XIV. Consumer Rights Protection

During the Reporting Period, the Bank stuck to the “people-centric” development philosophy and implemented the “customer-centric” business philosophy when performing its duty in consumer rights protection. Through five measures including strengthening the high-level coordinated planning, reinforcing the development of key institutional mechanisms, intensifying the management and control in key areas, boosting the empowerment of new complaint system and enhancing cultural cultivation and team building, the Bank continuously promoted the deep integration of consumer rights protection management into the entire process of business and management, so as to facilitate the healthy development of business and promote the improvement of service quality. In respect of strengthening the high-level coordinated planning, the Bank continued to thoroughly integrate consumer rights protection into corporate governance, continuously improved the performance of duties of the Board, Board of Supervisors and the Senior Management in consumer rights protection, and constantly optimised the coordination mechanism, auditing and cultural development in terms of consumer rights protection across the whole bank. In respect of reinforcing the development of key institutional mechanisms, the Bank revised and issued the Administrative Measures on Consumer Rights Protection of China Minsheng Bank 《中國民生銀行消費者權益保護管理辦法》 in accordance with the regulatory requirements in a timely manner, and kept consolidating the three-tier institutional management system covering the special rules, internal rules and operational rules for consumer rights protection. The Bank also continuously refined the review of consumer rights protection, and built a closed loop of review management in this regard. In addition, it further revised the appraisal indicators regarding consumer rights protection, and improved the appraisal and restraint mechanism. In respect of intensifying the management and control in key areas, the Bank continuously enhanced the protection of consumers’ financial information, the appropriateness of retail wealth management products, marketing publicity, information disclosure and other key areas. In respect of boosting the empowerment of new complaint system, the Bank formally put into operation the new-generation complaint management system, and constantly pushed ahead with the effective operation of the mechanism for source-tracing and rectification of key complaints and mechanism for diversified settlement of financial disputes. In respect of enhancing cultural cultivation and team building, the Bank conducted multi-level trainings on consumer rights protection to continuously improve the team’s professional capability. It also organised normalised education and publicity as well as centralised education and publicity campaigns, such as the “15 March” Promotion Week, and the “Financial Knowledge Promotion Tour (金融知識萬里行)”, in a solid way, constantly built the brand of “Minsheng’s Consumer Rights Protection in Action” and strove to enhance the financial literacy of consumers.

### XV. Other Major Events

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

# FINANCIAL REPORTS

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

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

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

## Introduction

We have reviewed the interim financial information set out on pages 155 to 305, which comprises the condensed consolidated statement of financial position of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2023 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

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

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 30 August 2023

# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

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

	Note 4	Six months ended 30 June	
		2023 (unaudited)	2022 (unaudited)
Interest income		133,080	131,728
Interest expense		(81,746)	(76,905)
<b>Net interest income</b>	1	<b>51,334</b>	54,823
Fee and commission income		13,441	12,253
Fee and commission expense		(2,605)	(2,388)
<b>Net fee and commission income</b>	2	<b>10,836</b>	9,865
Net trading gain	3	2,848	3,814
Net gain from investment securities	4	3,609	3,011
Including: disposals of financial assets measured at amortised cost		850	246
Net other operating income	5	1,241	1,223
Operating expenses	6	(22,179)	(21,947)
Credit impairment losses	7	(22,210)	(23,960)
Other impairment losses		(732)	(310)
<b>Profit before income tax</b>		<b>24,747</b>	26,519
Income tax expense	8	(775)	(1,635)
<b>Net profit</b>		<b>23,972</b>	24,884
<b>Net profit attributable to:</b>			
Equity holders of the Bank		23,777	24,638
Non-controlling interests		195	246
<b>Earnings per share (expressed in RMB Yuan)</b>			
Basic and diluted earnings per share	9	0.46	0.49

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

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

	Six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)
<b>Net profit</b>	<b>23,972</b>	24,884
<b>Other comprehensive income of the year, net of tax</b>	<b>2,721</b>	(938)
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	<b>742</b>	(54)
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	<b>1,726</b>	(1,413)
Allowance for impairment losses	<b>216</b>	31
Effective hedging portion of gains or losses arising from cash flow hedging instruments	<b>39</b>	20
Exchange difference on translating foreign operations	<b>(2)</b>	478
<b>Total comprehensive income of the year</b>	<b>26,693</b>	23,946
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Bank	<b>26,302</b>	23,527
Non-controlling interests	<b>391</b>	419

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023  
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2023 (unaudited)	31 December 2022 (audited)
<b>ASSETS</b>			
Cash and balances with central bank	10	354,899	338,552
Balances with banks and other financial institutions	11	114,630	88,705
Precious metals		27,993	25,167
Placements with banks and other financial institutions	12	188,526	182,434
Derivative financial assets	13	40,635	33,878
Financial assets held under resale agreements	14	10,025	3,010
Loans and advances to customers	15	4,322,267	4,072,982
Financial investments:	16		
– Financial assets at fair value through profit or loss		386,582	389,070
– Financial assets at fair value through other comprehensive income		409,596	473,211
– Financial assets measured at amortised cost		1,496,330	1,363,589
Long-term receivables	17	115,628	111,456
Property and equipment	18	60,204	58,896
Right-of-use assets	19(1)	12,752	13,146
Deferred income tax assets	20	56,977	55,701
Other assets	22	44,407	45,876
<b>Total assets</b>		<b>7,641,451</b>	<b>7,255,673</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023  
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2023 (unaudited)	31 December 2022 (audited)
<b>LIABILITIES</b>			
Borrowings from central bank		180,971	144,801
Deposits and placements from banks and other financial institutions	24	1,532,692	1,479,041
Financial liabilities at fair value through profit or loss		20,506	1,915
Borrowings from banks and other financial institutions	25	108,748	105,229
Derivative financial liabilities	13	41,844	32,675
Financial assets sold under repurchase agreements	26	131,663	104,140
Deposits from customers	27	4,300,243	4,051,592
Lease liabilities	19(2)	9,058	9,426
Provisions	28	2,345	2,456
Debt securities issued	29	628,199	648,107
Current income tax liabilities		4,429	5,040
Deferred income tax liabilities	20	242	236
Other liabilities	30	53,820	58,201
<b>Total liabilities</b>		<b>7,014,760</b>	<b>6,642,859</b>



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023  
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2023 (unaudited)	31 December 2022 (audited)
<b>EQUITY</b>			
Share capital	31	43,782	43,782
Other equity instrument		94,962	94,962
Including: Preference shares	32	19,975	19,975
Perpetual bonds	33	74,987	74,987
Reserves			
Capital reserve	31	58,149	58,149
Other reserves		1,953	(612)
Surplus reserve	35	55,276	55,276
General reserve	35	90,673	90,494
Retained earnings	35	268,624	257,877
Total equity attributable to equity holders of the Bank		613,419	599,928
Non-controlling interests		13,272	12,886
<b>Total equity</b>		<b>626,691</b>	612,814
<b>Total liabilities and equity</b>		<b>7,641,451</b>	7,255,673

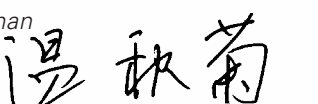
The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 30 August 2023.



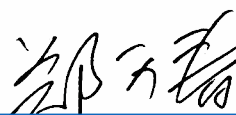
**Gao Yingxin**

Chairman



**Wen Qiuju**

Director



**Zheng Wanchun**

Vice Chairman and President

(Company Seal)



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

Unaudited	Attributable to equity shareholders of the Bank											Total equity
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	Reserves			Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	
					General reserve	Investment revaluation reserve	Exchange reserve					
Note 4	31	32&33	31	35	35	38		38	35		36	
<b>At 31 December 2022</b>	43,782	94,962	58,149	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814
(I) Net profit	-	-	-	-	-	-	-	-	23,777	23,777	195	23,972
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,348	138	39	-	2,525	196	2,721
Total comprehensive income	-	-	-	-	-	2,348	138	39	23,777	26,302	391	26,693
(III) Profit distribution												
1. Appropriation to general reserve	-	-	-	-	179	-	-	-	(179)	-	-	-
2. Cash dividends	-	-	-	-	-	-	-	-	(9,369)	(9,369)	(4)	(9,373)
3. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(IV) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	40	-	-	(40)	-	-	-
(V) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(2)	(2)	(1)	(3)
<b>At 30 June 2023</b>	43,782	94,962	58,149	55,276	90,673	1,309	604	40	268,624	613,419	13,272	626,691

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

Unaudited	Attributable to equity shareholders of the Bank											
	Note 4	Reserves									Non-controlling interests	Total equity
		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings		
	31	32&33	31	35	35	38			38	35	36	
<b>At 31 December 2021</b>	43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539
(I) Net profit	-	-	-	-	-	-	-	-	24,638	24,638	246	24,884
(II) Other comprehensive income, net of tax	-	-	-	-	-	(1,470)	339	20	-	(1,111)	173	(938)
Total comprehensive income	-	-	-	-	-	(1,470)	339	20	24,638	23,527	419	23,946
(III) Capital injection and deduction by equity holders												
1. Capital injection by other equity instrument holders	-	4,998	-	-	-	-	-	-	-	4,998	-	4,998
(IV) Profit distribution												
1. Appropriation to general reserve	-	-	-	-	44	-	-	-	(44)	-	-	-
2. Cash dividends	-	-	-	-	-	-	-	-	(9,326)	(9,326)	(81)	(9,407)
3. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,230)	(3,230)	-	(3,230)
(V) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	33	-	-	(33)	-	-	-
(VI) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(89)	(89)	(46)	(135)
<b>At 30 June 2022</b>	43,782	94,962	58,149	51,843	87,057	(864)	158	13	255,060	590,160	12,551	602,711

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

Audited	Attributable to equity shareholders of the Bank												
	Note 4	Share capital	Other equity instrument	Capital reserve	Surplus reserve	Reserves			Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
						General reserve	Investment revaluation reserve	Exchange reserve					
	31	32&33	31	35	35	38			38	35		36	
<b>At 31 December 2021</b>	43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539	
(I) Net profit	-	-	-	-	-	-	-	-	35,269	35,269	508	35,777	
(II) Other comprehensive income, net of tax	-	-	-	-	-	(1,781)	647	8	-	(1,126)	280	(846)	
Total comprehensive income	-	-	-	-	-	(1,781)	647	8	35,269	34,143	788	34,931	
(III) Capital injection and deduction by equity holders													
1. Capital injection by other equity instrument holders	-	4,998	-	-	-	-	-	-	-	4,998	-	4,998	
(IV) Profit distribution													
1. Appropriation to surplus reserve	-	-	-	3,433	-	-	-	-	(3,433)	-	-	-	
2. Appropriation to general reserve	-	-	-	-	3,481	-	-	-	(3,481)	-	-	-	
3. Cash dividends	-	-	-	-	-	-	-	-	(10,202)	(10,202)	(129)	(10,331)	
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,230)	(3,230)	-	(3,230)	
(V) Transfers within the owners' equity													
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	129	-	-	(129)	-	-	-	
(VI) Others													
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(61)	(61)	(32)	(93)	
<b>At 31 December 2022</b>	43,782	94,962	58,149	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814	

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

	Note 4	Six months ended 30 June	
		2023 (unaudited)	2022 (unaudited)
<b>Cash flows from operating activities:</b>			
Profit before income tax		24,747	26,519
<i>Adjustments for:</i>			
– Credit impairment losses		22,210	23,960
– Other impairment losses		732	310
– Depreciation and amortisation		4,137	3,766
– Losses/(Gains) on disposal of property and equipment and other long-term assets		28	(77)
– Losses from changes in fair value		2,413	1,688
– Net gains on disposal of investment securities		(4,910)	(3,970)
– Interest expense on debt securities issued		8,350	10,202
– Interest expense on lease liabilities		165	194
– Interest income from financial investments		(29,791)	(27,844)
<b>Subtotal</b>		<b>28,081</b>	<b>34,748</b>
<i>Changes in operating assets:</i>			
Net decrease/(increase) in balances with central bank, banks and other financial institutions		10,152	(1,156)
Net decrease/(increase) in placements with banks and other financial institutions		7,788	(33,251)
Net increase in financial assets held under resale agreements		(7,016)	(11,177)
Net increase in loans and advances to customers		(265,774)	(185,389)
Net increase in financial assets held for trading purposes		(27,817)	(4,476)
Net increase in other operating assets		(20,510)	(15,404)
<b>Subtotal</b>		<b>(303,177)</b>	<b>(250,853)</b>

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

	Note 4	Six months ended 30 June	
		2023 (unaudited)	2022 (unaudited)
<b>Cash flows from operating activities: (continued)</b>			
<i>Changes in operating liabilities:</i>			
Net increase/(decrease) in borrowings from central bank		35,776	(25,378)
Net increase in deposits from customers		247,934	337,869
Net increase/(decrease) in deposits and placements from banks and other financial institutions		51,500	(23,933)
Net increase in financial assets sold under repurchase agreements		27,543	15,954
Income tax paid		(3,343)	(7,677)
Net increase in other operating liabilities		24,317	1,192
Subtotal		383,727	298,027
<b>Net cash from operating activities</b>		<b>108,631</b>	81,922
<b>Cash flows from investing activities:</b>			
Proceeds from sale and redemption of investments and investment income		833,127	591,946
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		920	2,277
Cash payment for investments		(833,348)	(704,363)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(3,392)	(8,231)
<b>Net cash from investing activities</b>		<b>(2,693)</b>	(118,371)

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

	Note 4	Six months ended 30 June	
		2023 (unaudited)	2022 (unaudited)
<b>Cash flows from financing activities:</b>			
Capital injection by holders of other equity instruments		–	4,998
Proceeds from issue of debt securities		<b>506,253</b>	420,256
Repayment of debts		<b>(530,375)</b>	(374,285)
Subsidiaries shares repurchased		<b>(3)</b>	(135)
Interest paid on debt securities and perpetual bonds issued		<b>(7,906)</b>	(8,387)
Dividends paid		<b>(7,564)</b>	(7,682)
Cash payment in other financing activities		<b>(1,822)</b>	(1,854)
<b>Net cash from financing activities</b>		<b>(41,417)</b>	32,911
Effect of exchange rate changes on cash and cash equivalents		<b>1,646</b>	2,837
<b>Net increase/(decrease)in cash and cash equivalents</b>		<b>66,167</b>	(701)
Cash and cash equivalents at 1 January		<b>128,305</b>	163,418
<b>Cash and cash equivalents at 30 June</b>	39	<b>194,472</b>	162,717

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

## 1 General information

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

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking and Insurance Regulatory Commission (The “CBIRC”) (In 2023, the regulator was renamed as the National Administration of Financial Regulation. The “NAFR”), and the business license as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

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

In the interim financial information for the six months ended 30 June 2023, China mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

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

As at 30 June 2023, the Bank has 42 tier-one branches and 33 subsidiaries.

## 2 Basis of preparation

The interim financial information for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

## 3 Summary of material accounting policy information

The interim financial information for the six months ended 30 June 2023 have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and critical accounting estimates and judgements used in preparing the unaudited interim financial information are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2022.

The interim financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2022, which have been audited.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 3 Summary of material accounting policy information *(continued)*

#### 3.1 Standards and amendments effective in 2023 relevant to and adopted by the Group

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

Amendments to 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
IFRS 17 and Amendments	Insurance Contracts

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

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

In current period, the Group has not adopted the following amendments issued by the IASB, that have been issued but are not yet effective.

Standards/Amendments		Effective date
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred.
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

## 4 Notes to the consolidated financial statements

## 4.1 Net interest income

	Six months ended 30 June	
	2023	2022
Interest income arising from:		
Loans and advances to customers	<b>92,399</b>	94,021
Including: Corporate loans and advances	<b>46,187</b>	42,923
Personal loans and advances	<b>43,710</b>	47,181
Discounted bills	<b>2,502</b>	3,917
Financial investments	<b>29,791</b>	27,844
Including: Financial assets measured at amortised cost	<b>23,038</b>	21,475
Financial assets at fair value through other comprehensive income	<b>6,753</b>	6,369
Placements with banks and other financial institutions	<b>3,717</b>	2,810
Long-term receivables	<b>3,301</b>	3,403
Balances with central bank	<b>2,422</b>	2,386
Financial assets held under resale agreements	<b>831</b>	989
Balances with banks and other financial institutions	<b>619</b>	275
Subtotal	<b>133,080</b>	131,728
Interest expense arising from:		
Deposits from customers	<b>(48,146)</b>	(44,247)
Deposits and placements from banks and other financial institutions	<b>(19,295)</b>	(15,925)
Debt securities issued	<b>(8,350)</b>	(10,202)
Borrowings from central bank	<b>(2,299)</b>	(3,913)
Borrowings from banks and other financial institutions and others	<b>(2,112)</b>	(1,892)
Financial assets sold under repurchase agreements	<b>(1,379)</b>	(532)
Lease liabilities	<b>(165)</b>	(194)
Subtotal	<b>(81,746)</b>	(76,905)
Net interest income	<b>51,334</b>	54,823
Of which:		
Interest income from impaired loans and advances to customers	<b>693</b>	558

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

## 4.2 Net fee and commission income

	Six months ended 30 June	
	2023	2022
Fee and commission income from		
Bank card services	5,276	5,444
Agency services	4,008	2,297
Custodian and other fiduciary services	2,331	2,725
Settlement services	1,096	810
Credit commitments	556	691
Others	174	286
Subtotal	13,441	12,253
Fee and commission expense	(2,605)	(2,388)
Net fee and commission income	10,836	9,865

## 4.3 Net trading gain

	Six months ended 30 June	
	2023	2022
Net gain from interest rate products	2,174	939
Net gain from foreign exchange and foreign exchange products	(106)	2,263
Others	780	612
Total	2,848	3,814

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.4 Net gain from investment securities

	Six months ended 30 June	
	2023	2022
Financial assets at fair value through profit or loss	1,405	1,703
Financial assets at fair value through other comprehensive income	1,354	1,062
Financial assets measured at amortised cost	850	246
Total	3,609	3,011

#### 4.5 Net other operating income

	Six months ended 30 June	
	2023	2022
Operating leases income	2,162	2,369
Operating leases costs	(1,604)	(1,407)
Others	683	261
Total	1,241	1,223

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

## 4 Notes to the consolidated financial statements (continued)

## 4.6 Operating expenses

	Six months ended 30 June	
	2023	2022
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	11,780	11,731
– Post-employment benefits-defined contribution plan	1,320	1,106
Depreciation and amortisation	3,118	2,865
Short-term lease expenses, low-value lease expenses and property management expenses	459	414
Tax and surcharges	1,043	883
Office expenses, business expenses and others	4,459	4,948
Total	22,179	21,947

## 4.7 Credit impairment losses

	Six months ended 30 June	
	2023	2022
Loans and advances to customers	19,435	21,475
Financial assets measured at amortised cost	1,908	997
Financial assets at fair value through other comprehensive income	397	362
Long-term receivables	529	1,015
Other receivables	161	289
Others	(220)	(178)
Total	22,210	23,960

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 4 Notes to the consolidated financial statements (continued)

#### 4.8 Income tax expense

	Six months ended 30 June	
	2023	2022
Current income tax for the period	2,732	3,088
Deferred income tax (Note 4.20)	(1,957)	(1,453)
Total	775	1,635

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

	Six months ended 30 June	
	2023	2022
Profit before income tax	24,747	26,519
Income tax at the tax rate of 25%	6,187	6,630
Effect of non-taxable income (a)	(5,110)	(4,594)
Effect of non-deductible expenses (b)	517	91
Effect of interest expense on perpetual debt	(860)	(808)
Settlement variance and others	41	316
Income tax expense	775	1,635

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

(b) It mainly includes tax effects of losses written-off that are not deductible before tax, as well as business entertainment expenses and deposit insurance premiums in excess of their respective pre-tax deductible limits.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

##### 4.9 Earnings per share

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

The Bank issued non-cumulative preference shares and perpetual bonds in 2019, 2021 and 2022 respectively under the terms and conditions as detailed in Note 4.32 Preference Shares and Note 4.33 Perpetual Bonds.

The conversion feature of the preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2023 and 31 December 2022, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Six months ended 30 June	
	2023	2022
Profit for the period attributable to equity holders of the Bank	<b>23,777</b>	24,638
Less: profit for the period attributable to other equity instrument holders of the Bank	<b>(3,440)</b>	(3,230)
Net profit attributable to ordinary equity holders of the Bank	<b>20,337</b>	21,408
Weighted average number of ordinary shares in issue (in millions)	<b>43,782</b>	43,782
Basic/Diluted earnings per share (in RMB)	<b>0.46</b>	0.49

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.10 Cash and balances with central bank

	<b>30 June 2023</b>	31 December 2022
Cash	<b>6,622</b>	6,983
Balances with central bank		
Mandatory reserve deposits	<b>301,158</b>	311,294
Surplus reserve deposits	<b>46,411</b>	19,301
Fiscal deposits and others	<b>586</b>	837
Subtotal	<b>348,155</b>	331,432
Interest accrued	<b>122</b>	137
Total	<b>354,899</b>	338,552

The Group places mandatory reserve deposits in accordance with the relevant provisions of PBOC or local regulators. The mandatory reserve deposits are not available for use in the Group's daily business.

As at 30 June 2023 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 7.25% (31 December 2022: 7.50%) and the reserve rate for foreign currency deposits is 6.00% (31 December 2022: 6.00%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

##### 4.11 Balances with banks and other financial institutions

	30 June 2023	31 December 2022
China mainland		
– Banks	89,455	67,859
– Other financial institutions	6,113	4,936
Subtotal	95,568	72,795
Overseas		
– Banks	17,417	14,324
– Other financial institutions	1,538	1,508
Subtotal	18,955	15,832
Interest accrued	114	86
Less: allowance for impairment losses	(7)	(8)
Total	114,630	88,705

For the six months ended 30 June 2023 and for the year ended 31 December 2022, the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages were insignificant.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

## 4.12 Placements with banks and other financial institutions

	<b>30 June 2023</b>	31 December 2022
China mainland		
– Banks	<b>8,446</b>	8,489
– Other financial institutions	<b>162,111</b>	162,399
Subtotal	<b>170,557</b>	170,888
Overseas		
– Banks	<b>15,402</b>	9,247
– Other financial institutions	<b>3,951</b>	3,806
Subtotal	<b>19,353</b>	13,053
Interest accrued	<b>342</b>	355
Less: allowance for impairment losses	<b>(1,726)</b>	(1,862)
Total	<b>188,526</b>	182,434

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (*continued*)4.12 Placements with banks and other financial institutions (*continued*)

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

	Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(585)	–	(1,277)	(1,862)
Net reversal/(charge)	171	–	(35)	136
Balance as at 30 June 2023	(414)	–	(1,312)	(1,726)

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(411)	–	(1,178)	(1,589)
Net charge	(172)	–	(99)	(271)
Others	(2)	–	–	(2)
Balance as at 31 December 2022	(585)	–	(1,277)	(1,862)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements (*continued*)

#### 4.13 Derivatives

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

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

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

	30 June 2023			31 December 2022		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives	2,344,909	36,547	(34,961)	2,311,820	29,129	(26,883)
Interest rate derivatives	1,653,120	2,740	(782)	1,428,101	2,889	(589)
Precious metal derivatives	71,342	1,333	(6,097)	70,434	1,836	(5,186)
Others	1,013	15	(4)	1,456	24	(17)
<b>Total</b>		<b>40,635</b>	<b>(41,844)</b>		<b>33,878</b>	<b>(32,675)</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements *(continued)*4.13 Derivatives *(continued)*

## (2) Hedges

		30 June 2023		
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	12,558	–	(321)
Fair value hedges				
– Interest rate swap contracts	(b)	34,450	1,727	(2)
Total			1,727	(323)

		31 December 2022		
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	6,498	150	–
Fair value hedges				
– Interest rate swap contracts	(b)	28,353	1,603	(1)
Total			1,753	(1)

(a) The Group uses foreign exchange swaps to hedge against cash flow fluctuations arising from its exposures to foreign exchange risks. The hedged items include foreign bond investments of the Group, loans and advances denominated in foreign currencies, and foreign currency lending to other banks and financial institutions. For the six months ended 30 June 2023 and for the six months ended 30 June 2022, the accumulative profit or loss recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments was not significant.

(b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the six months ended 30 June 2023 and for the six months ended 30 June 2022, the fair value changes of hedging instruments and the net gains or losses arising from the hedged risk relating to the hedged items, which were the ineffective part of fair value hedging recognised in fair value changes, were not significant.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements *(continued)*

#### 4.13 Derivatives *(continued)*

##### (3) Credit risk weighted amount

	30 June 2023	31 December 2022
Credit risk weighted amount for counterparty	17,792	20,968

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

#### 4.14 Financial assets held under resale agreements

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

	30 June 2023	31 December 2022
Bonds	9,593	2,549
Others	436	464
Subtotal	10,029	3,013
Interest accrued	24	25
Less: allowance for impairment losses	(28)	(28)
Total	10,025	3,010

For the six months ended 30 June 2023 and for the year ended 31 December 2022, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

## 4.15 Loans and advances to customers

	30 June 2023	31 December 2022
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	2,344,032	2,144,501
Personal loans and advances		
– Micro lending (1)	658,984	621,598
– Residential mortgage	560,622	573,274
– Credit cards	453,285	462,788
– Others	82,072	84,208
Gross balance	1,754,963	1,741,868
Less: allowance for impairment losses	(100,276)	(97,639)
Subtotal	3,998,719	3,788,730
Measured at fair value through other comprehensive income:		
Corporate loans and advances		
– Corporate loans	5,320	8,717
– Discounted bills	286,627	246,058
Subtotal	291,947	254,775
Interest accrued	31,601	29,477
Total	4,322,267	4,072,982

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (*continued*)4.15 Loans and advances to customers (*continued*)

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

	30 June 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Unsecured loans	1,208,355	27.52	1,130,796	27.31
Guaranteed loans	763,863	17.40	671,437	16.21
Loans secured by				
– Tangible assets other than monetary assets	1,801,096	41.02	1,750,267	42.27
– Monetary assets	617,628	14.06	588,644	14.21
Total	4,390,942	100.00	4,141,144	100.00

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

	30 June 2023				Total
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured loans	12,112	11,150	4,504	1,391	29,157
Guaranteed loans	1,366	2,187	6,612	714	10,879
Loans secured by					
– Tangible assets other than monetary assets	8,826	14,275	13,115	1,229	37,445
– Monetary assets	279	7,463	2,135	630	10,507
Total	22,583	35,075	26,366	3,964	87,988
% of total loans and advances to customers	0.51	0.80	0.60	0.09	2.00



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements *(continued)*

#### 4.15 Loans and advances to customers *(continued)*

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

	31 December 2022				Total
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured loans	14,037	9,305	4,493	1,111	28,946
Guaranteed loans	2,012	4,917	4,722	893	12,544
Loans secured by					
– Tangible assets other than monetary assets	6,167	11,233	15,827	1,637	34,864
– Monetary assets	292	3,025	2,027	663	6,007
<b>Total</b>	<b>22,508</b>	<b>28,480</b>	<b>27,069</b>	<b>4,304</b>	<b>82,361</b>
% of total loans and advances to customers	0.54	0.69	0.66	0.10	1.99

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (*continued*)4.15 Loans and advances to customers (*continued*)

## (3) Movements in allowance for impairment losses

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

	Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(23,379)	(33,602)	(40,658)	(97,639)
Transfer:				
to stage 1	(2,552)	2,265	287	–
to stage 2	640	(843)	203	–
to stage 3	206	4,541	(4,747)	–
Net charge	(2,107)	(3,705)	(13,790)	(19,602)
Write-offs and transfer out	–	–	20,149	20,149
Recoveries of amounts previously written off	–	–	(3,832)	(3,832)
Others	(43)	(34)	725	648
Balance as at 30 June 2023	(27,235)	(31,378)	(41,663)	(100,276)
	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(20,197)	(37,076)	(46,533)	(103,806)
Transfer:				
to stage 1	(3,802)	3,303	499	–
to stage 2	998	(1,310)	312	–
to stage 3	722	10,456	(11,178)	–
Net charge	(1,016)	(8,858)	(31,812)	(41,686)
Write-offs and transfer out	–	–	53,757	53,757
Recoveries of amounts previously written off	–	–	(7,141)	(7,141)
Others	(84)	(117)	1,438	1,237
Balance as at 31 December 2022	(23,379)	(33,602)	(40,658)	(97,639)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*4.15 Loans and advances to customers *(continued)*(3) Movements in allowance for impairment losses *(continued)*

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

	Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(361)	(10)	(858)	(1,229)
Net reversal/(charge)	172	(7)	2	167
Write-offs	-	-	7	7
Balance as at 30 June 2023	(189)	(17)	(849)	(1,055)

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(286)	(104)	(912)	(1,302)
Net (charge)/reversal	(75)	94	(28)	(9)
Write-offs	-	-	162	162
Recoveries of amounts previously written off	-	-	(80)	(80)
Balance as at 31 December 2022	(361)	(10)	(858)	(1,229)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements (*continued*)

## 4.16 Financial investments

		<b>30 June 2023</b>	31 December 2022
Financial assets at fair value through profit or loss	(1)	<b>386,582</b>	389,070
Financial assets at fair value through other comprehensive income	(2)	<b>409,596</b>	473,211
Financial assets measured at amortised cost	(3)	<b>1,496,330</b>	1,363,589
Total		<b>2,292,508</b>	2,225,870

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

		<b>30 June 2023</b>	31 December 2022
Held for trading purpose			
Debt securities			
Government		<b>1,909</b>	1,843
Policy banks		<b>36,458</b>	3,253
Banks and non-bank financial institutions		<b>39,433</b>	16,225
Corporates		<b>60,126</b>	78,685
Subtotal		<b>137,926</b>	100,006
Equity investments		<b>1,741</b>	1,695
Investment funds	(a)	–	8,835
Subtotal		<b>139,667</b>	110,536

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*4.16 Financial investments *(continued)*(1) Financial assets at fair value through profit or loss *(continued)*

	30 June 2023	31 December 2022
Other financial assets at fair value through profit or loss		
Debt securities		
Corporates	910	3,062
Banks and non-bank financial institutions	8,208	9,573
Equity investments	18,247	19,732
Investment funds (a)	202,187	226,617
Trust and asset management plans (b)	16,183	14,185
Others	1,180	5,365
Subtotal	246,915	278,534
Total	386,582	389,070
Listed	145,488	103,000
– Of which: listed in Hong Kong	6,649	7,787
Unlisted	241,094	286,070
Total	386,582	389,070

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

- (a) As at 30 June 2023 and 31 December 2022, the underlying investment funds primarily include public bond funds and public money market funds.
- (b) As at 30 June 2023 and 31 December 2022, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (9)).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements *(continued)*

#### 4.16 Financial investments *(continued)*

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

	30 June 2023	31 December 2022
Debt securities		
Government	108,339	142,060
Policy banks	18,439	27,957
Banks and non-bank financial institutions	157,542	163,628
Corporates	111,081	123,856
Subtotal	395,401	457,501
Equity investments	9,832	10,592
Interest accrued	4,363	5,118
Total	409,596	473,211
Listed	374,408	438,614
– Of which: listed in Hong Kong	41,980	49,013
Unlisted	30,825	29,479
Interest accrued	4,363	5,118
Total	409,596	473,211

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the six months ended 30 June 2023, dividend income of RMB0.19 million (for the six months ended 30 June 2022: RMB1.58 million) recognised for such equity investments was included in the profit or loss. The amount transferred from other comprehensive income to retained earnings on disposal of such equity instruments was insignificant for the six months ended 30 June 2023 (for the six months ended 30 June 2022: insignificant).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements *(continued)*4.16 Financial investments *(continued)*(2) Financial assets at fair value through other comprehensive income *(continued)*

## Fair value

	30 June 2023	31 December 2022
Debt securities		
Cost	403,193	469,061
Cumulative amount of change in fair value	(3,429)	(6,442)
Fair value	399,764	462,619
Equity investment		
Cost	6,859	8,270
Cumulative amount of change in fair value	2,973	2,322
Fair value	9,832	10,592
Total	409,596	473,211

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements (continued)

#### 4.16 Financial investments (continued)

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

##### Movements in allowance for impairment losses

	Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(749)	(14)	(1,058)	(1,821)
Transfer:				
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Net reversal/(charge)	26	(71)	(352)	(397)
Write-offs and transfer out	–	–	85	85
Others	(74)	–	–	(74)
Balance as at 30 June 2023	(797)	(85)	(1,325)	(2,207)
	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(656)	(84)	(1,833)	(2,573)
Transfer:				
to stage 2	1	(1)	–	–
to stage 3	2	78	(80)	–
Net charge	(57)	(7)	(306)	(370)
Write-offs and transfer out	–	–	1,161	1,161
Others	(39)	–	–	(39)
Balance as at 31 December 2022	(749)	(14)	(1,058)	(1,821)

As at 30 June 2023, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB993 million (31 December 2022: RMB1,139 million), with allowance for impairment losses of RMB1,325 million (31 December 2022: RMB1,058 million).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements (*continued*)4.16 Financial investments (*continued*)

## (3) Financial assets measured at amortised cost

	30 June 2023	31 December 2022
Debt securities		
Government	1,080,641	987,915
Policy banks	72,809	74,922
Banking and non-banking financial institutions	34,381	30,472
Corporates	246,571	199,825
Subtotal	1,434,402	1,293,134
Trust and asset management plans (a)	40,406	49,789
Debt financing plans	9,948	11,398
Others	3,581	2,708
Interest accrued	18,722	17,852
Less: allowance for impairment losses	(10,729)	(11,292)
Total	1,496,330	1,363,589
Listed	1,414,314	1,284,826
– Of which: listed in Hong Kong	10,397	6,384
Unlisted	74,023	72,203
Interest accrued	18,722	17,852
Less: allowance for impairment losses	(10,729)	(11,292)
Total	1,496,330	1,363,589

(a) As at 30 June 2023 and 31 December 2022, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2 (9)).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements (continued)

#### 4.16 Financial investments (continued)

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

##### Movements in allowance for impairment losses

	Six months ended June 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(1,500)	(925)	(8,867)	(11,292)
Transfer				
to stage 2	–	–	–	–
to stage 3	–	116	(116)	–
Net charge	(627)	(194)	(1,087)	(1,908)
Write-offs and transfer out	–	–	1,956	1,956
Recovered after write-off	–	–	(99)	(99)
Others	145	–	469	614
Balance as at 30 June 2023	(1,982)	(1,003)	(7,744)	(10,729)
	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,809)	(496)	(12,321)	(14,626)
Transfer				
to stage 2	58	(58)	–	–
to stage 3	6	67	(73)	–
Net reversal/(charge)	343	(438)	(3,943)	(4,038)
Write-offs and transfer out	–	–	8,201	8,201
Recovered after write-off	–	–	(700)	(700)
Others	(98)	–	(31)	(129)
Balance as at 31 December 2022	(1,500)	(925)	(8,867)	(11,292)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements *(continued)*

## 4.17 Long-term receivables

		<b>30 June 2023</b>	31 December 2022
Finance lease receivables	(1)	<b>134,256</b>	130,025
Less: unearned finance lease income		<b>(15,690)</b>	(15,088)
Present value of minimum finance lease receivables		<b>118,566</b>	114,937
Less: allowance for impairment losses	(2)	<b>(2,938)</b>	(3,481)
Total		<b>115,628</b>	111,456

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

		<b>30 June 2023</b>	31 December 2022
Indefinite	(a)	<b>9,087</b>	8,889
Less than 1 year		<b>57,278</b>	52,666
1 year to 2 years		<b>35,407</b>	35,586
2 years to 3 years		<b>15,220</b>	17,127
3 years to 5 years		<b>10,316</b>	9,089
More than 5 years		<b>6,948</b>	6,668
Total		<b>134,256</b>	130,025

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (*continued*)4.17 Long-term receivables (*continued*)

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

	Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(642)	(862)	(1,977)	(3,481)
Transfer:				
to stage 1	(42)	35	7	–
to stage 2	5	(18)	13	–
to stage 3	4	120	(124)	–
Net reversal/(charge)	92	(27)	(594)	(529)
Write-offs and transfer out	–	–	1,112	1,112
Others	–	–	(40)	(40)
Balance as at 30 June 2023	(583)	(752)	(1,603)	(2,938)
	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,503)	(1,250)	(1,410)	(4,163)
Transfer:				
to stage 1	(57)	35	22	–
to stage 2	128	(182)	54	–
to stage 3	66	325	(391)	–
Net reversal/(charge)	722	210	(2,832)	(1,900)
Write-offs and transfer out	–	–	2,652	2,652
Others	2	–	(72)	(70)
Balance as at 31 December 2022	(642)	(862)	(1,977)	(3,481)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements (*continued*)

## 4.18 Property and equipment

	30 June 2023	31 December 2022
Property and equipment	60,201	58,889
Property and equipment to be disposed	3	7
<b>Total</b>	<b>60,204</b>	<b>58,896</b>

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
<b>Original cost</b>							
Balance as at 1 January 2023	22,469	4,007	9,301	467	42,488	7,921	86,653
Increase	5	257	879	17	1,144	275	2,577
Decrease and other movement	-	(176)	(208)	(11)	(140)	-	(535)
Balance as at 30 June 2023	22,474	4,088	9,972	473	43,492	8,196	88,695
<b>Accumulated depreciation</b>							
Balance as at 1 January 2023	(6,456)	(2,775)	(7,027)	(390)	(10,452)	-	(27,100)
Increase	(359)	(260)	(405)	(11)	(1,019)	-	(2,054)
Decrease and other movement	1	171	195	10	955	-	1,332
Balance as at 30 June 2023	(6,814)	(2,864)	(7,237)	(391)	(10,516)	-	(27,822)
<b>Impairment losses</b>							
Balance as at 1 January 2023	-	-	-	-	(594)	(70)	(664)
Increase	(1)	-	(1)	-	-	(2)	(4)
Decrease and other movement	-	-	-	-	(4)	-	(4)
Balance as at 30 June 2023	(1)	-	(1)	-	(598)	(72)	(672)
<b>Carrying amount</b>							
Balance as at 1 January 2023	16,013	1,232	2,274	77	31,442	7,851	58,889
Balance as at 30 June 2023	15,659	1,224	2,734	82	32,378	8,124	60,201

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in millions of Renminbi, unless otherwise stated)

### 4 Notes to the consolidated financial statements (continued)

#### 4.18 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
<b>Original cost</b>							
Balance as at 1 January 2022	22,249	4,135	8,705	470	38,315	7,523	81,397
Increase	238	519	1,020	22	3,418	1,193	6,410
CIP transfers	3	-	-	-	-	(3)	-
Decrease and other movement	(21)	(647)	(424)	(25)	755	(792)	(1,154)
Balance as at 31 December 2022	22,469	4,007	9,301	467	42,488	7,921	86,653
<b>Accumulated depreciation</b>							
Balance as at 1 January 2022	(5,729)	(2,860)	(6,860)	(392)	(8,272)	-	(24,113)
Increase	(729)	(520)	(567)	(22)	(1,909)	-	(3,747)
Decrease and other movement	2	605	400	24	(271)	-	760
Balance as at 31 December 2022	(6,456)	(2,775)	(7,027)	(390)	(10,452)	-	(27,100)
<b>Impairment losses</b>							
Balance as at 1 January 2022	-	-	-	-	(503)	-	(503)
Increase	-	-	-	-	(44)	(70)	(114)
Decrease and other movement	-	-	-	-	(47)	-	(47)
Balance as at 31 December 2022	-	-	-	-	(594)	(70)	(664)
<b>Carrying amount</b>							
Balance as at 1 January 2022	16,520	1,275	1,845	78	29,540	7,523	56,781
Balance as at 31 December 2022	16,013	1,232	2,274	77	31,442	7,851	58,889

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.18 Property and equipment *(continued)*

As at 30 June 2023 and 31 December 2022, the Group did not have any property and equipment which were acquired by means of finance lease or held for sale.

As at 30 June 2023, there were still certain properties and buildings, with a carrying value of RMB445 million (31 December 2022: RMB458 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

#### 4.19 Lease contract

##### (1) Right-of-use assets

	Buildings	Office equipment and others	Land use rights	Total
<b>Original cost</b>				
Balance as at 1 January 2023	18,646	71	4,646	23,363
Increase	1,414	3	–	1,417
Decrease	(1,569)	(5)	–	(1,574)
Balance as at 30 June 2023	18,491	69	4,646	23,206
<b>Accumulated depreciation/ amortization</b>				
Balance as at 1 January 2023	(8,799)	(25)	(1,393)	(10,217)
Increase	(1,460)	(4)	(58)	(1,522)
Decrease	1,281	4	–	1,285
Balance as at 30 June 2023	(8,978)	(25)	(1,451)	(10,454)
<b>Carrying amount</b>				
Balance as at 1 January 2023	9,847	46	3,253	13,146
Balance as at 30 June 2023	9,513	44	3,195	12,752

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (*continued*)4.19 Lease contract (*continued*)(1) Right-of-use assets (*continued*)

	Buildings	Office equipment and others	Land use rights	Total
<b>Original cost</b>				
Balance as at 1 January 2022	17,677	64	4,646	22,387
Increase	2,944	16	–	2,960
Decrease	(1,975)	(9)	–	(1,984)
Balance as at 31 December 2022	18,646	71	4,646	23,363
<b>Accumulated depreciation/ amortization</b>				
Balance as at 1 January 2022	(6,981)	(24)	(1,277)	(8,282)
Increase	(3,067)	(8)	(116)	(3,191)
Decrease	1,249	7	–	1,256
Balance as at 31 December 2022	(8,799)	(25)	(1,393)	(10,217)
<b>Carrying amount</b>				
Balance as at 1 January 2022	10,696	40	3,369	14,105
Balance as at 31 December 2022	9,847	46	3,253	13,146



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.19 Lease contract *(continued)*

##### (2) Lease liabilities

	<b>30 June 2023</b>	31 December 2022
Lease liabilities	<b>9,058</b>	9,426

As at 30 June 2023, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB10 million (31 December 2022: RMB71 million).

#### 4.20 Deferred income tax assets and liabilities

##### (1) Deferred income tax items

	<b>30 June 2023</b>	31 December 2022
Deferred income tax assets	<b>56,977</b>	55,701
Deferred income tax liabilities	<b>(242)</b>	(236)
Total	<b>56,735</b>	55,465

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (*continued*)4.20 Deferred income tax assets and liabilities (*continued*)

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

	30 June 2023		31 December 2022	
	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences
<b>Deferred income tax assets</b>				
Asset impairment allowance	54,762	219,056	51,775	207,280
Employee benefits payable	2,771	11,084	3,502	14,009
Fair value losses of derivatives	10,380	41,521	8,168	32,674
Fair value losses of financial assets at fair value through other comprehensive loss	321	1,286	802	3,209
Fair value losses of financial assets at fair value through profit or loss	2,263	9,047	2,099	8,394
Lease liabilities	2,262	9,071	2,355	9,444
Others	356	1,452	363	1,477
Subtotal	73,115	292,517	69,064	276,487
<b>Deferred income tax liabilities</b>				
Fair value gains of derivatives	(9,693)	(38,774)	(7,989)	(31,958)
Fair value gains of financial assets at fair value through other comprehensive income	(985)	(3,940)	(779)	(3,117)
Fair value losses of financial assets at fair value through profit or income	(3,135)	(12,664)	(2,156)	(8,866)
Right-of-use assets	(2,387)	(9,570)	(2,472)	(9,911)
Others	(180)	(660)	(203)	(815)
Subtotal	(16,380)	(65,608)	(13,599)	(54,667)
Deferred income tax assets, net	56,735	226,909	55,465	221,820

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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#### 4 Notes to the consolidated financial statements *(continued)*

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

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

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
Balance as at 1 January 2023	51,775	11,069	6,220	69,064	(13,599)
Recognised in profit or loss	2,987	2,376	(831)	4,532	(2,575)
Recognised in other comprehensive income	–	(481)	–	(481)	(206)
Balance as at 30 June 2023	54,762	12,964	5,389	73,115	(16,380)
Balance as at 1 January 2022	49,521	7,090	6,104	62,715	(11,058)
Recognised in profit or loss	2,254	3,283	116	5,653	(2,083)
Recognised in other comprehensive income	–	696	–	696	(458)
Balance as at 31 December 2022	51,775	11,069	6,220	69,064	(13,599)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements (*continued*)

## 4.21 Investment in subsidiaries

## (1) Directly held subsidiaries

	30 June 2023	31 December 2022
Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing")	3,302	3,302
CMBC International Holdings Limited ("CMBC International")	3,494	3,494
Minsheng Royal Fund Limited ("Minsheng Royal Fund")	190	190
CMBC Wealth Management Co., Ltd. ("CMBC Wealth Management")	5,000	5,000
Pengzhou Rural Bank Co., Ltd. ("Pengzhou Rural Bank")	20	20
Cixi Rural Bank Co., Ltd. ("Cixi Rural Bank")	107	107
Shanghai Songjiang Minsheng Rural Bank Co., Ltd. ("Songjiang Rural Bank")	70	70
Qijiang Rural Bank Co., Ltd. ("Qijiang Rural Bank")	30	30
Tongnan Rural Bank Co., Ltd. ("Tongnan Rural Bank")	25	25
Meihekou Rural Bank Co., Ltd. ("Meihekou Rural Bank")	169	169
Ziyang Rural Bank Co., Ltd. ("Ziyang Rural Bank")	172	172
Wuhan Jiangxia Minsheng Rural Bank Co., Ltd. ("Jiangxia Rural Bank")	41	41
Changyuan Rural Bank Co., Ltd. ("Changyuan Rural Bank")	26	26
Yidu Rural Bank Co., Ltd. ("Yidu Rural Bank")	26	26
Shanghai Jiading Minsheng Rural Bank Co., Ltd. ("Jiading Rural Bank")	102	102
Zhongxiang Rural Bank Co., Ltd. ("Zhongxiang Rural Bank")	36	36
Penglai Rural Bank Co., Ltd. ("Penglai Rural Bank")	51	51
Anxi Rural Bank Co., Ltd. ("Anxi Rural Bank")	74	74
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	52	52
Taicang Rural Bank Co., Ltd. ("Taicang Rural Bank")	76	76

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements *(continued)*4.21 Investment in subsidiaries *(continued)*(1) Directly held subsidiaries *(continued)*

	30 June 2023	31 December 2022
Ningjin Rural Bank Co., Ltd. ("Ningjin Rural Bank")	20	20
Zhangpu Rural Bank Co., Ltd. ("Zhangpu Rural Bank")	25	25
Puer Rural Bank Co., Ltd. ("Puer Rural Bank")	15	15
Jinghong Rural Bank Co., Ltd. ("Jinghong Rural Bank")	60	60
Zhidan Rural Bank Co., Ltd. ("Zhidan Rural Bank")	7	7
Ningguo Rural Bank Co., Ltd. ("Ningguo Rural Bank")	20	20
Yulin Yuyang Minsheng Rural Bank Co., Ltd. ("Yuyang Rural Bank")	25	25
Guichi Rural Bank Co., Ltd. ("Guichi Rural Bank")	26	26
Tiantai Rural Bank Co., Ltd. ("Tiantai Rural Bank")	31	31
Tianchang Rural Bank Co., Ltd. ("Tianchang Rural Bank")	20	20
Tengchong Rural Bank Co., Ltd. ("Tengchong Rural Bank")	20	20
Xiang'an Rural Bank Co., Ltd. ("Xiang'an Rural Bank")	36	36
Linzhi Rural Bank Co., Ltd. ("Linzhi Rural Bank")	45	13
Total	<b>13,413</b>	13,381

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements *(continued)*

#### 4.21 Investment in subsidiaries *(continued)*

##### (2) Basic information of directly held subsidiaries

Name		Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing		Tianjin China	Leasing	RMB 5,095 million	54.96%	54.96%
CMBC International		Hong Kong China	Investment banking	HKD 4,207 million	100.00%	100.00%
Minsheng Royal Fund		Guangdong China	Fund management	RMB 300 million	63.33%	63.33%
CMBC Wealth Management		Beijing China	Wealth Management	RMB 5,000 million	100.00%	100.00%
Pengzhou Rural Bank	(a)	Sichuan China	Commercial bank	RMB 55 million	36.36%	36.36%
Cixi Rural Bank		Zhejiang China	Commercial bank	RMB 189 million	64.68%	64.68%
Songjiang Rural Bank	(a)	Shanghai China	Commercial bank	RMB 150 million	35.00%	35.00%
Qijiang Rural Bank	(b)	Chongqing China	Commercial bank	RMB 62 million	48.73%	51.27%
Tongnan Rural Bank	(a)	Chongqing China	Commercial bank	RMB 50 million	50.00%	50.00%
Meihekou Rural Bank		Jilin China	Commercial bank	RMB 193 million	95.36%	95.36%
Ziyang Rural Bank		Sichuan China	Commercial bank	RMB 211 million	81.41%	81.41%
Jiangxia Rural Bank		Hubei China	Commercial bank	RMB 86 million	51.00%	51.00%
Changyuan Rural Bank		Henan China	Commercial bank	RMB 50 million	51.00%	51.00%
Yidu Rural Bank		Hubei China	Commercial bank	RMB 52 million	51.00%	51.00%

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.21 Investment in subsidiaries *(continued)*

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

Name	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Jiading Rural Bank	Shanghai China	Commercial bank	RMB 200 million	51.00%	51.00%
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB 70 million	51.00%	51.00%
Penglai Rural Bank	Shandong China	Commercial bank	RMB 100 million	51.00%	51.00%
Anxi Rural Bank	Fujian China	Commercial bank	RMB 128 million	57.99%	57.99%
Funing Rural Bank	Jiangsu China	Commercial bank	RMB 85 million	51.00%	51.00%
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB 135 million	51.00%	51.00%
Ningjin Rural Bank	Hebei China	Commercial bank	RMB 40 million	51.00%	51.00%
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB 50 million	51.00%	51.00%
Puer Rural Bank	Yunnan China	Commercial bank	RMB 30 million	51.00%	51.00%
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB 75 million	80.40%	80.40%
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB 15 million	51.00%	51.00%
Ningguo Rural Bank	Anhui China	Commercial bank	RMB 40 million	51.00%	51.00%
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB 54 million	51.00%	51.00%
Guichi Rural Bank	Anhui China	Commercial bank	RMB 53 million	51.00%	51.00%

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements *(continued)*

#### 4.21 Investment in subsidiaries *(continued)*

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

Name	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB 60 million	51.00%	51.00%
Tianchang Rural Bank	Anhui China	Commercial bank	RMB 44 million	51.00%	51.00%
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB 52 million	51.00%	51.00%
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB 77 million	51.00%	51.00%
Linshi Rural Bank	(c) Tibet China	Commercial bank	RMB 25 million	86.11%	86.11%

- (a) Although the Bank holds half or less than half of the voting rights in these rural banks, the Bank has the majority of the seats in their boards of directors, which enables the Bank to govern their operating policies. These companies are regarded as the Bank's subsidiaries and have been consolidated in these financial statements.
- (b) Some natural person shareholders and the Bank signed a concerted action agreement. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.
- (c) In June 2023, Linshi Rural Bank confirmed the capital injection from the Bank by RMB31.60 million. After the capital injection, the Bank's ownership of equity shares and voting rights of Linshi Rural Bank increased to 86.11%. As at 30 June 2023, the change of business registration did not complete and the registered capital of Linshi Rural Bank was kept as RMB25 million.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.22 Other assets

		30 June 2023	31 December 2022
Interest receivable	(1)	8,020	7,274
Prepayments for leased assets	(2)	5,535	5,263
Items in the process of clearance and settlement		5,002	6,633
Other debt receivables and advances		4,755	4,715
Foreclosed assets	(3)	4,565	5,479
Fee and commission receivable		3,647	4,153
Investment properties		2,993	3,006
Intangible assets	(4)	2,544	2,301
Long-term deferred expenses		1,918	1,413
Prepayment		1,860	1,855
Legal costs receivable		1,335	1,277
Continuously involved assets		1,038	1,038
Operating lease receivable		309	168
Goodwill	(5)	212	205
Others		4,954	5,687
Subtotal		48,687	50,467
Less: allowance for impairment losses			
– Repossessed assets		(589)	(959)
– Others		(3,691)	(3,632)
Total		44,407	45,876

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements (continued)

#### 4.22 Other assets (continued)

- (1) In accordance with the requirements of the Notice on the Revision and Issuance of the Format of Financial Statements of Financial Enterprises in 2018, the interests of financial instruments at the reporting date are listed in the financial instruments using the effective interest rate method. Interests of relevant financial instruments which were past due but have not been collected at the reporting date are listed in other assets.
- (2) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.
- (3) Foreclosed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB1,849 million for the six months ended 30 June 2023 (Six months ended 30 June 2022: RMB373 million).

#### (4) Intangible assets

	Six months ended 30 June 2023	Year ended 31 December 2022
<b>Cost</b>		
Balance as at 1 January	7,790	6,659
Increase	687	1,131
Balance as at 30 June/31 December	8,477	7,790
<b>Accumulated amortization</b>		
Balance as at 1 January	(5,489)	(4,742)
Increase	(444)	(747)
Balance as at 30 June/31 December	(5,933)	(5,489)
<b>Carrying amount</b>		
Balance as at 1 January	2,301	1,917
Balance as at 30 June/31 December	2,544	2,301

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements (*continued*)4.22 Other assets (*continued*)

## (5) Goodwill arising from CMBC International

	Six months ended 30 June 2023	Year ended 31 December 2022
Balance as at 1 January	205	188
Exchange difference	7	17
Balance as at 30 June/31 December	212	205

As at 30 June 2023 and 31 December 2022, the Group was not aware of any indicators for the possibility of goodwill impairment, and no impairment loss was recognised.

## 4.23 Allowances for impairment losses

	Note 4	Six months ended 30 June 2023				Balances as at 30 June 2023
		Balances as at 1 January 2023	Net (charge)/ Reversal for the period	Write-offs and transfer out	Other	
Balances with banks and other financial institutions	11	8	-	(1)	-	7
Placements with banks and other financial institutions	12	1,862	(136)	-	-	1,726
Financial assets held under resale agreements	14	28	-	-	-	28
Loans and advances to customers	15	98,868	19,435	(20,156)	3,184	101,331
Financial investments	16	13,113	2,305	(2,041)	(441)	12,936
Long-term receivables	17	3,481	529	(1,112)	40	2,938
Property and equipment	18	664	2	-	6	672
Other assets	22	4,591	889	(1,214)	14	4,280
Total		122,615	23,024	(24,524)	2,803	123,918

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements *(continued)*

#### 4.23 Allowances for impairment losses *(continued)*

	Note 4	Year ended 31 December 2022			Balances as at 31 December 2022	
		Balances as at 1 January 2022	Net charge for the year	Write-offs and transfer out		Other
Balances with banks and other financial institutions	11	8	1	-	(1)	8
Placements with banks and other financial institutions	12	1,589	271	-	2	1,862
Financial assets held under resale agreements	14	20	8	-	-	28
Loans and advances to customers	15	105,108	41,695	(53,919)	5,984	98,868
Financial investments	16	17,199	4,408	(9,362)	868	13,113
Long-term receivables	17	4,163	1,900	(2,652)	70	3,481
Property and equipment	18	503	114	-	47	664
Other assets	22	4,064	1,043	(553)	37	4,591
<b>Total</b>		<b>132,654</b>	<b>49,440</b>	<b>(66,486)</b>	<b>7,007</b>	<b>122,615</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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#### 4 Notes to the consolidated financial statements *(continued)*

##### 4.24 Deposits and placements from banks and other financial institutions

	30 June 2023	31 December 2022
China mainland		
Banks	194,892	196,106
Other financial institutions	1,243,233	1,200,610
Overseas		
Banks	49,039	38,617
Other financial institutions	36,996	37,327
Subtotal	1,524,160	1,472,660
Interest accrued	8,532	6,381
Total	1,532,692	1,479,041

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements *(continued)*

#### 4.25 Borrowings from banks and other financial institutions

	<b>30 June 2023</b>	31 December 2022
Unsecured borrowings	<b>90,344</b>	88,333
Borrowings secured by – Tangible assets and monetary assets	<b>17,624</b>	16,323
Subtotal	<b>107,968</b>	104,656
Interest accrued	<b>780</b>	573
Total	<b>108,748</b>	105,229

As at 30 June 2023 and 31 December 2022, the secured borrowings were secured by property and equipment and finance lease receivables as collateral. The above collateral has been included in the disclosure of assets pledged (Note 6.3(1)).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### 4.26 Financial assets sold under repurchase agreements

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

	<b>30 June 2023</b>	31 December 2022
Bonds	<b>78,151</b>	55,617
Bills rediscounted	<b>53,172</b>	48,163
Subtotal	<b>131,323</b>	103,780
Interest accrued	<b>340</b>	360
Total	<b>131,663</b>	104,140

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements (*continued*)

## 4.27 Deposits from customers

	<b>30 June 2023</b>	31 December 2022
Demand deposits		
– Corporate customers	<b>1,091,365</b>	1,014,133
– Personal customers	<b>322,802</b>	289,671
Time deposits (including call deposits)		
– Corporate customers	<b>1,950,713</b>	1,952,242
– Personal customers	<b>866,742</b>	730,873
Certificates of deposit	<b>8,366</b>	4,159
Outward remittance and remittance payables	<b>1,473</b>	2,449
Subtotal	<b>4,241,461</b>	3,993,527
Interest accrued	<b>58,782</b>	58,065
Total	<b>4,300,243</b>	4,051,592

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

	<b>30 June 2023</b>	31 December 2022
Pledged deposits for bank acceptances	<b>194,270</b>	184,557
Pledged deposits for letters of credit and guarantees	<b>22,185</b>	16,429
Other pledged deposits	<b>40,132</b>	49,234
Total	<b>256,587</b>	250,220



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

## 4.28 Provisions

	30 June 2023	31 December 2022
Allowance for credit commitments(1)	1,770	1,844
Litigation provision	469	517
Others	106	95
<b>Total</b>	<b>2,345</b>	<b>2,456</b>

(1) The movements of allowance for credit commitments are as follows:

	Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(1,424)	(344)	(76)	(1,844)
Transfer:				
to stage 1	(89)	75	14	-
to stage 2	37	(41)	4	-
to stage 3	4	96	(100)	-
Net reversal/(charge)	136	(204)	142	74
<b>Balance as at 30 June 2023</b>	<b>(1,336)</b>	<b>(418)</b>	<b>(16)</b>	<b>(1,770)</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*4.28 Provisions *(continued)*(1) The movements of allowance for credit commitments are as follows: *(continued)*

	Year ended 31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2022	(1,227)	(524)	(83)	(1,834)
Transfer:				
to stage 1	(133)	109	24	–
to stage 2	29	(33)	4	–
to stage 3	12	84	(96)	–
Net (charge)/reversal	(102)	20	75	(7)
Other movements	(3)	–	–	(3)
Balance as at 31 December 2022	(1,424)	(344)	(76)	(1,844)

## 4.29 Debt securities issued

	30 June 2023	31 December 2022
Certificates of interbank deposit	427,431	446,888
Financial bonds (1)	103,179	99,992
Tier-two capital bonds (2)	89,991	89,991
Medium-term and short-term notes (3)	5,589	7,658
Subtotal	626,190	644,529
Interest accrued	2,009	3,578
Total	628,199	648,107

For the six months ended 30 June 2023 and for the year ended 31 December 2022, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements *(continued)*4.29 Debt securities issued *(continued)*

## (1) Financial bonds

		30 June 2023	31 December 2022
RMB 20 billion-3-year fixed rate financial bonds 2023	(a)	19,996	–
RMB 2 billion-3-year fixed rate financial bonds 2023	(b)	1,595	–
RMB 2 billion-3-year fixed rate financial bonds 2023	(c)	1,594	–
RMB 20 billion-3-year fixed rate financial bonds 2022	(d)	19,999	19,998
RMB 30 billion-3-year fixed rate financial bonds 2021	(e)	29,998	29,997
RMB 30 billion-3-year fixed rate financial bonds 2021	(f)	29,997	29,997
RMB 20 billion-3-year fixed rate financial bonds 2020	(g)	–	20,000
<b>Total</b>		<b>103,179</b>	<b>99,992</b>

- (a) RMB20 billion worth of fixed-rate financial bonds were issued on 18 May 2023, with a term of three years, and a fixed coupon rate of 2.68% per annum.
- (b) RMB2 billion worth of fixed-rate financial bonds were issued on 20 March 2023, with a term of three years, and a fixed coupon rate of 3.40% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB0.40 billion.
- (c) RMB2 billion worth of fixed-rate financial bonds were issued on 25 May 2023, with a term of three years, and a fixed coupon rate of 3.27% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB0.40 billion.
- (d) RMB20 billion worth of fixed-rate financial bonds were issued on 7 April 2022, with a term of three years, and a fixed coupon rate of 2.95% per annum.
- (e) RMB30 billion worth of fixed-rate financial bonds were issued on 8 December 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.
- (f) RMB30 billion worth of fixed-rate financial bonds were issued on 10 November 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.
- (g) RMB20 billion worth of fixed-rate financial bonds were issued on 18 March 2020, with a term of three years, and a fixed coupon rate of 2.75% per annum. The Bank repaid all of them on 20 March 2023.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 4 Notes to the consolidated financial statements (continued)

#### 4.29 Debt securities issued (continued)

##### (2) Tier-two capital bonds

		30 June 2023	31 December 2022
RMB 50 billion-10-year fixed rate tier-two capital bonds 2020	(a)	49,996	49,996
RMB 40 billion-10-year fixed rate tier-two capital bonds 2019 1st tranche	(b)	39,995	39,995
<b>Total</b>		<b>89,991</b>	<b>89,991</b>

(a) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued on 24 June 2020. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.

(b) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued on 27 February 2019. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

##### (3) Medium-term and short-term notes

		30 June 2023	31 December 2022
2023-2-year medium-term notes	(a)	1,978	–
2020-3-year medium-term notes	(b)	3,611	3,480
2018-5-year medium-term notes	(c)	–	4,178
<b>Total</b>		<b>5,589</b>	<b>7,658</b>

(a) Medium-term notes with a nominal value of RMB2 billion of medium-term notes were issued on 10 January 2023, with a term of 2 years. The coupon rate is 3.15%.

(b) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued on 22 October 2020, with a term of 3 years. The coupon rate is 6.17%.

(c) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued on 9 March 2018, with a term of 5 years. The coupon rate is 5.77%. The Bank repaid all of them on 9 March 2023.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.30 Other liabilities

	<b>30 June 2023</b>	31 December 2022
Items in the process of clearance and settlement	<b>13,146</b>	16,134
Employee benefits payable (1)	<b>11,341</b>	14,414
Lease payments received in advance	<b>7,019</b>	7,225
Notes payable	<b>5,304</b>	4,679
Other tax payable (2)	<b>3,732</b>	4,039
Output value added tax to be transferred	<b>2,262</b>	2,211
Dividend payable	<b>1,811</b>	2
Other payable	<b>1,244</b>	1,334
Accrued expenses	<b>1,188</b>	942
Continuously involved liabilities	<b>1,038</b>	1,038
Payable for long-term assets	<b>539</b>	495
Deferred fee and commission income	<b>296</b>	231
Intermediate collection and payment	<b>274</b>	251
Others	<b>4,626</b>	5,206
<b>Total</b>	<b>53,820</b>	58,201

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (*continued*)4.30 Other liabilities (*continued*)

## (1) Employee benefits payable

	1 January 2023	Increase	Decrease	30 June 2023
Short-term employee benefits				
– Salaries, bonuses and allowances	13,766	9,578	(12,754)	10,590
– Staff welfare fees	–	579	(577)	2
– Social insurance(a) and supplementary insurance	176	557	(536)	197
– Housing fund	129	807	(780)	156
– Labour union fee, staff and workers' education fee	41	259	(215)	85
Subtotal	14,112	11,780	(14,862)	11,030
Post-employment benefits-defined contribution plans				
– Basic pension insurance plans	159	965	(941)	183
– Unemployment insurance	21	32	(31)	22
– Annuity scheme(b)	122	323	(339)	106
Subtotal	302	1,320	(1,311)	311
Total	14,414	13,100	(16,173)	11,341

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*4.30 Other liabilities *(continued)*(1) Employee benefits payable *(continued)*

	1 January 2022	Increase	Decrease	31 December 2022
Short-term employee benefits				
– Salaries, bonuses and allowances	12,395	24,484	(23,113)	13,766
– Staff welfare fees	–	1,399	(1,399)	–
– Social insurance (a) and supplementary insurance	160	1,064	(1,048)	176
– Housing fund	98	1,504	(1,473)	129
– Labour union fee, staff and workers' education fee	40	553	(552)	41
Subtotal	12,693	29,004	(27,585)	14,112
Post-employment benefits-defined contribution plans				
– Basic pension insurance plans	124	1,742	(1,707)	159
– Unemployment insurance	19	59	(57)	21
– Annuity scheme (b)	71	650	(599)	122
Subtotal	214	2,451	(2,363)	302
Total	12,907	31,455	(29,948)	14,414

(a) Social insurance includes medical insurance, maternity insurance and employment injury insurance.

(b) For the six months ended 30 June 2023, the contributions to the annuity schemes of the Bank and those subsidiaries were calculated at 3% of the employees' total annual salary (2022: 3%).

The Group has set up a defined contribution plan for its Hong Kong employees in accordance with the contribution rates prescribed by local regulations.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.30 Other liabilities *(continued)*

##### (2) Other tax payable

	30 June 2023	31 December 2022
Value added tax	2,952	2,967
Others	780	1,072
<b>Total</b>	<b>3,732</b>	4,039

#### 4.31 Share capital and capital reserve

	30 June 2023	31 December 2022
Ordinary shares listed in China mainland (A shares)	35,462	35,462
Ordinary shares listed in Hong Kong (H shares)	8,320	8,320
<b>Total shares</b>	<b>43,782</b>	43,782

All A shares and H shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

The Group's capital reserve of RMB58,149 million as at 30 June 2023 (31 December 2022: RMB58,149 million), mainly represents capital premium.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.32 Preference Shares

##### (1) Outstanding Preference Shares at 30 June 2023 and 31 December 2022

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original		Maturity	Conversion	
						currency	In RMB		condition	Conversion
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB 100/ Share	200	20,000	20,000	None	Mandatory	None
Total							20,000			
Less: Issue fees							(25)			
Book value							19,975			

##### (2) Domestic Preference Shares Main Clauses

###### (a) Dividend

The non-public offering of domestic preference shares (the "Domestic Preference Shares") adopts the dividend rate that can be adjusted in stages, with 5 years as a dividend rate adjustment period, and within a dividend rate adjustment period, dividends are paid at the same dividend rate as agreed. The dividend rate for the first dividend rate adjustment period will be determined by enquiry. The dividend rate of the Domestic Preference Shares issued this time shall not be higher than the annual weighted average return on net assets of the Bank in the last two fiscal years. The nominal dividend rate includes two parts: the benchmark interest rate and the fixed premium. The fixed premium is the dividend rate determined at the time of issuance minus the benchmark interest rate at the time of issuance. Dividends are paid annually.

###### (b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholders' resolution to be passed and investors shall be informed in time.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.32 Preference Shares *(continued)*

##### (2) Domestic Preference Shares Main Clauses *(continued)*

###### **(c) Dividend stopper**

The Bank will not pay dividends to the common shareholders unless the Bank resolves to pay a full dividend on the current preference shares.

###### **(d) Order of distribution and liquidation method**

The Domestic Preference Shareholders have priority over the ordinary shareholders in the distribution of the Bank's remaining property, but the order of repayment is ranked after the depositors, general creditors and subordinated debts (including but not limited to subordinated debts, mixed capital bonds and secondary capital instruments).

###### **(e) Mandatory conversion trigger events**

If the core tier one capital adequacy ratio of the Bank falls to 5.125% (or below), the Domestic Preference Shares issued this time will be converted into A-share common shares in full or in part, so as to restore the core tier one capital adequacy ratio to more than 5.125%. In the case of partial conversion, all the Domestic Preference Shares issued this time shall be converted to shares on the same conditions in proportion.

When the earlier of the following two situations occurs, the Domestic Preference Shares issued this time will be converted into A-share common shares in full: (1) CBIRC determines that the Bank will not survive without the conversion; (2) the relevant departments determine that the Bank will not survive without the public sector's capital injection or the support of the same effect.

###### **(f) Redemption**

With the prior approval of CBIRC, the Bank may exercise the right of redemption under the following circumstances: (1) use the same or higher quality capital instruments to replace the redeemed Domestic Preference Shares, and the Bank's income ability is sustainable; (2) or the capital level after the exercise of the right of redemption is still significantly higher than the regulatory capital requirements specified by the banking regulatory authority under the State Council. The redemption price is the sum of the nominal amount and the dividend that has been resolved to be paid but has not been paid in the current period.

The Bank has the right to redeem all or part of the domestic Preferred Shares issued in this issue on the preferred stock dividend date of each year, starting from the date of expiration of 5 years after the issue date (i.e., 15 October 2019), and the redemption period shall expire on the date of conversion or redemption in full. In the case of partial redemption, all domestic preferred shares issued in this issue will be redeemed on the same terms and in proportion.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements *(continued)*

#### 4.32 Preference Shares *(continued)*

##### (2) Domestic Preference Shares Main Clauses *(continued)*

###### (g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over common shareholders.

The dividend of the Domestic Preference Shares issued this time shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

##### (3) Changes in preference shares outstanding

	1 January 2023		Movements		30 June 2023	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Domestic Preference Shares	200	19,975	–	–	200	19,975

	1 January 2022		Movements		31 December 2022	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Domestic Preference Shares	200	19,975	–	–	200	19,975

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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4 Notes to the consolidated financial statements (*continued*)

## 4.33 Perpetual Bonds

## (1) Outstanding Perpetual Bonds at 30 June 2023 and 31 December 2022

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million pieces)	In original currency	In RMB	Maturity	Conversion	
									condition	Conversion
2019 Undated Capital Bonds (Series 1)	30/05/2019	Equity	4.85%	100 RMB/ Note	400	40,000	40,000	None	None	None
Total							40,000			
Less: Issue fees							(7)			
Book value							39,993			
2021 Undated Capital Bonds (Series 1)	19/04/2021	Equity	4.30%	100 RMB/ Note	300	30,000	30,000	None	None	None
Total							30,000			
Less: Issue fees							(4)			
Book value							29,996			
2022 Undated Capital Bonds (Series 1)	14/06/2022	Equity	4.20%	100 RMB/ Note	50	5,000	5,000	None	None	None
Total							5,000			
Less: Issue fees							(2)			
Book value							4,998			
Total							74,987			

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.33 Perpetual Bonds *(continued)*

##### (2) Main Clauses

###### (a) **Principal Amount**

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds – First Tranche RMB30 billion.

2022 Undated Tier 1 Capital Bonds – First Tranche RMB5 billion.

###### (b) **Maturity Date**

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

###### (c) **Distribution Rate**

The Distribution Rate of the Notes will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Notes will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

###### (d) **Conditional Redemption Rights of the Issuer**

The Note Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the Issuance of the Notes, the Issuer may redeem the Notes in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Notes no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some part of the Notes.

###### (e) **Subordination**

The claims in respect of the Notes, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Notes; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Tier 1 Capital instruments of the Issuer that rank pari passu with the Notes. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements *(continued)*

#### 4.33 Perpetual Bonds *(continued)*

##### (2) Main Clauses *(continued)*

##### *(f) Distribution Payment*

The Issuer shall have the right to cancel, in whole or in part, distributions on the Notes and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Noteholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Notes, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Notes do not have any step-up mechanism or any other incentive to redeem.

##### *(g) Put Option*

Put Option of investors is not applicable.

#### 4.34 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the CBIRC, the preferred shares and perpetual bonds issued by the Bank has met the criteria for qualifying other Tier 1 capital instruments.

##### *Interests attributable to the holders of equity instruments*

	30 June 2023	31 December 2022
Total equity attributable to equity holders of the Bank	613,419	599,928
Equity attributable to ordinary equity holders of the Bank	518,457	504,966
Equity attributable to other equity holders of the Bank	94,962	94,962
Total equity attributable to non-controlling interests	13,272	12,886
Equity attributable to non-controlling interests of ordinary shares	13,272	12,886

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

#### 4.35 Surplus reserve, general reserve and retained earnings

##### (1) Surplus reserve

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, until the statutory surplus reserve reaches 50% of its registered capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group did not appropriate statutory surplus reserve for the six months ended 30 June 2023 (for the year ended 31 December 2022: RMB3,433 million).

##### (2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB179 million of profits to the general reserve for the six months ended 30 June 2023 (for the year ended 31 December 2022: RMB3,481 million).

##### (3) Retained earnings

As at 30 June 2023, the retained earnings included the statutory surplus reserve of RMB867 million contributed by the subsidiaries and attributable to the Bank (31 December 2022: RMB848 million). The surplus reserve of the subsidiaries attributable to the Bank included in the retained earnings cannot be distributed.

#### 4.36 Non-controlling interests

As at 30 June 2023, the non-controlling interests in the subsidiaries were RMB13,272 million (31 December 2022: RMB12,886 million).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements (*continued*)

#### 4.37 Dividends/Interests

##### (1) Dividends for Ordinary Shares

The shareholders approved the cash dividends distribution plan for 2022 at the Annual General Meeting on 15 June 2023. The cash dividends declared was RMB2.14 (tax inclusive) for every 10 shares. A total dividend of RMB9,369 million (tax inclusive) was based on total number of shares of 43,782 million as at 31 December 2022.

The shareholders approved the cash dividends distribution plan for 2021 at the Annual General Meeting on 10 June 2022. The cash dividends declared was RMB2.13 (tax inclusive) for every 10 shares. A total dividend of RMB9,326 million (tax inclusive) was based on total number of shares of 43,782 million as at 31 December 2021.

##### (2) Dividends for Preference Shares

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 29 September 2022, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax). The dividend payment date was 18 October 2022.

##### (3) Interests for Perpetual Bonds

On 4 June 2023, the Bank declared interest for 2022 undated capital bonds. Interest approved amounted to RMB210 million (including tax), calculated at the initial annual pay-out ratio of 4.20% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 2 June 2023, the Bank declared interest for 2019 undated capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 10 April 2023, the Bank declared interest for 2021 undated capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 23 May 2022, the Bank declared interest for 2019 undated capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 11 April 2022, the Bank declared interest for 2021 undated capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements (*continued*)

#### 4.38 Investment revaluation reserve and cash flow hedging reserve

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2023	(1,079)	1	(1,078)
Net changes in amount for the period	2,388	39	2,427
As at 30 June 2023	1,309	40	1,349

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2022	573	(7)	566
Net changes in amount for the year	(1,652)	8	(1,644)
As at 31 December 2022	(1,079)	1	(1,078)

#### 4.39 Notes to the consolidated cash flow statement

##### Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	30 June 2023	31 December 2022
Cash (Note 4.10)	6,622	6,983
Surplus deposit reserves with central bank (Note 4.10)	46,411	19,301
Original maturity within 3 months:		
– Balances with banks and other financial institutions	108,582	82,921
– Placements with banks and other financial institutions	32,857	19,100
Total	194,472	128,305

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 4 Notes to the consolidated financial statements *(continued)*

#### 4.40 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

##### (1) Securitization transactions

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

For the six months ended 30 June 2023, securitisation transactions of RMB6,096 million were transferred by the Group (2022: RMB8,252 million). These transactions were all qualified for full de-recognition concluded by the Group.

##### (2) Transfer of non-performing financial assets

For the six months ended 30 June 2023, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB9,810 million (2022: RMB26,533 million). The Group transferred the risks and rewards of these non-performing financial assets and therefore has derecognized them.

##### (3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2023, the carrying amount of debt securities lent to counterparties was RMB39,836 million (31 December 2022: RMB10,070 million).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 5 Segment information

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

#### 5.1 Business segments

- |                       |  |
|-----------------------|--|
| (a) Corporate banking | Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business. |
| (b) Retail banking    | Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.   |
| (c) Others            | Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries.   |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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5 Segment information *(continued)*5.1 Business segments *(continued)*

	Six months ended 30 June 2023			
	Corporate banking	Retail banking	Others	Total
Operating income	34,570	31,601	3,697	69,868
Net interest income	25,077	25,405	852	51,334
Include: inter-segment net interest income/(expense)	9,382	(6,226)	(3,156)	–
Net fee and commission income	3,888	6,080	868	10,836
Net other income	5,605	116	1,977	7,698
Operating expenses	(6,889)	(10,592)	(4,698)	(22,179)
Credit impairment losses	(10,256)	(10,875)	(1,079)	(22,210)
Other impairment losses	(728)	–	(4)	(732)
Profit before income tax	16,697	10,134	(2,084)	24,747
Depreciation and amortisation	1,512	1,377	1,248	4,137
Capital expenditure	1,902	1,734	5,642	9,278
	As at 30 June 2023			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,768,511	1,825,845	990,118	7,584,474
Include: Investments in associates				–
Deferred income tax assets				56,977
Total assets				7,641,451
Segment liabilities	(4,979,762)	(1,316,991)	(717,765)	(7,014,518)
Deferred income tax liabilities				(242)
Total liabilities				(7,014,760)
Credit commitments	709,904	539,685	–	1,249,589

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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## 5 Segment information (continued)

## 5.1 Business segments (continued)

	Six months ended 30 June 2022			
	Corporate banking	Retail banking	Others	Total
Operating income	37,341	33,449	1,946	72,736
Net interest income	28,715	26,554	(446)	54,823
Include: inter-segment net interest income/(expense)	13,851	(10,227)	(3,624)	–
Net fee and commission income	3,045	6,768	52	9,865
Net other income	5,581	127	2,340	8,048
Operating expenses	(6,913)	(9,808)	(5,226)	(21,947)
Credit impairment losses	(12,423)	(9,882)	(1,655)	(23,960)
Other impairment losses	(276)	–	(34)	(310)
Profit before income tax	17,729	13,759	(4,969)	26,519
Depreciation and amortisation	1,443	1,292	1,031	3,766
Capital expenditure	1,068	956	6,632	8,656
	As at 31 December 2022			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,406,031	1,785,335	1,008,606	7,199,972
Include: Investments in associates				–
Deferred income tax assets				55,701
Total assets				7,255,673
Segment liabilities	(4,822,844)	(1,152,965)	(666,814)	(6,642,623)
Deferred income tax liabilities				(236)
Total liabilities				(6,642,859)
Credit commitments	737,946	525,942	–	1,263,888

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 5 Segment information *(continued)*

#### 5.2 Geographical segments

The Group mainly operates in China mainland, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also has a number of subsidiaries in China mainland and has one branch and subsidiaries in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
North-Eastern Region	Including branches in Liaoning Province, Jilin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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5 Segment information *(continued)*5.2 Geographical segments *(continued)*

	Six months ended 30 June 2023		As at 30 June 2023
	Operating income	Profit before income tax	Segment assets (1)
Head Office	22,020	4,627	3,338,611
Yangtze River Delta	12,044	4,038	1,232,798
Pearl River Delta	8,401	4,664	730,175
Bohai Rim	8,625	2,410	1,430,317
North-Eastern Region	843	(832)	180,834
Central Region	5,945	3,424	573,014
Western Region	7,468	4,639	664,105
Overseas and subsidiaries	4,522	1,777	386,507
Inter-segment elimination	–	–	(951,887)
<b>Total</b>	<b>69,868</b>	<b>24,747</b>	<b>7,584,474</b>

	Six months ended 30 June 2022		As at 31 December 2022
	Operating income	Profit before income tax	Segment assets (1)
Head Office	21,477	4,721	3,245,459
Yangtze River Delta	12,980	6,083	1,231,497
Pearl River Delta	8,231	2,419	684,996
Bohai Rim	10,368	5,516	1,332,535
North-Eastern Region	990	101	169,176
Central Region	6,151	2,527	545,393
Western Region	8,366	4,108	633,344
Overseas and subsidiaries	4,173	1,044	364,375
Inter-segment elimination	–	–	(1,006,803)
<b>Total</b>	<b>72,736</b>	<b>26,519</b>	<b>7,199,972</b>

(1) Segment assets do not include deferred tax assets.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 6 Contingent liabilities and commitments

#### 6.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	<b>30 June 2023</b>	31 December 2022
Bank acceptances	<b>480,436</b>	495,920
Guarantees	<b>124,434</b>	134,395
Letters of credit	<b>96,214</b>	82,175
Unused credit card commitments	<b>505,057</b>	489,137
Irrevocable credit commitments		
– original maturity date within 1 year	<b>24,911</b>	40,938
– original maturity date over 1 year (inclusive)	<b>18,537</b>	21,323
<b>Total</b>	<b>1,249,589</b>	1,263,888

Details of allowance for credit commitments (Note 4.28).

	<b>30 June 2023</b>	31 December 2022
Credit risk weighted amounts of credit commitments	<b>406,393</b>	359,477



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 6 Contingent liabilities and commitments *(continued)*

#### 6.2 Capital commitments

	30 June 2023	31 December 2022
Contracted but not paid for	14,757	25,339

#### 6.3 Collateral

##### (1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

	30 June 2023	31 December 2022
Balances with banks and other financial institutions	4,505	3,394
Loans and advances to customers	142,489	195,237
Discounted bills	53,545	48,539
Financial investments	160,031	61,244
Long-term receivables	7,949	15,701
Property and equipment	7,495	6,439
Total	376,014	330,554

##### (2) Collateral received

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 30 June 2023, the Group had 30 million collaterals that was sold or lent to counterparties, but obligated to return (31 December 2022: Nil).

#### 6.4 Underwriting of securities

As at 30 June 2023, there was no unexpired underwriting commitment for the Group (31 December 2022: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 6 Contingent liabilities and commitments *(continued)*

#### 6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 30 June 2023 was RMB2,055 million (31 December 2022: RMB1,706 million). The original maturities of the bonds vary from one to five years.

#### 6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 30 June 2023. Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 4.28).

### 7 Interests in structured entities

#### 7.1 Consolidated structured entities

As at 30 June 2023, the consolidated structured entities amounted to RMB46,828 million (for the year ended 31 December 2022: insignificant).

#### 7.2 Unconsolidated structured entities

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

Unconsolidated structured entities sponsored by third party institutions include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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7 Interests in structured entities (*continued*)7.2 Unconsolidated structured entities (*continued*)(1) Structured entities sponsored by third party institutions in which the Group holds an interest (*continued*)

The following tables set out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2023			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	1,676	174,644	23,511	199,831
Funds	196,304	–	–	196,304
Trust and asset management plans	16,183	34,918	–	51,101
Others	1,180	–	–	1,180
<b>Total</b>	<b>215,343</b>	<b>209,562</b>	<b>23,511</b>	<b>448,416</b>

	31 December 2022			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	1,448	184,301	30,193	215,942
Funds	235,452	–	–	235,452
Trust and asset management plans	14,185	43,061	–	57,246
Others	5,365	–	–	5,365
<b>Total</b>	<b>256,450</b>	<b>227,362</b>	<b>30,193</b>	<b>514,005</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 7 Interests in structured entities (continued)

#### 7.2 Unconsolidated structured entities (continued)

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

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

##### (2) Interests held in structured entities sponsored and managed but not consolidated by the Group

Structured entities sponsored and managed but not consolidated by the Group primarily include wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

As at 30 June 2023, the balance of wealth management products sponsored and managed but not consolidated by the Group is RMB750,813 million (31 December 2022: RMB883,977 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB155,565 million (31 December 2022: RMB161,998 million).

For the six months ended 30 June 2023, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB1,564 million (for the six months ended 30 June 2022: RMB2,071 million). As at 30 June 2023 and 31 December 2022, the carrying amounts of commission receivable being recognised are not material in the statement of financial positions.

### 8 Entrusted lending business

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	30 June 2023	31 December 2022
Entrusted loans	275,839	275,934
Entrusted funds	275,839	275,934

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 9 Related parties

#### 9.1 Related parties

- (1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be a natural person, corporate or unincorporated organization.

Related parties of the Group mainly include corporates or unincorporated organizations that hold or control more than 5% of the Bank's equity interests, and corporates or unincorporated organizations that hold less than 5% of the Bank's equity interests but have significant influence on the Bank, and the controlling shareholders, actual controllers, persons acting in concert, and ultimate beneficiaries of these entities as well as corporates or unincorporated organizations under the control of these entities; the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers (hereinafter referred to as "insiders of the Bank"), their close family members, and the corporates or unincorporated organizations controlled by the aforementioned persons; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; corporates or unincorporated organizations under control or significant influence of the Bank; and natural persons, corporates or unincorporated organizations identified by the Bank as being related on a substance over form basis and/or see-through basis.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 9 Related parties (continued)

#### 9.1 Related parties (continued)

##### (2) The Bank's major shareholders

Company name	Registered location	30 June 2023		31 December 2022		Business (a)	Legal form	Legal representative
		No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)	No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)			
Dajia Life Insurance Inc.	Beijing	7,810,214,889	17.84	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
China Oceanwide Holdings Group Co., Ltd.	Beijing	1,803,182,618	4.12	1,803,182,618	4.12	Commercial service	Limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	523,667,104	1.20	604,300,950	1.38	Investment holding	Limited company	(b)
Long Prosper Capital Company Limited	British Virgin Islands	13,997,500	0.03	138,442,500	0.32	Investment holding	Limited company	(b)
China Oceanwide International Investment Company Limited	Hong Kong	8,237,520	0.02	8,237,520	0.02	Investment holding	Limited company	(b)
Shanghai Giant Lifetech Co., Ltd.	Shanghai	1,379,679,587	3.15	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
Alpha Frontier Limited	Cayman Islands	713,501,653	1.63	713,501,653	1.63	Investment holding	Limited company	Zhang Lv
Liberal Rise Limited	British Virgin Islands	84,522,480	0.19	84,522,480	0.19	Investment holding	Limited company	Shi Yuzhu
New Hope Liuhe Investment Co., Ltd.	Tibet	1,828,327,362	4.18	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Tibet	343,177,327	0.78	343,177,327	0.78	Retailing	Limited company	Li Jianxiong
Tongfang Guoxin Investment Co., Ltd.	Chongqing	1,888,530,701	4.31	1,888,530,701	4.31	Commercial service	Limited company	Liu Qinqin
Chongqing International Trust Co., Ltd.	Chongqing	103,658,821	0.24	103,658,821	0.24	Other financial industry	Joint stock limited company	Weng Zhenjie
China Shipowners Mutual Assurance Association	Shanghai	1,324,284,453	3.02	1,324,284,453	3.02	Marine mutual insurance and services	National social group	Song Chunfeng
Orient Group Incorporation	Heilongjiang	1,280,117,123	2.92	1,280,117,123	2.92	Agricultural and sideline food processing industry	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Beijing	35,000,000	0.08	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
Good First Group Co., Ltd.	Shanghai	133,210,026	0.30	268,340,026	0.61	Wholesaling	Limited company	Wu Di
Tibet Fujie Enterprise Management Co., Ltd.	Tibet	121,402,400	0.28	187,802,400	0.43	Commercial service	Limited company	Wu Di
Tibet Heng Xun Corporate Management Co., Ltd.	Tibet	93,762,400	0.21	93,762,400	0.21	Commercial service	Limited company	Hong Zhihua

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 9 Related parties (*continued*)

#### 9.1 Related parties (*continued*)

##### (2) The Bank's major shareholders (*continued*)

###### (a) Particulars of principal operations:

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

China Oceanwide Holdings Group Co., Ltd.: finance; real estate and investment management, etc.

Oceanwide International Equity Investment Limited: investment holdings, etc.

Long Prosper Capital Company Limited: investment holdings, etc.

China Oceanwide International Investment Co, Ltd.: investment holdings, etc.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale of pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

Alpha Frontier Limited: investment holdings.

Liberal Rise Limited: investment holdings.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, by products and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 9 Related parties *(continued)*

#### 9.1 Related parties *(continued)*

##### (2) The Bank's major shareholders *(continued)*

###### *(a) Particulars of principal operations: (continued)*

Tongfang Guoxin Investment Co., Ltd.: transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management; proprietary investments (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; corporate restructuring and M&A planning and advisory services (Except for the items subject to approval according to law, the company shall independently carry out business activities according to law with its business license).

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the Formerly China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Orient Group Incorporation: permitted item: food production (branch operation); Bean products manufacturing (branch operation); Crop seed management (branch operation); Job intermediary activities. General items: grain purchase; Import and export of goods; Technology import and export; Foreign contracted projects; estate management; Sales of light building materials; Sales of building materials; Sales of construction machinery; Furniture sales; Wholesale of hardware products; Sanitary ware sales; Sales of metal materials; Research and development of new material technology; Grain sales; Grain planting (branch operation); Enterprise headquarters management; Primary processing of edible agricultural products (branch operation).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 9 Related parties *(continued)*

#### 9.1 Related parties *(continued)*

##### (2) The Bank's major shareholders *(continued)*

###### (a) *Particulars of principal operations: (continued)*

Oriental Group Co., Ltd.: project investment; investment management; real estate development; import and export agency; goods import and export; and economic and trade consulting, etc.

Good First Group Co., Ltd.: high-tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Fuju Enterprise Management Co., Ltd. (Formerly known as Tibet Fu Ju Investment Co., Ltd.): investments in commercial, agricultural, medical, entertainment and education industries (forbidden operations include: trust, financial asset management, and securities asset management business; also excluded: securities, insurance, funds, financial business and their restricted activities) (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

(b) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are entities incorporated overseas, and are ultimately controlled by Mr. Lu Zhiqiang.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 9 Related parties (continued)

#### 9.1 Related parties (continued)

##### (2) The Bank's major shareholders (continued)

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	30 June 2023	31 December 2022
Dajia Life Insurance Inc.	<b>RMB 30,790 million</b>	RMB 30,790 million
China Oceanwide Holdings Group Co., Ltd.	<b>RMB 20,000 million</b>	RMB 20,000 million
Oceanwide International Equity Investment Limited	<b>USD 0.05 million</b>	USD 0.05 million
Long Prosper Capital Company Limited	<b>USD 0.05 million</b>	USD 0.05 million
China Oceanwide International Investment Company Limited	<b>HKD 1,548 million</b>	HKD 1,548 million
Shanghai Giant Lifetech Co., Ltd.	<b>RMB 245 million</b>	RMB 245 million
Alpha Frontier Limited	<b>USD 17.5 thousand</b>	USD 17.5 thousand
Liberal Rise Limited	<b>USD 0.05 million</b>	USD 0.05 million
New Hope Liuhe Investment Co., Ltd.	<b>RMB 577 million</b>	RMB 577 million
South Hope Industrial Co., Ltd.	<b>RMB 1,034 million</b>	RMB 1,034 million
Tongfang Guoxin Investment Co., Ltd.	<b>RMB 2,574 million</b>	RMB 2,574 million
Chongqing International Trust Co., Ltd.	<b>RMB 15,000 million</b>	RMB 15,000 million
China Shipowners Mutual Assurance Association	<b>RMB 0.10 million</b>	RMB 0.10 million
Orient Group Incorporation	<b>RMB 3,659 million</b>	RMB 3,659 million
Oriental Group Co., Ltd.	<b>RMB 1,000 million</b>	RMB 1,000 million
Good First Group Co., Ltd.	<b>RMB 133 million</b>	RMB 133 million
Tibet Fuju Enterprise Management Co., Ltd.	<b>RMB 300 million</b>	RMB 300 million
Tibet Heng Xun Corporate Management Co., Ltd.	<b>RMB 10 million</b>	RMB 10 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.21.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

## 9 Related parties (continued)

## 9.1 Related parties (continued)

## (4) Relationship with related parties

Company name	Relationship with the Bank
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Guizhou Guoyuan Mining Development Co., Ltd.	Related party with equity interests held by the Bank
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
Chongqing Yufu Expressway Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Beijing Dacheng Hotel Co., Ltd.	Related party of Orient Group Incorporation
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
Sichuan Dazhou Steel Group Co., Ltd.	Related party with equity interests held by the Bank
Kunming Dashanghai Industrial Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Guangxi Xindi Investment Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Hongfu Co., Ltd.	Related party of Good First Group Co., Ltd.
Chongqing Gengyu Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Tianjin Yuanxi Real Estate Development Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
CHINA TONGHAI DCM LIMITED	Related party of China Oceanwide Holdings Group Co., Ltd.
SINO-OCEAN GROUP HOLDING LIMITED	Related party of the Bank's insiders
ENN (Tianjin) Energy HOLDINGS LIMITED	Related party of ENN Natural Gas Co., Ltd.
Zoomlion Heavy Industry Science and Technology Co., Ltd.	Related party of the Bank's insiders
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Golden Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Dalian Jianhua Sludge Treatment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Hainan New Hope Liuhe Supply Chain Technology Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Yancheng Liuhe Feed Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Deyu (Shanghai) Medical Technology Co., Ltd.	Related party of the Bank's insiders
Sichuan Special Drive Education Management Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Hope Education Industry Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
New Hope Dairy Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Minsheng Real Estate Co., Ltd.	Companies funded by the Labour Union Committee of the Bank
Beijing Changrong Heyin Investment Management Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 9 Related parties (continued)

#### 9.1 Related parties (continued)

##### (4) Relationship with related parties (continued)

Company name	Relationship with the Bank
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Neural Management of Comprehensive Channels Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Sanya Minsheng Tourism Co., Ltd.	Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.
Hongtai Keystone Asset Management Co., Ltd.	Companies funded by Labour Union Committee of credit card centre and related parties of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Companies funded by the Labour Union Committee of Beijing branch of the Bank

##### (5) Related natural persons

The related natural persons of the Group include: the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers, and their close family members; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and natural persons identified by the Bank as being related on a substance over form basis and/or look-through basis. As of 30 June 2023, the Bank has 12,552 related natural persons, including 186 who were directors of the Bank and their close family members, 105 who were supervisors of the Bank and their close family members, 138 who were senior executives of the head office and their close family members, 11,833 who were senior executives of key branches of the Bank or people with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers, and their close family members, 168 who were directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries, and 200 other natural persons.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 9 Related parties *(continued)*

#### 9.1 Related parties *(continued)*

##### (5) Related natural persons *(continued)*

Note: Among the Bank's directors and their close family members, 33 were also senior executives of the head office or close family members, and 9 persons were also directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and the Bank's supervisors and their close family members included 36 persons who were also senior executives at the Head Office or their close family members.

#### 9.2 Related party transactions

##### (1) Material related party transactions

Material related party transactions refer to transactions where an individual transaction between the Group and a single related party amounts to more than 1% of the Group's net capital at the end of the previous quarter, or where the cumulative total of transactions between the Group and a single related party amounts to more than 5% of the Group's net capital at the end of the previous quarter.

During the six months ended 30 June 2023, the Bank granted to Dajia Life Insurance Inc. a comprehensive credit limit of RMB26 billion under normal commercial terms with a term of 2 years. As at 30 June 2023, the loan balance was RMB15.7 billion (31 December 2022: RMB15.7 billion).

##### (2) Pricing policy

Transactions between the Group and its related parties are mainly conducted in the normal course of its business and on normal commercial terms, following the pricing policies that are consistent with those applicable to similar transactions with independent non-related parties.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

## 9 Related parties (continued)

## 9.2 Related party transactions (continued)

## (3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	30 June 2023	31 December 2022
Dajia Life Insurance Inc.	Pledged/ Guaranteed	15,700	15,700
Oceanwide Holding Co., Ltd.	Pledged/ Collateralised/ Guaranteed	9,200	9,200
Shanghai Cibi Business Information Consulting Co., Ltd.	Pledged/ Guaranteed	6,612	6,613
China Oceanwide Holdings Group Co., Ltd.	Pledged/ Guaranteed	4,666	4,666
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/ Guaranteed	4,380	4,381
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,972	3,972
Guizhou Guoyuan Mining Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,335	3,335
Wuhan CBD Co., Ltd.	Collateralised/ Guaranteed	3,046	3,046
Orient Group Incorporation	Pledged/ Collateralised/ Guaranteed	2,830	2,837
UNITED ENERGY GROUP (HONG KONG) LIMITED	Pledged/ Guaranteed	2,271	2,208
Chongqing Yufu Expressway Co., Ltd.	Pledged/ Guaranteed	2,100	–
Beijing Dacheng Hotel Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,699	1,700
Oriental Group Co., Ltd.	Pledged/ Guaranteed	1,690	2,092
Tongfang Guoxin Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,445	1,448
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,039	1,040

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)9.2 Related party transactions (*continued*)(3) Loans to related parties (*continued*)

	Types of collateral	30 June 2023	31 December 2022
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/ Guaranteed	925	950
Xiamen Rongyin Co., Ltd.	Pledged/ Collateralised/ Guaranteed	900	590
Sichuan Dazhou Steel Group Co., Ltd.	Pledged/ Collateralised/ Guaranteed	725	725
Kunming Dashanghui Industrial Co., Ltd.	Collateralised/ Guaranteed	600	–
Guangxi Xindi Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	583	596
Xiamen Hongfu Co., Ltd.	Guaranteed	400	199
Chongqing Gengyu Real Estate Development Co., Ltd.	Collateralised/ Guaranteed	346	–
Tianjin Yuanxi Real Estate Development Co., Ltd.(a)	Pledged/ Collateralised	345	N/A
CHINA TONGHAI DCM LIMITED	Pledged/ Guaranteed	295	301
SINO-OCEAN GROUP HOLDING LIMITED	Pledged/ Guaranteed	202	471
ENN (Tianjin) Energy HOLDINGS LIMITED (a)	Guaranteed	200	N/A
Zoomlion Heavy Industry Science and Technology Co., Ltd.	Pledged	199	–
Grass Green Group Co., Ltd.	Pledged/ Guaranteed	159	167
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	150	150
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/ Guaranteed	147	147
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	130	130
Dalian Jianhua Sludge Treatment Co., Ltd. (a)	Collateralised	73	N/A
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	71	71

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 9 Related parties (continued)

#### 9.2 Related party transactions (continued)

##### (3) Loans to related parties (continued)

	Types of collateral	30 June 2023	31 December 2022
Hainan New Hope Liuhe Supply Chain Technology Co., Ltd. (a)	Pledged	52	N/A
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd. (a)	Guaranteed	50	N/A
Yancheng Liuhe Feed Co., Ltd.	Pledged	30	–
Deyu (Shanghai) Medical Technology Co., Ltd. (a)	Pledged	20	N/A
Shenzhen Fanhai Sanjiang Technology Development Co., Ltd.	Collateralised	15	15
Shanghai Rihou Steel Tube Leasing Co., Ltd.	Collateralised	6	8
Shanghai Xunjiu Technology Co., Ltd.	Collateralised	6	–
Jiangsu Zhijun Power Equipment Co., Ltd.	Collateralised	3	3
Quanzhou Fengze District best art auto parts shop	Collateralised	2	2
Beijing Changrong Heyin Investment Management Co., Ltd.	Pledged	1	390
Sichuan Hope Education Industry Group Co., Ltd.	Pledged	–	250
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	–	150
New Hope Dairy Co., Ltd.	Pledged	–	69
Bank Of Hebei Co., Ltd.(b)	Pledged	N/A	1,703
Individuals	Collateralised/ Guaranteed	1,447	1,418
<b>Total</b>		<b>72,067</b>	70,743
<b>Ratio to similar transactions (%)</b>		<b>1.67</b>	1.74
<b>Interest rate ranges</b>		<b>1.53%-8.95%</b>	2.61%-8.95%

(a) Since 2023, these companies became related parties of the Group.

(b) As at 30 June 2023, these companies were no longer related parties of the Group.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

## 9 Related parties (continued)

### 9.2 Related party transactions (continued)

#### (3) Loans to related parties (continued)

Amount of transactions:

	Six months ended 30 June	
	2023	2022
Interest income from loans	2,105	1,585
Ratio to similar transactions (%)	2.28	1.69

#### (4) Other transactions with related parties

Balances as at the end of the reporting period:

	30 June 2023		31 December 2022	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost	4,221	0.28	9,588	0.70
– Financial assets at fair value through profit or loss	846	0.22	560	0.14
– Financial assets at fair value through other comprehensive income	977	0.24	993	0.21
Long-term receivables	227	0.20	178	0.16
Other assets (a)	1,286	2.90	940	2.05
Deposits and placements from banks and other financial institutions	1,886	0.12	3,305	0.22
Borrowings from banks and other financial institutions	–	–	1,004	0.95
Deposits from customers	30,251	0.70	32,232	0.80
Other liabilities	23	0.04	27	0.05

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 9 Related parties (continued)

#### 9.2 Related party transactions (continued)

##### (4) Other transactions with related parties (continued)

###### (a) Other transactions with related parties

Sanya Minsheng Tourism Co., Ltd. provides project management and business promotion assistant services for Minsheng Financial Leasing regarding its retail vehicle financial leasing business. Other assets mainly include the prepayment from Minsheng Financial Leasing to Sanya Minsheng Tourism Co., Ltd. for the above-mentioned service fees to be amortised.

Profit and loss during the reporting period:

	Six months ended 30 June			
	2023		2022	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	118	0.09	144	0.11
Interest expense	347	0.42	761	0.99
Fee and commission income (a)	372	2.77	145	1.18
Operating expenses (b)	1,295	5.84	1,394	6.35
Other operating cost	13	1.05	–	–

(a) For the six months ended 30 June 2023 and for the six months ended 30 June 2022, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc.

(b) Operating expenses of the Group were mainly for financial business outsourcing service and procurement service provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service provided by Minsheng Real Estate Co., Ltd. and its related parties, technology development service provided by Minsheng Fintech Co., Ltd., assets recovery service provided by Hongtai Keystone Asset Management Co., Ltd., business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd., and maintenance service of self-service cashier equipment provided by Neural Management of Comprehensive Channels Co., Ltd.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)9.2 Related party transactions (*continued*)(4) Other transactions with related parties (*continued*)(a) Other transactions with related parties (*continued*)

Interest rate ranges for transaction balances as at the end of reporting period

	30 June 2023	31 December 2022
Financial investments		
– Financial assets measured at amortised cost	3.25%-6.74%	2.80%-6.74%
– Financial assets at fair value through other comprehensive income	2.70%-5.30%	2.70%-5.30%
Long-term receivables	4.23%-8.80%	4.23%-5.50%
Deposits and placements from banks and other financial institutions	0.00%-2.35%	0.00%-2.92%
Borrowings from banks and other financial institutions	N/A	3.20%
Deposits from customers	0.00%-5.35%	0.00%-5.35%

Balance of off-balance sheet items:

	30 June 2023		31 December 2022	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	1,200	0.25	2,472	0.50
Guarantees	106	0.09	204	0.15
Letters of credit	300	0.31	300	0.37
Unused credit card commitments	571	0.11	568	0.12

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 9 Related parties (continued)

#### 9.2 Related party transactions (continued)

##### (4) Other transactions with related parties (continued)

##### (a) Other transactions with related parties (continued)

Balances of loans guaranteed by related parties:

	30 June 2023	31 December 2022
Loans guaranteed by related parties	30,062	27,331
Ratio to similar transactions (%)	0.70	0.67

##### (5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the six months ended 30 June 2023 and for the six months ended 30 June 2022.

##### (6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB2.19 million as at 30 June 2023 (31 December 2022: RMB2.36 million), which have been included in the above loans granted to related parties.

For the six months ended 30 June 2023, the pre-tax compensation (including wages and short-term benefits) of key management personnel totalled RMB28 million (for the six months ended 30 June 2022: RMB32 million).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)9.2 Related party transactions (*continued*)

## (7) Transactions between the Bank and its subsidiaries

Balances as at the end of the reporting period:

	<b>30 June 2023</b>	31 December 2022
Placements with banks and other financial institutions	<b>27,839</b>	27,489
Loans and advances to customers	<b>2,662</b>	2,412
Right-of-use assets	–	3
Financial investment	<b>800</b>	–
Other assets	<b>87</b>	35
Deposits and placements from banks and other financial institutions	<b>11,364</b>	12,110
Balances with banks and other financial institutions	<b>160</b>	160
Deposits from customers	<b>920</b>	522
Leasing liabilities	–	3
Other liabilities	<b>2</b>	2

Amount of transactions for the reporting period:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
Interest income	<b>637</b>	518
Interest expense	<b>120</b>	65
Fee and commission income	<b>473</b>	51
Fee and commission expense	<b>87</b>	–
Operating expenses	<b>4</b>	–
Net other operating income	<b>1</b>	3

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 9 Related parties *(continued)*

#### 9.2 Related party transactions *(continued)*

##### (7) Transactions between the Bank and its subsidiaries *(continued)*

Material transactions between the Bank and its subsidiaries

- (a) During the year 2022, the Bank granted Minsheng Financial Leasing Co., Ltd. a maximum credit line of RMB 38,520 million under normal commercial terms for a term of 2 years. As at 30 June 2023, the balance of placements with banks and other financial institutions was RMB 21,245 million (31 December 2022: RMB 21,193 million).
- (b) During the six months ended 30 June 2023, the Bank granted CMBC Wealth Management Co., Ltd. a maximum credit line of RMB 68.00 billion under normal commercial terms for a term of 2 years. As at 30 June 2023, the credit line remained unused.

For the six months ended 30 June 2023, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 30 June 2023, the balance of the above transactions was RMB147 million (31 December 2022: RMB174 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

### 10 Financial risk management

#### 10.1 Financial risk management overview

The financial risks the Group is exposed to mainly include credit risk, market risk, liquidity risk and operational risk etc. Risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

In response to new regulatory requirements and market changes as well as in light of the actual needs and current position, the Group sets its risk preferences, risk management strategies and risk policies, and takes a host of measures to ensure the risk preferences and policies are concretely implemented and complied with and strengthen the role of risk management in support of strategic decision-making, including improving its risk quantification tools and information systems, adopting and continuously improving its end-to-end risk control mechanisms and based on oversight and reviews of actual implementations, re-examining and optimising the risk preference funneling mechanisms, credit policies, limit management, and relevant systems and tools.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 10 Financial risk management (*continued*)

#### 10.1 Financial risk management overview (*continued*)

The Bank's Risk Management Committee, which operates under the Board of Directors, assists the Board in setting the Bank's risk preferences and risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing their effectiveness. In accordance with the risk preferences and management strategies, the Bank's senior management develops corresponding risk management policies and procedures and drives their implementation.

#### 10.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, problem asset professional management and collecting and other major methods for credit risk management.

After exhausting all necessary measures and implementing necessary procedures, the Group writes off the bad debts as determined in accordance with the criteria set out in the Group's write-off policy. For bad debts that have been written off, the Group continues to make its best effort to recover them.

#### (1) Credit risk measurement

##### (a) Loans and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the CBIRC Guidelines for Risk Classification of Loans (CBIRC [2007] No.54, the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 10 Financial risk management (*continued*)

#### 10.2 Credit risk (*continued*)

##### (1) Credit risk measurement (*continued*)

###### (a) Loans and credit commitments (*continued*)

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass:	The borrower can fulfil contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special-mention:	The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.
Sub-standard:	The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.
Doubtful:	The borrower cannot repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.
Loss:	After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

###### (b) Debt securities and other bills

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimise its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control personnel regularly analyse and continuously monitor the credit positions of issuers of debt securities still held by the Bank, and the operational staff will continue to optimise and adjust the investment portfolio based on the risk-mitigation recommendations.



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For the six months ended 30 June 2023  
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### 10 Financial risk management (*continued*)

#### 10.2 Credit risk (*continued*)

##### (2) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on- and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and preventing and controlling customer concentration risks.

##### (a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Financial instruments such as time deposits, debt securities and equities
- Trade receivables, rent receivables and various rights to receive payments
- Mining rights and machinery

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### 10 Financial risk management (*continued*)

#### 10.2 Credit risk (*continued*)

##### (2) Risk limit control and mitigation policies (*continued*)

###### (a) Collateral (*continued*)

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collaterals from counterparties/require additional guarantors or squeeze the credit line.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

###### (b) Derivative instruments

The credit risk of derivative financial instruments comes from the counterparty credit risk that the bank faces during transactions with counterparties who fail to fulfill their obligations. The Bank manages the counterparty credit risk of derivative financial instruments through credit limits or other credit risk mitigation measures. The Bank incorporates counterparties' credit limits into the bank-wide unified credit management system and sets credit limits in the management system to monitor credit limits. To reduce the credit risk of derivative financial instruments, the bank also adopts measures such as margin requirements, participation in central counterparty clearing, etc.

###### (c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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For the six months ended 30 June 2023  
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### 10 Financial risk management (*continued*)

#### 10.2 Credit risk (*continued*)

##### (3) Expected Credit Loss (“ECL”) measurement

According to the IFRS 9: Financial Instruments, the Group classifies its financial instruments into three stages for the purpose of ECL measurement and applies the ECL model to calculate credit loss provisions for on-balance sheet financial instruments that are exposed to credit risk and measured either at amortised cost or at fair value through other comprehensive income, such as loans, debt securities, balances with banks and other financial institutions, accounts receivable, lease receivables, and other debt investments, as well as off-balance sheet financial instruments that are exposed to credit risk, such as financial guarantee contracts and loan commitments.

The Group adopts the parameters-based approach and the discounted cash flow (“DCF”) method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group regularly reviews and optimizes its expected credit loss model, and makes timely updates to the forward-looking information and relevant parameters in accordance with the requirements of *Implementation Rules on Expected Credit Loss Approach of Commercial Banks* (CBIRC [2022] No.10) Issued by CBIRC.

##### (a) Financial instrument risk stages

The Group applies a “three-stage model” for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1:	Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.
Stage 2:	For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.
Stage 3:	For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

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For the six months ended 30 June 2023  
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### 10 Financial risk management (*continued*)

#### 10.2 Credit risk (*continued*)

##### (3) Expected Credit Loss ("ECL") measurement (*continued*)

##### (b) *Criteria for significant increases in credit risk ("SICR")*

The Group assesses, at each balance sheet date, whether or not the credit risk of relevant financial instruments has increased significantly since their initial recognition. In order to determine whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and supportable information that is available without undue cost or effort and sets qualitative and quantitative criteria accordingly. The quantitative criteria include overdue days of the principal or interest for more than 30 days, credit asset categorised to the special-mention, the absolute level or relative change of Probability of Default in excess of the preset thresholds, among others; and the qualitative criteria mainly cover the regulatory and business environments, the borrowers' repayment ability, borrowers' operation capability, borrowers' repayment behaviors, and forward-looking information, among others.

##### (c) *Definition of credit-impaired financial asset*

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 10 Financial risk management (*continued*)

#### 10.2 Credit risk (*continued*)

##### (3) Expected Credit Loss ("ECL") measurement (*continued*)

###### (d) Grouping of risk exposures

For the purpose of expected credit loss measurement, the Group classifies exposures with similar credit risk characteristics into groups. The Group groups corporate financial assets mainly according to the borrower types and the industry in which they operate, and retail assets mainly according to product types, and the Group reviews the appropriateness of its risk grouping and makes corrections to the grouping results on an annual basis.

###### (e) Parameters for ECL measurement

Except for credit-impaired financial assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument according to whether there is a significant increase in credit risk. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;
- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;
- EAD refers to the total amount of on – and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet credit risk conversion factor etc., and may vary by product types.

###### (f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the quarterly year-on-year (Y/Y) growth rates of Gross Domestic Product (GDP) and Broad Money Supply (M2), and quarterly cumulative year-on-year (Y/Y) growth rates of Consumer Price Index (CPI). The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indicators for ECL calculation.

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For the six months ended 30 June 2023  
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### 10 Financial risk management (*continued*)

#### 10.2 Credit risk (*continued*)

##### (3) Expected Credit Loss ("ECL") measurement (*continued*)

##### (f) *Forward-looking information incorporated in the ECL (continued)*

As at 30 June 2023, the Group has considered different macroeconomic scenarios, and the main economic indicators with predicted ranges in estimating ECL are set out as below:

Variables	Range
Quarterly Y/Y growth rate of GDP	4.2%~9.2%
Quarterly Y/Y growth rate of M2	9.2%~13.0%
Quarterly cumulative Y/Y growth rate of CPI	0.2%~3.5%

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

The Group combines macro-economic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. As at 30 June 2023 and 31 December 2022, the positive, neutral and negative scenarios had similar weightings.

##### (g) *Cash flow forecasts for Stage 3 corporate financial assets*

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets. The DCF method estimates the expected credit losses based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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10 Financial risk management (*continued*)10.2 Credit risk (*continued*)

## (4) Maximum credit risk exposure

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	30 June 2023	31 December 2022
Balances with central bank	348,277	331,569
Balances with banks and other financial institutions	114,630	88,705
Placements with banks and other financial institutions	188,526	182,434
Derivative financial assets	40,635	33,878
Financial assets held under resale agreements	10,025	3,010
Loans and advances to customers	4,322,267	4,072,982
Financial investments		
– Financial assets at fair value through profit or loss	164,344	128,005
– Financial assets at fair value through other comprehensive income	399,764	462,619
– Financial assets measured at amortised cost	1,496,330	1,363,589
Long-term receivables	115,628	111,456
Other financial assets	32,764	30,153
<b>Total</b>	<b>7,233,190</b>	<b>6,808,400</b>
Off-balance sheet credit commitments	1,249,589	1,263,888
<b>Maximum credit risk exposure</b>	<b>8,482,779</b>	<b>8,072,288</b>

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For the six months ended 30 June 2023  
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## 10 Financial risk management (continued)

## 10.2 Credit risk (continued)

## (5) Analysis on the credit quality of financial instruments

(a) As at 30 June 2023, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	348,277	-	-	348,277	-	-	-	-
Balances with banks and other financial institutions	114,637	-	-	114,637	(7)	-	-	(7)
Placements with banks and other financial institutions	188,313	-	1,939	190,252	(414)	-	(1,312)	(1,726)
Financial assets held under resale agreements	9,617	-	436	10,053	-	-	(28)	(28)
Loans and advances to customers								
– Corporate loans and advances	2,451,159	150,163	61,691	2,663,013	(18,037)	(21,138)	(26,200)	(65,375)
– Personal loans and advances	1,686,870	47,863	24,797	1,759,530	(9,387)	(10,257)	(16,312)	(35,956)
Financial investments	1,863,292	11,288	32,243	1,906,823	(2,779)	(1,088)	(9,069)	(12,936)
Long-term receivables	99,219	13,405	5,942	118,566	(583)	(752)	(1,603)	(2,938)
Off-balance sheet credit commitments	1,244,630	4,943	16	1,249,589	(1,336)	(418)	(16)	(1,770)

(b) As at 31 December 2022, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	331,569	-	-	331,569	-	-	-	-
Balances with banks and other financial institutions	88,713	-	-	88,713	(8)	-	-	(8)
Placements with banks and other financial institutions	182,352	-	1,944	184,296	(585)	-	(1,277)	(1,862)
Financial assets held under resale agreements	2,574	-	464	3,038	-	-	(28)	(28)
Loans and advances to customers								
– Corporate loans and advances	2,204,472	166,252	53,028	2,423,752	(15,327)	(21,983)	(24,513)	(61,823)
– Personal loans and advances	1,669,611	51,147	26,111	1,746,869	(8,413)	(11,629)	(17,003)	(37,045)
Financial investments	1,789,042	12,793	35,665	1,837,500	(2,249)	(939)	(9,925)	(13,113)
Long-term receivables	94,754	13,270	6,913	114,937	(642)	(862)	(1,977)	(3,481)
Off-balance sheet credit commitments	1,261,248	2,525	115	1,263,888	(1,424)	(344)	(76)	(1,844)



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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10 Financial risk management (*continued*)10.2 Credit risk (*continued*)

## (6) Loans and advances to customers

(a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	30 June 2023	31 December 2022
Stage 1		
Unsecured loans	1,166,963	1,087,615
Guaranteed loans	725,847	623,229
Loans secured by		
Tangible assets other than monetary assets	1,644,611	1,591,434
Monetary assets	569,007	542,328
Subtotal	4,106,428	3,844,606
Stage 2		
Unsecured loans	23,287	27,297
Guaranteed loans	24,820	31,630
Loans secured by		
Tangible assets other than monetary assets	116,934	122,535
Monetary assets	32,985	35,937
Subtotal	198,026	217,399
Stage 3		
Unsecured loans	18,105	15,884
Guaranteed loans	13,196	16,578
Loans secured by		
Tangible assets other than monetary assets	39,551	36,298
Monetary assets	15,636	10,379
Subtotal	86,488	79,139
Total	4,390,942	4,141,144
Credit-impaired loans secured by collateral	26,283	21,411

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10 Financial risk management (*continued*)10.2 Credit risk (*continued*)(6) Loans and advances to customers (*continued*)

(b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	30 June 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	566,633	12.90	523,343	12.64
Manufacturing	456,968	10.41	396,308	9.57
Real estate	381,821	8.70	363,344	8.77
Wholesale and retail	289,191	6.59	263,607	6.37
Water, environment and public utilities management	181,155	4.13	167,684	4.05
Transportation, storage and postal services	168,599	3.84	154,492	3.73
Financial services	154,731	3.52	115,764	2.79
Production and supply of electric power, heat, gas and water	117,620	2.68	103,403	2.50
Construction	115,125	2.62	109,689	2.65
Mining	72,560	1.65	72,705	1.76
Information transmission, software and IT services	40,622	0.93	41,727	1.01
Agriculture, forestry, animal husbandry and fishery	20,561	0.47	20,420	0.49
Accommodation and catering	16,727	0.38	17,578	0.42
Others	53,666	1.21	49,212	1.19
Subtotal	2,635,979	60.03	2,399,276	57.94
Personal loans and advances	1,754,963	39.97	1,741,868	42.06
Total	4,390,942	100.00	4,141,144	100.00

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### 10 Financial risk management (*continued*)

#### 10.2 Credit risk (*continued*)

##### (6) Loans and advances to customers (*continued*)

(c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	30 June 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Head Office	469,807	10.70	488,895	11.81
Yangtze River Delta	1,149,963	26.19	1,045,578	25.25
Pearl River Delta	701,551	15.98	630,013	15.21
Bohai Rim	678,041	15.44	644,316	15.56
Western Region	659,976	15.03	630,687	15.23
Central Region	516,484	11.76	497,398	12.01
North-Eastern Region	102,911	2.34	97,380	2.35
Overseas and subsidiaries	112,209	2.56	106,877	2.58
<b>Total</b>	<b>4,390,942</b>	<b>100.00</b>	<b>4,141,144</b>	<b>100.00</b>

##### (7) Loans and advances restructured

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. As at 30 June 2023, the amount of the Group's impaired restructured loans and advances to customers with modified contract terms, was RMB9,787 million (31 December 2022: RMB13,554 million).

Impaired restructured loans and advances which were not past due or past due for no more than 90 days are as follows:

	30 June 2023	31 December 2022
Loans and advances to customers	1,593	3,659
Ratio of total loans and advances to customers (%)	0.04	0.09

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10 Financial risk management (*continued*)10.2 Credit risk (*continued*)

## (8) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	30 June 2023					Total
	Unrated(a)	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions(b)	26,749	–	–	–	–	26,749
– Corporates	2,054	–	13	–	1,967	4,034
Gross balance	28,803	–	13	–	1,967	30,783
Interest accrued						1,460
Less: Allowance for impairment losses of financial assets measured at amortised cost						(7,744)
Subtotal						24,499
Not impaired						
– Government	833,309	356,138	303	1,139	–	1,190,889
– Policy banks	126,751	–	–	955	–	127,706
– Banks and non-bank financial institutions	77,638	145,328	2,638	26,278	17,522	269,404
– Corporates	153,650	226,572	15,527	13,109	20,442	429,300
Gross balance	1,191,348	728,038	18,468	41,481	37,964	2,017,299
Interest accrued						21,625
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,985)
Subtotal						2,035,939
Total						2,060,438

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10 Financial risk management (*continued*)10.2 Credit risk (*continued*)(8) Distribution of debt instruments analysed by issuers and rating (*continued*)

	31 December 2022					Total
	Unrated(a)	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions(b)	30,823	–	–	–	–	30,823
– Corporates	2,416	–	13	–	616	3,045
Gross balance	33,239	–	13	–	616	33,868
Interest accrued						1,797
Less: Allowance for impairment losses of financial assets measured at amortised cost						(8,867)
Subtotal						26,798
Not impaired						
– Government	806,557	324,153	–	1,108	–	1,131,818
– Policy banks	105,141	–	–	991	–	106,132
– Banks and non-bank financial institutions	79,905	127,057	2,054	24,344	19,689	253,049
– Corporates	128,461	225,807	32,025	11,749	19,626	417,668
Gross balance	1,120,064	677,017	34,079	38,192	39,315	1,908,667
Interest accrued						21,173
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,425)
Subtotal						1,927,415
Total						1,954,213

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates, bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 10 Financial risk management (*continued*)

#### 10.2 Credit risk (*continued*)

##### (9) Investments classified as trust and asset management plans analysed by type of underlying assets

	30 June 2023	31 December 2022
Trust and asset management plans		
Credit assets	34,918	43,061
Bonds and others	16,183	14,185
<b>Total</b>	<b>51,101</b>	57,246

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

#### 10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 10 Financial risk management (*continued*)

#### 10.3 Market risk (*continued*)

##### (1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

##### (2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest are mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

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10 Financial risk management (*continued*)10.3 Market risk (*continued*)(2) Currency risk (*continued*)

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

	30 June 2023				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	312,633	41,644	434	188	354,899
Balances with banks and other financial institutions	87,547	21,148	3,100	2,835	114,630
Placements with banks and other financial institutions	166,505	19,017	2,254	750	188,526
Financial assets held under resale agreements	10,025	–	–	–	10,025
Loans and advances to customers	4,149,701	109,992	37,486	25,088	4,322,267
Financial investments	2,144,794	124,117	9,202	14,395	2,292,508
Long-term receivables	96,045	19,583	–	–	115,628
Other assets	168,649	45,141	1,194	27,984	242,968
<b>Total assets</b>	<b>7,135,899</b>	<b>380,642</b>	<b>53,670</b>	<b>71,240</b>	<b>7,641,451</b>
Liabilities:					
Borrowings from central bank	180,971	–	–	–	180,971
Deposits and placements from banks and other financial institutions	1,414,059	95,797	8,175	14,661	1,532,692
Borrowings from banks and other financial institutions	68,173	37,883	2,463	229	108,748
Financial assets sold under repurchase agreements	109,171	15,902	6,590	–	131,663
Deposits from customers	4,105,901	163,820	20,493	10,029	4,300,243
Debt securities issued	624,546	3,653	–	–	628,199
Lease liabilities	8,928	–	130	–	9,058
Other liabilities	105,660	12,426	2,988	2,112	123,186
<b>Total liabilities</b>	<b>6,617,409</b>	<b>329,481</b>	<b>40,839</b>	<b>27,031</b>	<b>7,014,760</b>
<b>Net position</b>	<b>518,490</b>	<b>51,161</b>	<b>12,831</b>	<b>44,209</b>	<b>626,691</b>
Foreign currency derivatives	45,164	13,774	(25,559)	(30,818)	2,561
Off-balance sheet credit commitments	1,202,433	39,611	3,621	3,924	1,249,589



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10 Financial risk management (*continued*)10.3 Market risk (*continued*)(2) Currency risk (*continued*)

	31 December 2022				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	296,558	41,538	292	164	338,552
Balances with banks and other financial institutions	61,541	20,898	3,388	2,878	88,705
Placements with banks and other financial institutions	166,669	11,307	1,975	2,483	182,434
Financial assets held under resale agreements	3,010	–	–	–	3,010
Loans and advances to customers	3,875,087	137,271	34,039	26,585	4,072,982
Financial investments	2,080,228	128,989	3,340	13,313	2,225,870
Long-term receivables	92,706	18,750	–	–	111,456
Other assets	157,821	44,088	5,608	25,147	232,664
<b>Total assets</b>	<b>6,733,620</b>	<b>402,841</b>	<b>48,642</b>	<b>70,570</b>	<b>7,255,673</b>
Liabilities:					
Borrowings from central bank	144,801	–	–	–	144,801
Deposits and placements from banks and other financial institutions	1,374,617	82,331	9,793	12,300	1,479,041
Borrowings from banks and other financial institutions	67,198	34,970	3,061	–	105,229
Financial assets sold under repurchase agreements	85,116	19,024	–	–	104,140
Deposits from customers	3,853,834	150,470	13,293	33,995	4,051,592
Debt securities issued	640,399	7,708	–	–	648,107
Lease liabilities	9,269	–	157	–	9,426
Other liabilities	86,121	12,429	1,937	36	100,523
<b>Total liabilities</b>	<b>6,261,355</b>	<b>306,932</b>	<b>28,241</b>	<b>46,331</b>	<b>6,642,859</b>
<b>Net position</b>	<b>472,265</b>	<b>95,909</b>	<b>20,401</b>	<b>24,239</b>	<b>612,814</b>
Foreign currency derivatives	58,646	(35,918)	(17,236)	(3,157)	2,335
Off-balance sheet credit commitments	1,214,705	44,030	1,672	3,481	1,263,888

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### 10 Financial risk management (*continued*)

#### 10.3 Market risk (*continued*)

##### (2) Currency risk (*continued*)

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 30 June 2023, assuming other variables remain unchanged, with 1% appreciation of the US dollar against the RMB would increase both the Group's net profit and equity by RMB812 million (31 December 2022 with 1% appreciation: increase by RMB1,054 million); with 1% depreciation of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB812 million (31 December 2022 with 1% depreciation: decrease by RMB1,054 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

- a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by 1% against the RMB's average rate on the reporting date;
- b. The fluctuation of exchange rates by 1% is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;
- c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;
- d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;
- e. Other variables (including interest rates) remained unchanged; and
- f. The analysis does not take into account the effect of risk management measures taken by the Group.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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### 10 Financial risk management (*continued*)

#### 10.3 Market risk (*continued*)

##### (3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

The Group is affected by the interest rate benchmark reform mainly in business activities, including loans and advances to customers, deposits from customers, debt investments and derivatives etc., that are linked to the London Interbank Offered Rates (LIBOR). The Group pays high attention to the LIBOR reform, and moving forward with updating the product contract wording, system building and customer communication in a well-planned and disciplined manner. Based on its assessment, the Group believes that the LIBOR reform has no significant impact on the Group's financial position and operating results.

##### (a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

##### (b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, valuation analyses, sensitivity analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group strengthens interest rate risk management in the banking book by setting risk limits such as duration and valuation loss tolerance. The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs scenario analyses and stress tests on a regular basis, and adjusts asset and liability maturity strategy, interest rates of deposits and loans in both RMB and foreign currencies as well as repricing strategy to manage interest rate risk.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023  
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## 10 Financial risk management (continued)

## 10.3 Market risk (continued)

## (3) Interest rate risk (continued)

## (b) The banking books (continued)

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

	30 June 2023						Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:							
Cash and balances with central bank	348,155	-	-	-	-	6,744	354,899
Balances with banks and other financial institutions	109,196	1,344	3,976	-	-	114	114,630
Placements with banks and other financial institutions	33,825	38,162	89,039	27,158	-	342	188,526
Financial assets held under resale agreements	10,001	-	-	-	-	24	10,025
Loans and advances to customers	825,232	497,031	2,097,476	661,672	209,255	31,601	4,322,267
Financial investments	110,866	116,149	281,378	1,032,098	490,479	261,538	2,292,508
Long-term receivables	17,545	8,179	43,655	41,422	4,827	-	115,628
Other assets	124	541	7	662	-	241,634	242,968
<b>Total assets</b>	<b>1,454,944</b>	<b>661,406</b>	<b>2,515,531</b>	<b>1,763,012</b>	<b>704,561</b>	<b>541,997</b>	<b>7,641,451</b>
Liabilities:							
Borrowings from central bank	8,016	3,993	166,815	-	-	2,147	180,971
Deposits and placements from banks and other financial institutions	633,140	364,869	526,137	14	-	8,532	1,532,692
Borrowings from banks and other financial institutions	25,999	18,998	56,091	5,727	1,153	780	108,748
Financial assets sold under repurchase agreements	76,421	30,642	24,260	-	-	340	131,663
Deposits from customers	2,261,093	258,385	701,326	1,002,549	18,108	58,782	4,300,243
Debt securities issued	93,736	130,084	207,221	105,156	89,991	2,011	628,199
Lease liabilities	259	407	1,997	5,344	1,051	-	9,058
Other liabilities	254	689	4,362	-	-	117,881	123,186
<b>Total liabilities</b>	<b>3,098,918</b>	<b>808,067</b>	<b>1,688,209</b>	<b>1,118,790</b>	<b>110,303</b>	<b>190,473</b>	<b>7,014,760</b>
<b>Interest rate gap</b>	<b>(1,643,974)</b>	<b>(146,661)</b>	<b>827,322</b>	<b>644,222</b>	<b>594,258</b>	<b>351,524</b>	<b>626,691</b>

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10 Financial risk management (*continued*)10.3 Market risk (*continued*)(3) Interest rate risk (*continued*)(b) The banking books (*continued*)

	31 December 2022						Non-interest bearing	Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years			
Assets:								
Cash and balances with central bank	331,432	-	-	-	-	7,120	338,552	
Balances with banks and other financial institutions	82,141	2,621	3,857	-	-	86	88,705	
Placements with banks and other financial institutions	19,249	34,145	128,685	-	-	355	182,434	
Financial assets held under resale agreements	2,985	-	-	-	-	25	3,010	
Loans and advances to customers	1,156,390	429,945	1,751,652	490,349	215,169	29,477	4,072,982	
Financial investments	45,168	24,346	568,216	901,670	389,955	296,515	2,225,870	
Long-term receivables	19,316	9,353	43,412	34,429	4,946	-	111,456	
Other assets	779	-	165	41	-	231,679	232,664	
<b>Total assets</b>	<b>1,657,460</b>	<b>500,410</b>	<b>2,495,987</b>	<b>1,426,489</b>	<b>610,070</b>	<b>565,257</b>	<b>7,255,673</b>	
Liabilities:								
Borrowings from central bank	10,060	30,141	102,847	-	-	1,753	144,801	
Deposits and placements from banks and other financial institutions	644,502	262,009	566,149	-	-	6,381	1,479,041	
Borrowings from banks and other financial institutions	30,582	23,279	37,175	12,703	917	573	105,229	
Financial assets sold under repurchase agreements	48,603	30,327	24,740	110	-	360	104,140	
Deposits from customers	2,106,000	302,295	742,430	842,802	-	58,065	4,051,592	
Debt securities issued	13,597	232,358	228,589	79,994	89,991	3,578	648,107	
Lease liabilities	302	487	2,026	5,440	1,171	-	9,426	
Other liabilities	-	-	4,679	-	-	95,844	100,523	
<b>Total liabilities</b>	<b>2,853,646</b>	<b>880,896</b>	<b>1,708,635</b>	<b>941,049</b>	<b>92,079</b>	<b>166,554</b>	<b>6,642,859</b>	
<b>Interest rate gap</b>	<b>(1,196,186)</b>	<b>(380,486)</b>	<b>787,352</b>	<b>485,440</b>	<b>517,991</b>	<b>398,703</b>	<b>612,814</b>	

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 10 Financial risk management (*continued*)

#### 10.3 Market risk (*continued*)

##### (3) Interest rate risk (*continued*)

##### (b) The banking books (*continued*)

If yield curves for respective currencies move in parallel for 100 basis points on 1 July, their potential impact on the Group's net interest income and shareholders' equity for the following year is as follows:

	30 June 2023 (Loss)/Gain	31 December 2022 (Loss)/Gain
Up 100 bps parallel shift in yield curves	(9,425)	(8,132)
Down 100 bps parallel shift in yield curves	9,425	8,132

In performing the interest rate sensitivity analysis, the Group and the Bank has made general assumptions in defining business terms and financial parameters, but have not considered the following:

- a. business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;
- b. the impact of interest rate fluctuations on customers' behaviour;
- c. the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- d. the impact of interest rate fluctuations on market prices;
- e. the impact of interest rate fluctuations on off-balance sheet products;
- f. the impact of interest rate fluctuations on fair value of financial instruments;
- g. other variables (including foreign exchange rate); and
- h. other risk management measures in the Group.

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### 10 Financial risk management (*continued*)

#### 10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

#### (1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

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For the six months ended 30 June 2023  
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### 10 Financial risk management (*continued*)

#### 10.4 Liquidity risk (*continued*)

##### (1) Liquidity risk management policy (*continued*)

To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;

To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios, net stable funding ratios and liquidity matching rate;

To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;

To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)

## (2) Maturity analysis

The following tables present the maturity analysis of assets and liabilities of the Group as at the end of the reporting period. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments in financial investment; and repayable on demand with respect to loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

	30 June 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	301,866	53,033	-	-	-	-	-	354,899
Balances with banks and other financial institutions	-	107,561	1,729	1,349	3,991	-	-	114,630
Placements with banks and other financial institutions	627	-	33,261	38,242	89,211	27,185	-	188,526
Financial assets held under resale agreements	430	-	9,595	-	-	-	-	10,025
Loans and advances to customers	54,817	5,757	381,004	295,015	1,294,535	1,147,485	1,143,654	4,322,267
Financial investments	244,491	-	89,981	103,452	274,795	1,083,024	496,765	2,292,508
Long-term receivables	6,076	2,815	4,151	8,312	37,730	51,429	5,115	115,628
Other assets	179,961	1,230	9,526	12,413	27,419	9,716	2,703	242,968
Total assets	788,268	170,396	529,247	458,783	1,727,681	2,318,839	1,648,237	7,641,451

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## 10 Financial risk management (continued)

## 10.4 Liquidity risk (continued)

## (2) Maturity analysis (continued)

	30 June 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	8,234	4,070	168,667	-	-	180,971
Deposits and placements from banks and other financial institutions	-	460,069	178,748	366,316	527,545	14	-	1,532,692
Borrowings from banks and other financial institutions	-	-	18,847	15,441	59,003	12,855	2,602	108,748
Financial assets sold under repurchase agreements	-	-	76,567	30,744	24,352	-	-	131,663
Deposits from customers	-	2,125,433	166,577	262,874	710,885	1,016,366	18,108	4,300,243
Debt securities issued	-	-	90,145	130,100	210,876	106,485	90,593	628,199
Lease liabilities	-	-	259	407	1,997	5,344	1,051	9,058
Other liabilities	2,807	359	25,314	39,419	41,238	13,040	1,009	123,186
<b>Total liabilities</b>	<b>2,807</b>	<b>2,585,861</b>	<b>564,691</b>	<b>849,371</b>	<b>1,744,563</b>	<b>1,154,104</b>	<b>113,363</b>	<b>7,014,760</b>
<b>Net position</b>	<b>785,461</b>	<b>(2,415,465)</b>	<b>(35,444)</b>	<b>(390,588)</b>	<b>(16,882)</b>	<b>1,164,735</b>	<b>1,534,874</b>	<b>626,691</b>
Notional amount of derivatives	-	-	675,589	813,896	1,760,266	816,834	3,799	4,070,384

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10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(2) Maturity analysis (*continued*)

	31 December 2022							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	312,268	26,284	-	-	-	-	-	338,552
Balances with banks and other financial institutions	-	80,919	1,279	2,629	3,878	-	-	88,705
Placements with banks and other financial institutions	669	-	18,657	34,219	128,889	-	-	182,434
Financial assets held under resale agreements	459	-	2,551	-	-	-	-	3,010
Loans and advances to customers	48,651	8,812	369,624	275,822	1,250,221	1,052,778	1,067,074	4,072,982
Financial investments	289,432	-	52,147	86,791	447,722	954,406	395,372	2,225,870
Long-term receivables	5,613	1,112	5,332	6,781	35,159	52,490	4,969	111,456
Other assets	174,042	3,465	9,206	15,548	19,644	7,815	2,944	232,664
<b>Total assets</b>	<b>831,134</b>	<b>120,592</b>	<b>458,796</b>	<b>421,790</b>	<b>1,885,513</b>	<b>2,067,489</b>	<b>1,470,359</b>	<b>7,255,673</b>
Liabilities:								
Borrowings from central bank	-	-	10,334	30,875	103,592	-	-	144,801
Deposits and placements from banks and other financial institutions	-	454,718	194,279	262,911	567,133	-	-	1,479,041
Borrowings from banks and other financial institutions	-	-	19,475	19,687	41,573	21,716	2,778	105,229
Financial assets sold under repurchase agreements	-	-	48,707	30,452	24,870	111	-	104,140
Deposits from customers	-	1,970,754	166,306	306,641	753,044	854,847	-	4,051,592
Debt securities issued	-	-	15,049	232,495	230,578	79,994	89,991	648,107
Lease liabilities	-	-	302	487	2,026	5,440	1,171	9,426
Other liabilities	5,226	345	13,607	25,777	41,601	13,272	695	100,523
<b>Total liabilities</b>	<b>5,226</b>	<b>2,425,817</b>	<b>468,059</b>	<b>909,325</b>	<b>1,764,417</b>	<b>975,380</b>	<b>94,635</b>	<b>6,642,859</b>
<b>Net position</b>	<b>825,908</b>	<b>(2,305,225)</b>	<b>(9,263)</b>	<b>(487,535)</b>	<b>121,096</b>	<b>1,092,109</b>	<b>1,375,724</b>	<b>612,814</b>
Notional amount of derivatives	-	-	606,557	762,778	1,610,652	825,589	6,235	3,811,811

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10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)

## (3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than 1 month, and also equity investments and fund investments in financial investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than 1 month.

	30 June 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	
Assets:								
Cash and balances with central bank	301,866	53,033	-	-	-	-	-	354,899
Balances with banks and other financial institutions	-	107,567	1,741	1,363	4,068	-	-	114,739
Placements with banks and other financial institutions	1,939	-	33,334	39,185	91,069	27,252	-	192,779
Financial assets held under resale agreements	458	-	9,597	-	-	-	-	10,055
Loans and advances to customers	98,168	6,297	398,096	328,631	1,417,112	1,458,649	1,566,958	5,273,911
Financial investments	326,984	-	117,326	122,403	307,464	1,264,852	601,573	2,740,602
Long-term receivables	9,087	3,038	4,511	9,071	41,618	59,983	6,948	134,256
Other assets	181,779	1,230	1,843	2,360	8,871	5,566	5,563	207,212
Total assets (expected maturity date)	920,281	171,165	566,448	503,013	1,870,202	2,816,302	2,181,042	9,028,453

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10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (*continued*)

	30 June 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	
Liabilities:								
Borrowings from central bank	-	-	8,242	4,072	171,228	-	-	183,542
Deposits and placements from banks and other financial institutions	-	460,082	178,848	369,583	530,720	15	-	1,539,248
Borrowings from banks and other financial institutions	-	-	18,870	15,757	60,229	14,296	2,898	112,050
Financial assets sold under repurchase agreements	-	-	76,585	30,910	24,750	-	-	132,245
Deposits from customers	-	2,125,433	168,523	264,572	724,857	1,037,068	18,133	4,338,586
Debt securities issued	-	-	90,345	130,575	220,971	123,602	95,542	661,035
Lease liabilities	-	-	283	443	2,178	5,829	1,146	9,879
Other liabilities	2,807	359	17,054	28,515	20,898	10,733	976	81,342
Total liabilities (contractual maturity date)	2,807	2,585,874	558,750	844,427	1,755,831	1,191,543	118,695	7,057,927

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## 10 Financial risk management (continued)

## 10.4 Liquidity risk (continued)

## (3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (continued)

	31 December 2022							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	
Assets:								
Cash and balances with central bank	312,268	26,284	-	-	-	-	-	338,552
Balances with banks and other financial institutions	-	80,922	1,280	2,640	3,913	-	-	88,755
Placements with banks and other financial institutions	1,946	-	19,323	35,239	130,545	-	-	187,053
Financial assets held under resale agreements	464	-	2,565	-	-	-	-	3,029
Loans and advances to customers	90,890	10,803	383,975	303,587	1,358,172	1,302,221	1,483,538	4,933,186
Financial investments	290,165	-	51,415	85,583	445,120	949,165	392,826	2,214,274
Long-term receivables	8,889	1,227	5,639	7,402	38,875	61,325	6,668	130,025
Other assets	175,556	3,464	3,165	4,041	7,546	4,727	5,432	203,931
<b>Total assets (expected maturity date)</b>	<b>880,178</b>	<b>122,700</b>	<b>467,362</b>	<b>438,492</b>	<b>1,984,171</b>	<b>2,317,438</b>	<b>1,888,464</b>	<b>8,098,805</b>
Liabilities:								
Borrowings from central bank	-	-	10,345	30,995	105,617	-	-	146,957
Deposits and placements from banks and other financial institutions	-	454,718	194,364	263,362	569,656	-	-	1,482,100
Borrowings from banks and other financial institutions	-	-	19,527	20,124	43,085	23,489	3,140	109,365
Financial assets sold under repurchase agreements	-	-	48,729	30,583	25,613	116	-	105,041
Deposits from customers	-	1,970,754	168,228	318,342	754,766	944,257	-	4,156,347
Debt securities issued	-	-	15,576	233,460	235,217	99,535	95,542	679,330
Lease liabilities	-	-	330	533	2,216	5,951	1,281	10,311
Other liabilities	5,226	345	7,763	21,811	26,432	11,712	675	73,964
<b>Total liabilities (contractual maturity date)</b>	<b>5,226</b>	<b>2,425,817</b>	<b>464,862</b>	<b>919,210</b>	<b>1,762,602</b>	<b>1,085,060</b>	<b>100,638</b>	<b>6,763,415</b>

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10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)

## (4) Analysis on contractual undiscounted cash flows of derivatives

## (a) Derivatives settled on a net basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Interest rate derivatives	Interest rate swaps
Credit derivatives	Credit default swaps

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

	30 June 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	84	728	2,044	(40)	–	2,816
Interest rate derivatives	31	65	228	324	9	657
Credit derivatives	4	–	8	47	–	59
<b>Total</b>	<b>119</b>	<b>793</b>	<b>2,280</b>	<b>331</b>	<b>9</b>	<b>3,532</b>

	31 December 2022					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	(129)	230	1,993	(2)	–	2,092
Interest rate derivatives	(30)	(36)	(101)	(85)	20	(232)
Credit derivatives	1	–	–	29	–	30
<b>Total</b>	<b>(158)</b>	<b>194</b>	<b>1,892</b>	<b>(58)</b>	<b>20</b>	<b>1,890</b>

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For the six months ended 30 June 2023  
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### 10 Financial risk management (*continued*)

#### 10.4 Liquidity risk (*continued*)

##### (4) Analysis on contractual undiscounted cash flows of derivatives (*continued*)

##### (b) Derivatives settled on a gross basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards, swaps

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

	30 June 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(128,236)	(90,658)	(127,308)	(164,818)	–	(511,020)
– Cash inflow	128,667	90,815	125,365	165,918	–	510,765
Precious metal derivatives						
– Cash outflow	(16,773)	(32,048)	(27,873)	–	–	(76,694)
– Cash inflow	15,830	29,924	26,264	–	–	72,018
Total cash outflow	(145,009)	(122,706)	(155,181)	(164,818)	–	(587,714)
Total cash inflow	144,497	120,739	151,629	165,918	–	582,783



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10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(4) Analysis on contractual undiscounted cash flows of derivatives (*continued*)(b) Derivatives settled on a gross basis (*continued*)

	31 December 2022					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(94,432)	(120,764)	(138,759)	(129,570)	–	(483,525)
– Cash inflow	93,639	121,567	139,889	128,673	–	483,768
Precious metal derivatives						
– Cash outflow	(12,435)	(37,107)	(27,773)	–	–	(77,315)
– Cash inflow	12,611	35,468	26,003	–	–	74,082
Total cash outflow	(106,867)	(157,871)	(166,532)	(129,570)	–	(560,840)
Total cash inflow	106,250	157,035	165,892	128,673	–	557,850

## (5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	30 June 2023			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	480,436	–	–	480,436
Letters of credit	95,216	998	–	96,214
Guarantees	89,731	34,513	190	124,434
Unused credit card commitments	505,057	–	–	505,057
Irrevocable credit commitments	30,048	9,863	3,537	43,448
Total	1,200,488	45,374	3,727	1,249,589

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### 10 Financial risk management (*continued*)

#### 10.4 Liquidity risk (*continued*)

##### (5) Analysis on contractual undiscounted cash flows of commitments (*continued*)

	31 December 2022			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	495,920	–	–	495,920
Letters of credit	81,938	237	–	82,175
Guarantees	94,865	37,652	1,878	134,395
Unused credit card commitments	489,137	–	–	489,137
Irrevocable credit commitments	45,147	16,351	763	62,261
<b>Total</b>	<b>1,207,007</b>	<b>54,240</b>	<b>2,641</b>	<b>1,263,888</b>

#### 10.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

During the reporting period, the Bank optimized its operational risk management system, enhanced the closed-loop management process, refined operational risk management tools, and improved the granular level of operational risk management. As part of its efforts to promote the implementation of new standard approach for operational risk under Basel III, the Bank carries out a series of preparatory work including policies review, measurement and calculation, system construction, training and publicity to meet regulatory compliance. To implement new outsourcing risk control mechanisms, the Bank supervises outsourcing projects across the Bank. The Bank also continuously improves the business continuity management system, updates business impact analysis and risk assessment results and organises comprehensive practices across the Bank to enhance its ability to tackle with operational disruption events.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 10 Financial risk management (*continued*)

#### 10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of policies to accrue country risk reserve.

#### 10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2013, the Group computes the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 of *The Capital Rules for Commercial Banks (Provisional)*, and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The Group's capital adequacy ratios are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations. For the Group, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.75%, 8.75% and 10.75%, respectively.

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## 10 Financial risk management (continued)

## 10.7 Capital management (continued)

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with *The Capital Rules for Commercial Banks (Provisional)* and relevant requirements as below:

	30 June 2023	31 December 2022
Core tier-one capital adequacy ratio	8.90%	9.17%
Tier-one capital adequacy ratio	10.54%	10.91%
Capital adequacy ratio	12.69%	13.14%
Components of capital base		
Core tier-one capital:		
Share capital	43,782	43,782
Valid portion of capital reserve	58,149	58,149
Surplus reserve	55,276	55,276
General reserve	90,673	90,494
Retained earnings	268,624	257,877
Valid portion of non-controlling interests	8,187	7,943
Others	1,953	(612)
Core tier-one capital	526,644	512,909
Core tier-one capital deductions	(7,103)	(6,931)
Net core tier-one capital	519,541	505,978
Net other tier-one capital	96,054	96,021
Net tier-one capital	615,595	601,999
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	89,991	89,991
Surplus provision for loan impairment	33,365	31,028
Valid portion of non-controlling interests	2,183	2,118
Net tier-two capital	125,539	123,137
Net capital base	741,134	725,136
Credit risk-weighted assets	5,455,125	5,144,232
Market risk-weighted assets	82,866	72,760
Operational risk-weighted assets	300,297	300,297
Total risk-weighted assets	5,838,288	5,517,289

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### 11 Fair value of financial instruments

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as Level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on the valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like China Bond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Wind, Bloomberg and Reuters.
- Level 3: Parameters for valuation of assets or liabilities are based on unobservable inputs. The Level 3 financial instruments include equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs. The valuation models used include the discounted cash flow method and the market approach, etc. Unobservable inputs for valuation models include yield curve, discounts for lack of marketability (DLOM) and comparable company multiples, etc.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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11 Fair value of financial instruments *(continued)*

## 11.1 Financial instruments recorded at fair value

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

	30 June 2023			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	144,748	2,296	147,044
Equity investments	918	1,905	17,165	19,988
Investment funds	182,265	19,118	804	202,187
Trust and asset management plans	–	11,097	5,086	16,183
Others	63	–	1,117	1,180
Financial assets at fair value through other comprehensive income				
Debt securities	–	398,960	804	399,764
Equity investments	12	3,989	5,831	9,832
Loans and advances to customers designated at fair value through other comprehensive income				
	–	291,947	–	291,947
Derivative financial assets				
Foreign exchange derivatives	–	36,547	–	36,547
Interest rate derivatives	–	2,740	–	2,740
Precious metal derivatives	–	1,333	–	1,333
Others	–	15	–	15
Total	183,258	912,399	33,103	1,128,760
<b>Liabilities</b>				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(34,961)	–	(34,961)
Interest rate derivatives	–	(782)	–	(782)
Precious metal derivatives	–	(6,097)	–	(6,097)
Others	–	(4)	–	(4)
Financial liabilities at fair value through profit or loss				
	–	(20,470)	(36)	(20,506)
Total	–	(62,314)	(36)	(62,350)

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**11 Fair value of financial instruments (continued)****11.1 Financial instruments recorded at fair value (continued)**

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

	31 December 2022			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	110,412	2,229	112,641
Equity investments	1,047	1,698	18,682	21,427
Investment funds	220,666	12,311	2,475	235,452
Trust and asset management plans	–	9,412	4,773	14,185
Others	4,186	–	1,179	5,365
Financial assets at fair value through other comprehensive income				
Debt securities	–	461,778	841	462,619
Equity investments	–	5,331	5,261	10,592
Loans and advances to customers designated at fair value through other comprehensive income				
	–	254,775	–	254,775
Derivative financial assets				
Foreign exchange derivatives	–	29,129	–	29,129
Interest rate derivatives	–	2,889	–	2,889
Precious metal derivatives	–	1,836	–	1,836
Others	–	24	–	24
<b>Total</b>	<b>225,899</b>	<b>889,595</b>	<b>35,440</b>	<b>1,150,934</b>
<b>Liabilities</b>				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(26,883)	–	(26,883)
Interest rate derivatives	–	(589)	–	(589)
Precious metal derivatives	–	(5,186)	–	(5,186)
Others	–	(17)	–	(17)
Financial liabilities at fair value through profit or loss				
	–	(1,645)	(270)	(1,915)
<b>Total</b>	<b>–</b>	<b>(34,320)</b>	<b>(270)</b>	<b>(34,590)</b>

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### 11 Fair value of financial instruments *(continued)*

#### 11.1 Financial instruments recorded at fair value *(continued)*

For equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

#### 11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of Level 3 financial instruments during the period:

	Six months ended 30 June 2023					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total	Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities			
As at 1 January 2023	29,338	841	5,261	35,440	270	270
Total (losses)/gains						
In profit or loss	(2,325)	(3)	–	(2,328)	–	–
In other comprehensive income	–	(34)	569	535	–	–
Purchase/transfer in	108	–	1	109	–	–
Settlement/transfer out	(653)	–	–	(653)	(234)	(234)
As at 30 June 2023	26,468	804	5,831	33,103	36	36
Total realised gains/(losses) included in the consolidated statement of profit or loss	–	–	–	–	–	–
Total unrealised losses included in the consolidated statement of profit or loss	(2,325)	(3)	–	(2,328)	–	–



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**11 Fair value of financial instruments (continued)****11.2 Movement in level 3 financial instruments measured at fair value (continued)**

The following table shows the movement of Level 3 financial instruments during the period (continued):

	Year ended 31 December 2022					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total	Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities			
As at 1 January 2022	31,200	622	2,625	34,447	-	-
Total gains/(losses)						
In profit or loss	(5,262)	(191)	-	(5,453)	-	-
In other comprehensive income	-	(74)	2,636	2,562	-	-
Purchase/transfer in	4,637	828	-	5,465	270	270
Settlement/transfer out	(1,237)	(344)	-	(1,581)	-	-
As at 31 December 2022	29,338	841	5,261	35,440	270	270
Total realised gains/(losses) included in the consolidated statement of profit or loss	70	(135)	-	(65)	-	-
Total unrealised losses included in the consolidated statement of profit or loss	(5,332)	(56)	-	(5,388)	-	-

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 11 Fair value of financial instruments *(continued)*

#### 11.3 Fair value of financial assets and liabilities not carried at fair value

- (1) **Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, central bank deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements**

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

- (2) **Financial investments measured at amortised cost**

The fair value for financial assets measured at amortised cost-bonds is usually measured based on "bid" market prices or brokers'/dealers' quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, materiality and yield.

- (3) **Debt securities issued**

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

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

	30 June 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Financial assets measured at amortised cost	1,496,330	1,459,589	–	1,435,220	24,369
<b>Financial liabilities</b>					
Debt securities issued	628,199	622,037	–	622,037	–

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 11 Fair value of financial instruments *(continued)*

#### 11.3 Fair value of financial assets and liabilities not carried at fair value *(continued)*

##### (3) Debt securities issued *(continued)*

	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Financial assets measured at amortised cost	1,363,589	1,368,109	–	1,308,374	59,735
<b>Financial liabilities</b>					
Debt securities issued	648,107	645,077	–	645,077	–

### 12 Subsequent events

Up to the approval date of the interim financial information, the Group has no material subsequent events for disclosure.

### 13 Comparative figures

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

## 1 Liquidity coverage ratio

	As at 30 June 2023	Average for the six months ended 30 June 2023	As at 31 December 2022	Average for the six months ended 30 June 2022
Liquidity coverage ratio (%) (RMB and foreign currency)	<b>131.84</b>	<b>127.98</b>	134.89	135.95

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

## 2 Currency concentration

	30 June 2023			
	USD	HKD	Others	Total
Spot assets	<b>384,760</b>	<b>54,954</b>	<b>71,932</b>	<b>511,646</b>
Spot liabilities	<b>(323,572)</b>	<b>(40,523)</b>	<b>(27,031)</b>	<b>(391,126)</b>
Forward purchases	<b>1,054,174</b>	<b>8,939</b>	<b>60,603</b>	<b>1,123,716</b>
Forward sales	<b>(1,022,276)</b>	<b>(34,498)</b>	<b>(113,257)</b>	<b>(1,170,031)</b>
Net long/(short) position (a)	<b>93,086</b>	<b>(11,128)</b>	<b>(7,753)</b>	<b>74,205</b>
	31 December 2022			
	USD	HKD	Others	Total
Spot assets	392,363	48,213	71,325	511,901
Spot liabilities	313,080	29,156	46,331	388,567
Forward purchases	920,762	11,202	105,700	1,037,664
Forward sales	(947,289)	(28,438)	(133,218)	(1,108,945)
Net long position (a)	678,916	60,133	90,138	829,187

(a) The net position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reporting periods.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

### 3 Loans and advances to customers

#### 3.1 Impaired loans by geographical area

	30 June 2023		31 December 2022	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	15,615	13,121	14,565	12,418
Bohai Rim	19,358	8,162	14,484	8,281
Western Region	14,317	6,005	15,637	6,392
Yangtze River Delta	11,806	4,137	8,837	3,877
Pearl River Delta	9,220	4,727	10,101	4,428
Central Region	8,727	3,386	11,794	4,609
North-Eastern Region	4,769	1,716	2,369	785
Overseas and subsidiaries	2,676	1,258	1,352	726
<b>Total</b>	<b>86,488</b>	<b>42,512</b>	<b>79,139</b>	<b>41,516</b>

#### 3.2 Loans overdue for more than 3 months by geographical area

	30 June 2023		31 December 2022	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	15,590	13,100	13,746	11,970
Western Region	10,526	4,237	11,430	4,551
Yangtze River Delta	9,886	3,376	7,016	3,107
Pearl River Delta	8,130	4,304	9,854	4,335
Bohai Rim	7,772	3,567	6,821	4,324
Central Region	6,619	2,711	7,518	3,222
North-Eastern Region	4,443	1,587	2,013	649
Overseas and subsidiaries	2,439	1,060	1,455	718
<b>Total</b>	<b>65,405</b>	<b>33,942</b>	<b>59,853</b>	<b>32,876</b>

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

### 4 International claims

	30 June 2023				Total
	Asia Pacific	North and South America	Europe	Other Locations	
Banks	36,540	25,157	18,598	6,076	86,371
Public sector	5,370	52,615	–	5,120	63,105
Non-bank private sector	123,105	96,553	34,272	24,996	278,926
<b>Total</b>	<b>165,015</b>	<b>174,325</b>	<b>52,870</b>	<b>36,192</b>	<b>428,402</b>

	31 December 2022				Total
	Asia Pacific	North and South America	Europe	Other Locations	
Banks	32,615	27,320	14,223	832	74,990
Public sector	4,431	54,257	259	–	58,947
Non-bank private sector	113,349	138,441	28,825	20,535	301,150
<b>Total</b>	<b>150,395</b>	<b>220,018</b>	<b>43,307</b>	<b>21,367</b>	<b>435,087</b>

 This interim report is printed on environmental paper.