中国光大银行
CHINA EVERBRIGHT BANK

BUILD A FIRST-CLASS WEALTH MANAGEMENT BANK

Stock Code: 6818

中國光大銀行股份有限公司
China Everbright Bank Company Limited

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

2024 中期報告 INTERIM REPORT

Important Notice

The Board of Directors, Board of Supervisors and Directors, Supervisors and Senior Management of the Bank hereby warrant the authenticity, accuracy and completeness of the contents of this Report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume full responsibility for the information in this Report.

The 21st Meeting of the Ninth Session of the Board of Directors of the Bank was convened in Beijing on 30 August 2024, at which the *2024 Interim Report* of the Bank was considered and approved. 13 out of 14 Directors attended this meeting in person with Director Li Wei and Director Li Yinquan using video-conference, and 1 Director authorized other Director to attend. Director Li Wei was authorized in writing by Director Yao Wei, who was unable to attend the meeting in person due to other work engagements, to attend the meeting and exercise the voting right on his behalf. 6 Supervisors were present at the meeting as non-voting attendees.

The financial statements of the Bank for the first half of 2024 were prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") and the International Financial Reporting Standards ("IFRS") and have been reviewed by KPMG Huazhen LLP and KPMG in accordance with Chinese and international standards on review engagements, respectively.

Chairman Mr. Wu Lijun, President Mr. Hao Cheng, CFO Ms. Liu Yan, and Mr. Lu Jian, General Manager of Finance and Accounting Department of the Bank, hereby warrant the authenticity, accuracy and completeness of the financial statements in this Report.

Unless otherwise stated, all monetary sums stated in this Report are expressed in Renminbi/RMB.

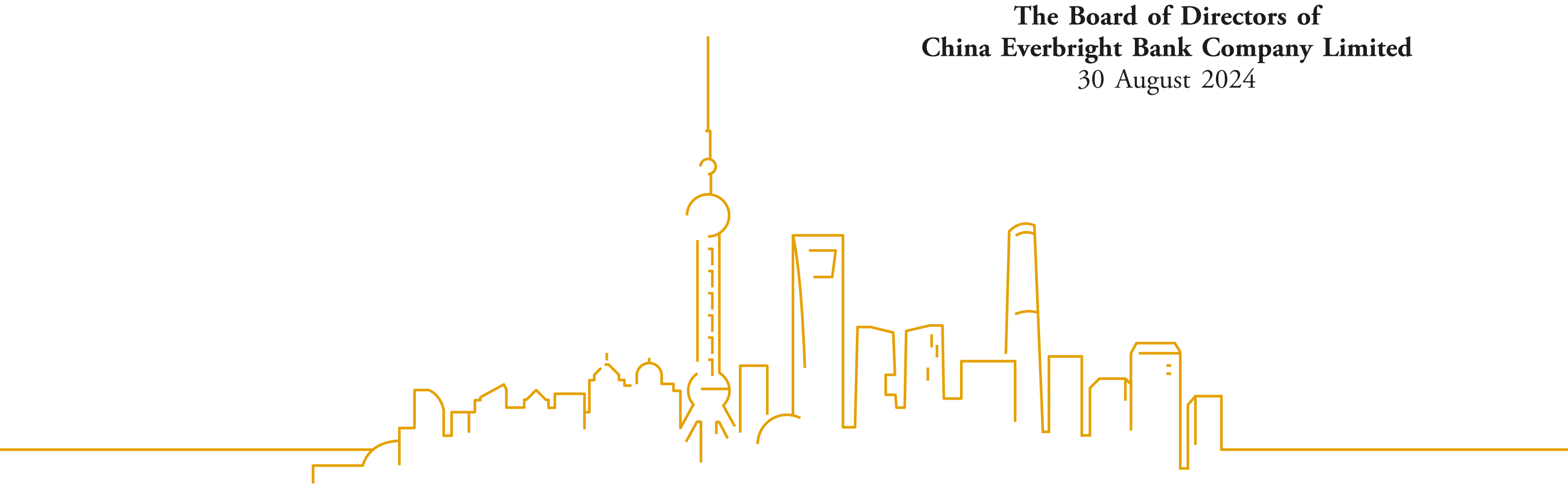
As at the disclosure date of this Report, the Board of Directors of the Bank had not reviewed the profit distribution plan for the reporting period or the plan to convert capital reserves to share capital. The Bank planned to devise a specific interim profit distribution plan later. After completing relevant corporate governance procedures, the Bank will implement the plan.

Forward-looking statements such as future plans of the Bank mentioned in this Report do not constitute actual commitments of the Bank to the investors. The investors and related parties should be fully aware of the risks, and should understand the difference between plans, predictions and commitments.

The Bank has disclosed herein major risks and proposed risk management measures accordingly. Please refer to relevant contents in "Management Discussion and Analysis" for details.

In this Report, "the Bank", "whole Bank" and "China Everbright Bank" all refer to China Everbright Bank Company Limited, and "the Group" refers to China Everbright Bank Company Limited and its subsidiaries.

The Board of Directors of
China Everbright Bank Company Limited
30 August 2024



Operating Overview

Operating performance (RMB million)

Operating income
69,866

Profit before tax
29,815

Net profit
24,610

Asset quality indicators (%)

NPL ratio
1.25

Provision-to-loan ratio
2.16

Provision coverage ratio
172.45

Business scale (RMB million)

Total assets
6,796,694

Total liabilities
6,225,829

Total loans
3,893,444

Balance of deposits
3,919,764

Three North Star Metrics (RMB trillion)

Finance Product Aggregate (FPA)
5.09

Assets Under Management (AUM)
2.87

Gross Merchandise Volume (GMV)
1.48

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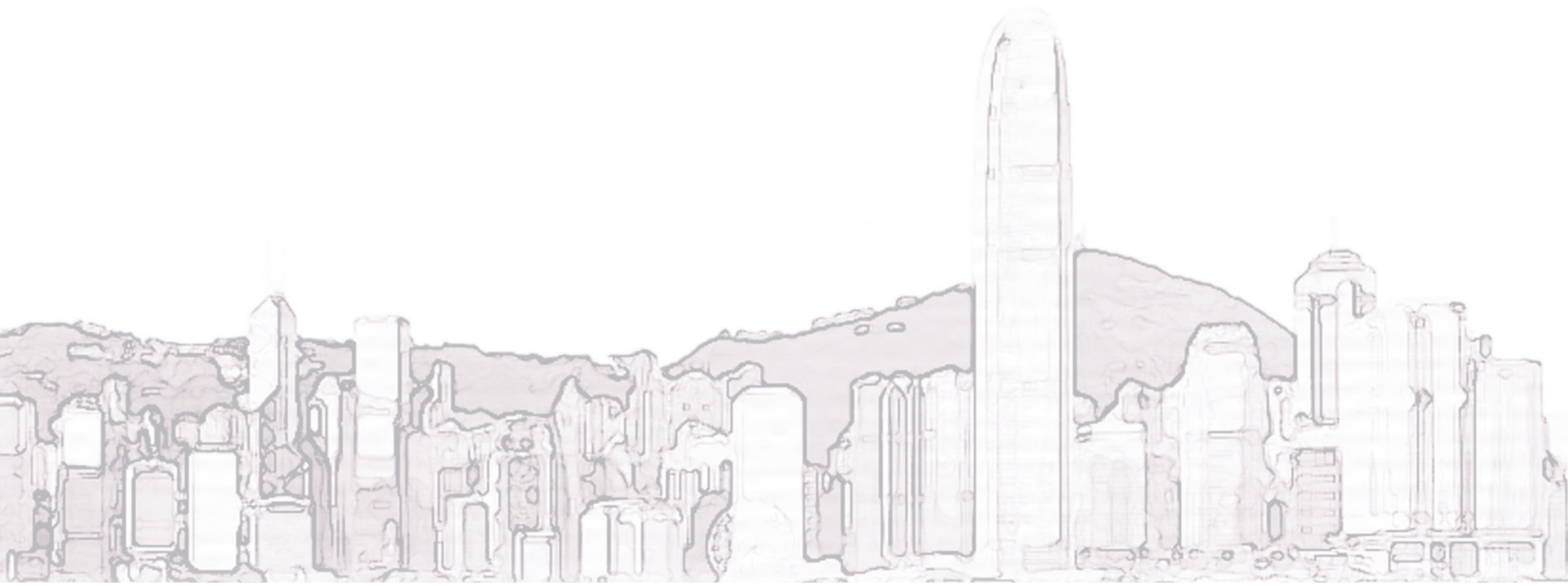


Definitions and Documents for Reference

I. DEFINITIONS

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

MOF	:	Ministry of Finance of the People's Republic of China
PBOC	:	The People's Bank of China
NFRA	:	National Financial Regulatory Administration
The former CBIRC	:	The former China Banking and Insurance Regulatory Commission
CSRC	:	China Securities Regulatory Commission
CHI	:	Central Huijin Investment Ltd.
CEG	:	China Everbright Group Ltd.
SSE	:	Shanghai Stock Exchange
HKEX	:	Hong Kong Exchanges and Clearing Limited
SEHK	:	The Stock Exchange of Hong Kong Limited
Articles of Association of the Bank	:	*Articles of Association* of China Everbright Bank Company Limited
Hong Kong Listing Rules	:	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	:	Appendix C3 to the *Hong Kong Listing Rules – The Model Code for Securities Transactions by Directors of Listed Issuers*

II. DOCUMENTS FOR REFERENCE

i. Financial statements bearing the signatures and seals of Chairman, President, CFO and General Manager of Finance and Accounting Department of the Bank

ii. The original auditor's report bearing the seal of the accounting firms and the signatures and seals of certified public accountants

iii. The originals of documents and announcements of the Bank disclosed to the public during the reporting period

iv. A share interim report and financial statements prepared in accordance with PRC GAAP published by the Bank on the SSE website during the reporting period

The originals of the aforesaid documents for reference shall be kept at the Office of Board of Directors of the Bank.

Profile of the Bank

I. NAME OF THE BANK

Registered Chinese Company Name: 中國光大銀行股份有限公司 (Abbreviation: 中國光大銀行 or 光大銀行)
Registered English Company Name: CHINA EVERBRIGHT BANK COMPANY LIMITED
(Abbreviation: CEB BANK)

II. RELEVANT PERSONS

Legal Representative: Wu Lijun
Authorized Representatives: Hao Cheng, Qu Liang
Secretary to the Board of Directors: Zhang Xuyang
Joint Company Secretaries: Zhang Xuyang, Lee Mei Yi
Securities Affairs Representative: Zeng Wenxue

III. CONTACTS

Contact Address: China Everbright Center, No. 25 Taipingqiao Street, Xicheng District, Beijing
Postal Code: 100033
Tel: 86-10-63636363
Fax: 86-10-63639066
E-mail: IR@cebbank.com
Investor Hotline: 86-10-63636388
Customer Service Hotline & Customer Complaint Hotline: 95595

IV. CORPORATE INFORMATION

Office Address: China Everbright Center, No. 25 and No. 25 A Taipingqiao Street, Xicheng District, Beijing
Registered Address and Its Change Records:
1992-1995: 16/F, New Century Hotel Office Building, No. 6 Shoudutiyuguan South Road, Beijing
1995-2012: Everbright Building, No. 6 Fuxingmenwai Street, Xicheng District, Beijing
2012-today: China Everbright Center, No. 25 and No. 25 A Taipingqiao Street, Xicheng District, Beijing
Website of the Bank: www.cebbank.com
Uniform Social Credit Code: 91110000100011743X
Code of Financial Authority: B0007H111000001
Scope of Business: deposit-taking from the public; short-term, medium-term and long-term loan granting; domestic and international settlement; bill acceptance and discount; financial bond issuance; agency issuance, payment and underwriting of government bonds; trading of government bonds and financial bonds; interbank borrowing and lending; trading and agency trading of foreign exchange; bank card business; L/C services and guarantee; agency collection and payment and agency insurance services; safe deposit box services; and other businesses approved by the former CBIRC.

V. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

CEB Hong Kong Branch: 23/F, Everbright Center, 108 Gloucester Road, Wan Chai, Hong Kong SAR

VI. WEBSITES AND NEWSPAPERS DESIGNATED FOR INFORMATION DISCLOSURE

Websites designated for publication of A share interim report: SSE's website: www.sse.com.cn
The Bank's website: www.cebbank.com

Newspapers designated for publication of A share interim report: *China Securities Journal:* www.cs.com.cn
Shanghai Securities News: www.cnstock.com
Securities Times: www.stcn.com
Securities Daily: www.zqrb.cn

Websites designated for publication of H share interim report: HKEXnews website: www.hkexnews.hk
The Bank's website: www.cebbank.com

Copies of this interim report are available at: Office of the Board of Directors of the Bank
Shanghai Stock Exchange

VII. STOCK EXCHANGES FOR LISTING OF SHARES

A Shares: Shanghai Stock Exchange (SSE)
Abbreviated Name of Ordinary Shares: Everbright Bank, Code: 601818
Abbreviated Name of Preference Shares: Everbright P1, Everbright P2, Everbright P3, Code: 360013, 360022, 360034 (SSE Comprehensive Business Platform)
H Shares: The Stock Exchange of Hong Kong Limited (SEHK)
Abbreviated Name: CEB Bank, Code: 6818

VIII. AUDITORS DURING THE REPORTING PERIOD

Domestic Auditor: KPMG Huazhen LLP
Office Address: 8/F, Office Tower E2, Oriental Plaza, No. 1 East Chang An Avenue, Beijing
Certified Public Accountants for Signature: Huang Aizhou, Ge Mingyi
Overseas Auditor: KPMG
Office Address: 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong SAR
Certified Public Accountant for Signature: Fong Hoi Wan

IX. LEGAL ADVISORS TO THE BOARD OF DIRECTORS DURING THE REPORTING PERIOD

A Share Legal Advisor: Jun He Law Offices
H Share Legal Advisor: Clifford Chance LLP

X. SECURITIES DEPOSITORY

A Share Ordinary Shares and Preference Shares Depository: Shanghai Branch, China Securities Depository and Clearing Corporation Limited
Office Address: No. 188 Yanggao South Road, Pudong New Area, Shanghai
H Share Registrar: Computershare Hong Kong Investor Services Limited
Office Address: Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong SAR

Summary of Accounting Data and Financial Indicators

I. KEY ACCOUNTING DATA AND INDICATORS

Item	January-June 2024	January-June 2023	Change (%)	January-June 2022
Operating performance (RMB million)				
Net interest income	48,111	54,733	(12.10)	56,675
Net fee and commission income	10,533	13,445	(21.66)	14,835
Operating income	69,866	76,531	(8.71)	78,531
Operating expenses	(19,763)	(20,543)	(3.80)	(20,257)
Impairment losses on assets	(20,298)	(26,597)	(23.68)	(29,025)
Profit before tax	29,815	29,413	1.37	29,217
Net profit	24,610	24,219	1.61	23,446
Net profit attributable to equity shareholders of the Bank	24,487	24,072	1.72	23,299
Per share (in RMB)				
Basic earnings per share[1]	0.37	0.38	(2.63)	0.38
Diluted earnings per share[2]	0.37	0.36	2.78	0.35

Item	30 June 2024	31 December 2023	Change (%)	31 December 2022
Net assets per share attributable to ordinary shareholders of the Bank[3]	7.84	7.57	3.57	7.46
Scale indicators (RMB million)				
Total assets	6,796,694	6,772,796	0.35	6,300,510
Total loans and advances to customers	3,893,444	3,786,954	2.81	3,572,276
Provision for impairment of loans[4]	83,780	85,371	(1.86)	83,180
Total liabilities	6,225,829	6,218,011	0.13	5,790,497
Balance of deposits	3,919,764	4,094,528	(4.27)	3,917,168
Total equity	570,865	554,785	2.90	510,013
Total equity attributable to shareholders of the Bank	568,391	552,391	2.90	507,883
Share capital	59,086	59,086	–	54,032

Item	January-June 2024	January-June 2023	Change	January-June 2022
Profitability indicators (%)				
Return on average total assets	0.73	0.74	-0.01 percentage point	0.77
Return on weighted average equity[5]	9.51	10.14	-0.63 percentage point	10.75
Net interest spread	1.46	1.75	-0.29 percentage point	1.99
Net interest margin	1.54	1.82	-0.28 percentage point	2.06
Proportion of fee and net commission income in operating income	15.08	17.57	-2.49 percentage points	18.89
Cost-to-income ratio	27.03	25.65	+1.38 percentage points	24.63

Summary of Accounting Data and Financial Indicators

Item	30 June 2024	31 December 2023	Change	31 December 2022
Asset quality indicators (%)				
NPL ratio	1.25	1.25	–	1.25
Provision coverage ratio[6]	172.45	181.27	-8.82 percentage points	187.93
Provision-to-loan ratio[7]	2.16	2.27	-0.11 percentage point	2.35

Notes:

1. Basic earnings per share = net profit attributable to ordinary shareholders of the Bank/weighted average number of ordinary shares outstanding; net profit attributable to ordinary shareholders of the Bank = net profit attributable to shareholders of the Bank – dividends of the preference shares and interest of non- fixed-term capital bonds declared during the period.

   The Bank distributed total dividends of RMB2.57 billion (before tax) for the preference shares during the first half of 2024.

2. Diluted earnings per share = (net profit attributable to ordinary shareholders of the Bank + effect of dilutive potential ordinary shares on net profit attributable to ordinary shareholders of the Bank)/(weighted average number of ordinary shares outstanding + weighted average number of potential dilutive ordinary shares converted into ordinary shares).

3. Net assets per share attributable to ordinary shareholders of the Bank = (net assets attributable to shareholders of the Bank – preference shares related portion and perpetual capital bonds related portion of other equity instruments)/total number of ordinary shares as at the end of the reporting period.

4. It only includes provision for impairment of loans measured at amortized cost.

5. Return on weighted average equity = net profit attributable to ordinary shareholders of the Bank/weighted average equity attributable to ordinary shareholders of the Bank. It was presented in annualized form.

6. Provision coverage ratio = (provision for impairment of loans measured at amortized cost + provision for impairment of loans at fair value through other comprehensive income)/balance of non-performing loans.

7. Provision-to-loan ratio = (provision for impairment of loans measured at amortized cost + provision for impairment of loans at fair value through other comprehensive income)/total loans and advances to customers.

The above figures with notes 1, 2, 3 and 5 were calculated according to the Compilation Rules for Information Disclosure by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision) issued by the CSRC.

II. SUPPLEMENTARY FINANCIAL INDICATORS

Unit: %

Item		Standard value	30 June 2024	31 December 2023	31 December 2022
Liquidity ratio[Note]	RMB	≥25	79.61	76.71	74.44
	Foreign currency	≥25	83.30	77.51	123.89
Percentage of loans to single largest customer		≤10	2.19	2.24	1.63
Percentage of loans to top ten customers		≤50	9.92	10.51	8.11

Note: The above indicators were calculated on a non-consolidated basis.

III. CAPITAL COMPOSITION AND CHANGES

The capital adequacy ratio (CAR) indicators calculated in accordance with the *Capital Rules for Commercial Banks* (Decree No. 4 of NFRA in 2023) are as follows:

Unit: RMB million, %

Item	30 June 2024		31 December 2023	
	Consolidated[1]	Non-consolidated	Consolidated[1]	Non-consolidated
Net capital[2]	663,792	630,211	651,382	619,209
Common equity tier-1 capital	464,589	448,682	448,686	434,433
Common equity tier-1 capital deductions	(5,557)	(18,413)	(5,586)	(18,435)
Net common equity tier-1 capital[2]	459,032	430,269	443,100	415,998
Additional tier-1 capital	105,045	104,899	105,059	104,899
Additional tier-1 capital deductions	–	–	–	–
Net tier-1 capital[2]	564,077	535,168	548,159	520,897
Tier-2 capital	99,715	95,043	103,223	98,312
Tier-2 capital deductions	–	–	–	–
Credit risk-weighted assets	4,422,931	4,303,675	4,464,348	4,339,626
Market risk-weighted assets	87,421	82,818	78,907	80,346
Operational risk-weighted assets	273,752	266,612	281,023	268,786
Total risk-weighted assets	4,784,104	4,653,105	4,824,278	4,688,758
Common equity tier-1 CAR	9.59	9.25	9.18	8.87
Tier-1 CAR	11.79	11.50	11.36	11.11
CAR	13.87	13.54	13.50	13.21

Notes:

1. All domestic and overseas branches, as well as invested financial institutions within the scope of consolidated management in accordance with the *Capital Rules for Commercial Banks*, shall be included in the calculation of the consolidated CARs. Among these, the invested financial institutions within the scope of consolidated management include Everbright Financial Leasing Co., Ltd., Everbright Wealth Management Co., Ltd., Beijing Sunshine Consumer Finance Co., Ltd., CEB International Investment Corporation Limited, China Everbright Bank (Europe) S.A., Shaoshan Everbright Rural Bank Co., Ltd., Jiangsu Huai'an Everbright Rural Bank Co., Ltd., and Jiangxi Ruijin Everbright Rural Bank Co., Ltd.

2. Net common equity tier-1 capital = common equity tier-1 capital – common equity tier-1 capital deductions; net tier-1 capital = net common equity tier-1 capital + additional tier-1 capital – additional tier-1 capital deductions; net capital= net tier-1 capital + tier-2 capital – tier-2 capital deductions.

3. The Group's capital adequacy ratios of all tiers of capital met the regulatory requirements for systemically important banks.

4. The indicators of 2023 were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Decree No. 1 of CBRC in 2012).

5. The Bank has disclosed the *Third Pillar Information Disclosure Report for the First Half of 2024.* Please refer to the website of the Bank for details.

IV. LEVERAGE RATIO

The leverage ratio indicators calculated in accordance with the *Capital Rules for Commercial Banks* (Decree No. 4 of NFRA in 2023) are as follows:

Unit: RMB million, %

Item	30 June 2024	31 March 2024	31 December 2023	30 September 2023
Leverage ratio	7.30	7.19	7.10	6.96
Net tier-1 capital	564,077	561,063	548,159	544,396
Adjusted balance of on- and off-balance-sheet assets	7,725,531	7,805,623	7,725,517	7,823,307

Notes: 1. The leverage ratios of the Group met the regulatory requirements on systemically important banks.

2. The indicators of 2023 were calculated in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks* (Decree No. 1 of CBRC in 2015).

V. LIQUIDITY COVERAGE RATIO

The liquidity coverage ratio indicators calculated in accordance with the *Measures for the Administration of Liquidity Risk of Commercial Banks* (Decree No. 3 of CBIRC in 2018) are as follows:

Unit: RMB million, %

Item	30 June 2024	31 March 2024	31 December 2023	30 September 2023
Liquidity coverage ratio	131.61	132.34	149.17	126.95
High quality liquid assets	1,082,952	1,021,697	1,068,057	923,277
Net cash outflow in the next 30 days	822,849	772,009	716,013	727,283

Note: All indicators of liquidity risk of the Group met regulatory requirements. There were no other additional regulatory requirements on liquidity to the Group by regulatory authorities.

VI. NET STABLE FUNDING RATIO

The net stable funding ratios calculated in accordance with the *Measures for the Information Disclosure Regarding Net Stable Funding Ratios of Commercial Banks* (CBIRC [2019] No. 11) are as follows:

Unit: RMB million, %

Item	30 June 2024	31 March 2024	31 December 2023	30 September 2023
Net stable funding ratio	108.74	106.45	109.48	107.50
Available stable funding	3,896,530	3,881,113	3,914,733	3,849,924
Required stable funding	3,583,293	3,646,116	3,575,681	3,581,192

Please refer to "Unaudited Supplementary Financial Information" for more details on net stable funding ratio.

Management Discussion and Analysis

I. REVIEW OF MAIN WORK OF THE BANK

i. Serving the real economy with a focus on five target areas including technology finance, green finance, inclusive finance, pension finance and digital finance

The Bank upheld the fundamental purpose of serving the real economy with financial services, and increased credit support to better help boost the real economy, implement China's regional strategies and improve social well-being. As at the end of the reporting period, the Bank's balance of loans totaled RMB3.89 trillion, an increase of 2.81% over the end of the previous year. The Bank focused on serving five target areas. The loans related to technology finance, green finance and inclusive finance rose by 31.36%, 28.57% and 13.24%, respectively. The growth of loans for key areas and weak links was evidently faster than that of ordinary loans. The Bank took the initiative to promote coordinated regional development, with loans to key areas remaining at a high level including the Beijing-Tianjin-Hebei Region, the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area, and paired assistance to the Xinjiang Uygur Autonomous Region. The Bank worked hard to meet the demands of people's livelihood. The retail loans (excluding credit card business) amounted to RMB1.11 trillion, an increase of 2.50% over the end of the previous year. The number of personal pension clients increased by 69.48% from the end of the previous year. 1,588 outlets met the elderly-friendly standards after renovations. The Everbright Cloud Fee Payment app continued to maintain its edge as an open-ended fee payment platform designed for the convenience of the people.

ii. Promoting balanced development and solidifying business foundation

With a focus on key business areas, the Bank provided customers with integrated financial services to enhance its value creation capability. As at the end of the reporting period, both the assets and liabilities saw steady growth. Retail AUM (Assets Under Management) totaled RMB2.87 trillion, an increase of 5.42% over the end of the previous year, while the scale of wealth management products stood at RMB1.49 billion, an increase of 13.74% over the end of the previous year. The Bank's FPA (Finance Product Aggregate) exceeded RMB5 trillion. The Bank ranked 4th in bond underwriting volume across the market, and registered rapid growth in M&A loans. The Bank's CAR, tier-1 CAR and common equity tier-1 CAR stood at 13.87%, 11.79% and 9.59%, respectively, all of which increased prominently from the end of the previous year.

iii. Strengthening risk management and safeguarding the risk bottom line

The Bank insisted on prioritizing financial risk prevention and control, ensured both development and security, and maintained generally stable asset quality. The Bank strengthened unified credit granting management, implemented the principle of "credit granting before credit using", and coordinated efforts to reinforce risk management in subsidiaries. The Bank continued to regard reducing risk-prone assets as a major operation goal and a priority for risk governance, and pooled efforts to resolve stock risks and prevent incremental risks. The Bank worked with local governments to provide a package of debt resolution solutions, which comprise debt swaps and debt restructuring among other measures to better defuse the risks of financing platforms. The Bank promoted a mandatory early-warning response mechanism to cease cooperation with warning-triggering corporate customers in an orderly manner. The Bank improved the operation mechanism for special assets, beefed up efforts to recover non-performing assets, and worked hard to revitalize special assets to realize value appreciation.

iv. Reinforcing Party-building efforts and enhancing management measures

The Bank faithfully implemented the guiding principles from the Central Financial Work Conference, took a political stance in big-picture terms, equipped itself with political theories to give play to the leading role of politics in promoting business growth. The Bank boosted high-quality development through high-quality Party-building, providing a strong political guarantee for the sound development of the Bank. The Bank strengthened the study of Party discipline, launched education campaigns on typical cases for the purpose of warning, took a holistic approach to creating enough deterrence so that cadres neither dare, can nor even think of being corrupt, and continued to uphold a strict work tone, take strict measures and cultivate a strict Party governance atmosphere.

II. DEVELOPMENT STRATEGY OF THE BANK

i. Mission and vision

Ensuring that the financial work is politically oriented and can better represent the people, the Bank regards "wealth management for the society" as its corporate mission, and continues efforts to enrich the connotation of its strategic vision of building a first-class wealth management bank. The Bank stays true to the original aspiration with a focus on its core businesses, breaking new ground while upholding fundamental principles. Leveraging CEG's strengths in comprehensive finance, industry-finance coordination and cross-border operation, the Bank adheres to the customer-centered business philosophy, accelerates transformation towards comprehensive, featured, asset-light and digital development, and shifts focus from managing its own balance sheet to helping customers improve financial statements. The Bank continues to create and provide first-class wealth management products and services for customers and the society to foster distinctive features and competitive edges as a wealth management bank. The Bank promotes the building of a comprehensive financial ecosystem featuring "one customer, one Everbright and one package of comprehensive services", makes contributions to socio-economic development, common prosperity and improvement of people's well-being with professional financial services, and serves as a main force in serving the real economy and a ballast stone in maintaining financial stability.

ii. Development approaches

The Bank upholds and strengthens the comprehensive leadership of the Communist Party of China, focuses on the main task of serving the real economy and achieving high-quality development, determines three North Star Metrics (NSM) — FPA (Finance Product Aggregate), AUM (Assets Under Management) and GMV (Gross Merchandise Volume), invests more efforts in serving five target areas — technology finance, green finance, inclusive finance, pension finance and digital finance, and strives to build strategic business fields such as wealth management, comprehensive services, transaction banking and scenario integration, thereby establishing its own distinct characteristics and competitive edges.

In wealth management, the Bank emphasizes synergy and value creation across retail, corporate and financial market sectors, aims to build a "Wealth +" open platform with CEB Mobile Banking and Cloud Fee Payment apps at its core, and creates a mega wealth management ecosystem that spans wealth management, asset management and asset custody, to help various clients achieve wealth preservation, increase and succession.

In comprehensive services, the Bank focuses on creating a unified financial ecosystem characterized by "one-stop integrated services as one Everbright for one customer", advances the integrated development of commercial banking, investment banking and private banking, ensures connectivity between the Bank's assets and liabilities, between corporate and interbank customers, and between corporate and retail businesses, and enhances cross-level collaborative dynamics and digital empowerment, providing a package of comprehensive service solutions for customers.

In transaction banking, the Bank is dedicated to deepening financial services for core customers in industrial chains and supply chains, establishes a regular collaborative marketing mechanism between product design departments and customer management departments, and ensures meeting customers' needs in a precise manner, meeting their diversified and differentiated demands while enhancing customer value.

In scenario integration, the Bank focuses on digital livelihood, digital industry and digital governance, expands the application and output scope of featured products and services including Cloud Fee Payment, Sunshine Logistics Express (Wu Liu Tong), Auto Full Pass, Sunshine Housing Express (An Ju Tong), Sunshine Flexible Employment Express (Ling Gong Tong) and Sunshine Cash Management (Zhi Fu Jie Suan Tong), and establishes a new format of scenario-based finance where the Bank serves as the primary account management, settlement and transaction hub. To robustly support the development of key business areas, the Bank conducts projects to enhance its capabilities in customer base management, technological support, risk management, product innovation & integration and staff professionalism, pressing ahead with high-quality development.

iii. Strategy implementation

During the reporting period, the Bank, as a resolute implementer of the decisions and deployment made by the Central Financial Work Conference, proactively served the real economy and national strategies. By focusing on three North Start Metrics (FPA, AUM and GMV), the Bank expanded key business areas and strengthened capability building, striving to promote high-quality and sustainable development.

First, the Bank made solid strides in serving the real economy and focused on serving five target areas including technology finance, green finance, inclusive finance, pension finance and digital finance. The Bank gave full play to its strength in featured operation. By providing tailor-made credit plans, offering key sectors and weak links FTP discounts, charging preferential capital fees for key projects and taking other measures, the Bank saw rapid growth in loans for key fields including technology finance, green finance, inclusive finance, medium- and long-term manufacturing, strategic emerging industries and private enterprises, and sustained its efforts to step up targeted support for major strategies, key sectors and weak links. In technology finance, the Bank devised tailored work plans, stepped up resource support and improved service system to help form a virtuous cycle combining technology, industry and finance. As at the end of the reporting period, the balance of loans issued to technology firms amounted to RMB351,061 million, an increase of RMB83,809 million or 31.36% from the end of the previous year. In green finance, the Bank improved supporting policies and resource allocation, and built a "green finance +" comprehensive service system to advance the Bank's green capability building. As at the end of the reporting period, the balance of green loans reached RMB403,405 million, an increase of RMB89,643 million or 28.57% over the end of the previous year. In inclusive finance, the Bank continued its efforts to launch inclusive finance online, and provided a wider range of financial products and services to better cater to the diversified financing needs of small and micro businesses. As at the end of the reporting period, the balance of inclusive loans amounted to RMB429,334 million, an increase of RMB50,201 million or 13.24% over the end of the previous year. In pension finance, the Bank enhanced the "three major pillars" of the pension insurance system in China (the state-run fundamental insurance, enterprises' annuity provided by employers and commercial pension insurance), launched more products, promoted the application of pension ledgers and planning tools, upgraded elderly-friendly services via both online and offline channels, and served 1.8276 million customers in the online section dedicated to pension finance. In digital finance, the Bank accelerated whole-process transformation for key businesses towards online operation, mobile access, intelligent processing and ecosystem construction, and focused on key sectors including mega corporate banking, mega retail banking and mega scenario banking to bolster high-quality business development. By rooting in the real economy, the Bank grew business scale steadily with its profitability meeting expectations. The total assets of the Bank reached RMB6.80 trillion, and the net profit stood at RMB24,610 million.

Second, the Bank optimized its liability structure and promoted improvement in both deposit scale and quality. The Bank insisted on creating new growth drivers for deposits, expanded sources for low-cost funds, increased high-quality basic deposits, and improved customer contribution to daily average demand deposits through cash management, chain-based customer expansion, FPA non-lending business and scenario-based finance. The Bank strengthened collaboration between corporate banking and retail banking, achieving continuous improvement in both transaction volume and deposit retention rate for agency payroll business. The Bank optimized deposit structure, strengthened cost control, and reinforced refined management for price-sensitive deposits to reduce deposit costs.

Third, the Bank consolidated customer base and strengthened customer stratification management. Following the customer management philosophy of "value stratification, demand grouping, service tiering and ecosystem integration", the Bank built a stratified, grouped and tiered customer management system, and established a differentiated customer service model to enhance customers' comprehensive contribution. The Bank established and improved management, training and service system for customer managers, reasonably expanded the team of customer managers, built a standardized and professional customer manager team, and improved the quality and efficiency of customer service.

Fourth, the Bank broke new ground in wealth management features on the basis of upholding fundamental principles. The Bank changed from the traditional concept of selling deposits, loans and remittance products to the new concept of providing comprehensive financial services for customers, and facilitated inter-sector collaboration and value creation through digital transformation in corporate banking, retail banking and financial market businesses under the mega wealth management system. In corporate banking, the Bank took FPA as the guide, centered on customers and reinforced comprehensive financial services. Furthermore, the Bank leveraged its strengths in commercial banking, investment banking, asset management and transaction banking to serve customers throughout their entire life cycles with a full range of financing products, increased basic financing, expanded bond financing, and made efforts in M&A financing, structured financing, business matchmaking and equity financing to promote balanced development of FPA, with the total FPA standing at RMB5.09 trillion. In retail banking, driven by AUM, the Bank consolidated and enhanced the market advantages of Everbright Wealth Management, built an open-ended "Wealth +" platform with CEB Mobile Banking app and Cloud Fee Payment app at the core, optimized wealth management product spectrum, increased the average number of products held by every customer, and enhanced the AUM value contribution and customer loyalty, with the total AUM standing at RMB2.87 trillion. In financial market business, guided by GMV, with a focus on the strategic framework of "digitalization + ecosystem", the Bank enabled customers to realize value enhancement under diversified financial institution business scenarios. As a result, GMV totaled RMB1.48 trillion.

Fifth, the Bank adhered to the compliance bottom line and improved capabilities in risk management and risk control. The Bank strengthened internal control and compliance management, improved the money laundering risk management system, and developed the long-effect rectification mechanism. The Bank made in-depth studies into the industries where credit was granted, strengthened concentration management, and carried out penetrative risk monitoring for customers granted with large credit to forestall new NPLs. The Bank sustained its efforts to promote the mandatory early-warning mechanism, and prevented in a targeted manner financial risks in key areas such as local government debts, real estate and credit cards. It worked hard to defuse existing risks, and facilitated transformation in special assets management by building a special assets management ecosystem to effectively dispose of non-performing assets.

Sixth, the Bank accelerated digital transformation to empower business development. The Bank persisted in devoting more efforts to ecosystem construction and data traffic connection by continuously expanding service scenarios. The Bank strengthened digital means to empower business and helped operating units reduce costs and increase efficiency. The Bank persisted in using digital means to facilitate the construction of scenarios and ecosystems, and put in place a working mechanism for digital scenarios characterized by "value stratification, pattern classification and mutual coordination" to make scenario traffic more competent to appeal to new customers. Moreover, the Bank conducted research on big model technology application in key business areas.

III. CORE COMPETITIVENESS OF THE BANK

First, the Bank has a strong shareholder background. CEG, as a large state-owned financial holding conglomerate jointly established by MOF and CHI, has a complete set of financial licenses and some characteristic industries including environmental protection, tourism and healthcare, which demonstrates its advantages in comprehensive finance, industry-finance collaboration and cross-border operation. Relying on the platform of CEG, the Bank could provide a full package of financial services and promote finance-industry coordination.

Second, the Bank has an outstanding innovative gene. The Bank was established during the times when China started building a competitive financial market, and grew stronger through years of exploration and innovation, thus possessing active innovation awareness. The Bank was the first bank in China to launch Renminbi wealth management products, the first bank in China to be fully-licensed for running the national treasury business on an agency basis, and one of the first banks in China to obtain dual qualifications as both custodian and account manager of enterprise annuity fund. Besides that, the Bank forged a leading open-ended convenient fee payment platform in China called Cloud Fee Payment.

Third, the Bank has achieved phased success in the strategic transformation of wealth management. Committed to building a first-class wealth management bank, the Bank has taken the lead among its peers in launching strategic transformation towards wealth management to target at customers of all kinds, and facilitate coordination and value creation for corporate banking, retail banking and financial market business under the mega wealth management system. With a focus on reshaping business procedures and customer operation mechanisms driven by digital transformation, the Bank has built an open-ended "wealth+" platform, whose mainstay comprises the two apps, namely CEB Mobile Banking and Cloud Fee Payment, and fostered an ecological chain for mega wealth management with wealth management, asset management and asset custody at the core. As a result, it has gained remarkable competitive edges in wealth management, asset management, comprehensive financial services, etc.

Fourth, the Bank operates in a prudent and steady manner. The Bank has always upheld a prudent risk management philosophy, persisted in stable business development strategies and taken compliant and lawful operation measures. The Bank's comprehensive risk management methods and techniques have become increasingly diversified. Meanwhile, its proactive and forward-looking risk management capabilities are constantly enhanced, which lays a foundation for long-term sustainable development.

Fifth, the Bank boasts a strong foundation for technological development. The Bank has continuously advanced in-depth integration between business and technology, dedicated efforts to creating a technology-led and data-driven IT development system with Everbright characteristics, and accelerated digital transformation across the whole Bank, with both the foundation for technology and its capability to empower business development constantly enhanced.

IV. OVERALL OPERATIONS OF THE BANK

i. Enhanced performance in serving the real economy with a steady increase in assets

As at the end of the reporting period, the Group's total assets reached RMB6,796,694 million, representing an increase of RMB23,898 million or 0.35% over the end of the previous year. Total loans and advances to customers stood at RMB3,893,444 million, representing an increase of RMB106,490 million or 2.81%. The balance of deposits stood at RMB3,919,764 million, representing a decrease of RMB174,764 million or 4.27% over the end of the previous year.

The Group sustained its efforts to serve the real economy with a focus on serving five target areas (technology finance, green finance, inclusive finance, pension finance and digital finance), and continued to ramp up high-quality financial services for major strategies, key sectors and weak links. As at the end of the reporting period, the Group's loans channeled to key sectors such as technology finance, green finance, inclusive finance, strategic emerging industries, manufacturing and the private sector all saw rapid growth and outpaced the average growth of all loans.

ii. Steady profit-making performance with narrowed decline in operating income

During the reporting period, operating income of the Group registered RMB69,866 million, a year-on-year decrease of 8.71%, down 0.90 percentage point from the first quarter. Specifically, net interest income posted RMB48,111 million, down 12.10% year on year, and net fee and commission income reached RMB10,533 million, down 21.66% year on year, while other income increased by 34.35% year on year, amounting to RMB11,222 million. The Group realized a net profit of RMB24,610 million, a year-on-year increase of 1.61%, up 1.28 percentage points from the first quarter.

iii. Stable asset quality laying a solid foundation for high-quality development

As at the end of the reporting period, the balance of NPLs of the Group stood at RMB48,769 million, representing an increase of RMB1,293 million over the end of the previous year. The NPL ratio was 1.25%, the same as the end of the previous year. The provision coverage ratio declined by 8.82 percentage points from the end of the previous year to 172.45%. The provision-to-loan ratio was 2.16%, representing a decrease of 0.11 percentage point from the end of the previous year.

iv. Improved CAR ratios meeting regulatory requirements constantly

As at the end of the reporting period, the Group's total net capital amounted to RMB663,792 million, representing an increase of RMB12,410 million from the end of the previous year. The CAR, tier-1 CAR and common equity tier-1 CAR stood at 13.87%, 11.79% and 9.59%, up 0.37, 0.43 and 0.41 percentage point from the end of the previous year, respectively, and continued to meet regulatory requirements.

V. MAIN ITEMS OF INCOME STATEMENT

i. Changes in income statement items

Unit: RMB million

Item	January-June 2024	January-June 2023	Change
Net interest income	48,111	54,733	(6,622)
Net fee and commission income	10,533	13,445	(2,912)
Net trading gains	1,685	2,028	(343)
Dividend income	–	1	(1)
Net gains arising from investment securities	8,488	5,228	3,260
Gains/(losses) on derecognition of financial assets measured at amortized cost	140	(376)	516
Net foreign exchange (losses)/gains	(6)	714	(720)
Other operating gains	915	758	157
Operating expenses	19,763	20,543	(780)
Credit impairment losses	20,255	26,595	(6,340)
Other impairment losses	43	2	41
Gains on investments in joint ventures	10	22	(12)
Profit before tax	29,815	29,413	402
Income tax	5,205	5,194	11
Net profit	24,610	24,219	391
Net profit attributable to equity shareholders of the Bank	**24,487**	**24,072**	**415**

ii. Operating income

During the reporting period, the Group realized an operating income of RMB69,866 million, a year-on-year decrease of RMB6,665 million or 8.71%. Net interest income accounted for 68.86%, down 2.66 percentage points year on year. Net fee and commission income accounted for 15.08%, down 2.49 percentage points year on year.

Unit: %

Item	January-June 2024	January-June 2023
Proportion of net interest income	68.86	71.52
Proportion of net fee and commission income	15.08	17.57
Proportion of other income	16.06	10.91
Total operating income	**100.00**	**100.00**

iii. Net interest income

During the reporting period, the Group realized a net interest income of RMB48,111 million, a year-on-year decrease of RMB6,622 million or 12.10%. Such decrease was mainly due to downward adjustments of LPR.

Unit: RMB million, %

Item	January-June 2024 Average balance	January-June 2024 Interest income/ expense	January-June 2024 Average yield/ cost ratio	January-June 2023 Average balance	January-June 2023 Interest income/ expense	January-June 2023 Average yield/ cost ratio
Interest-earning assets						
Loans and advances to customers	3,855,290	83,509	4.36	3,652,602	88,211	4.87
Finance lease receivables	95,616	2,403	5.05	109,554	2,802	5.16
Investments	1,768,453	28,246	3.21	1,672,290	27,727	3.34
Deposits with the central bank	293,644	2,149	1.47	314,960	2,326	1.49
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	255,040	3,209	2.53	324,860	3,950	2.45
Total interest-earning assets	6,268,043	119,516	3.83	6,074,266	125,016	4.15
Interest income		**119,516**			**125,016**	
Interest-bearing liabilities						
Deposits from customers	3,984,996	44,830	2.26	3,972,917	46,242	2.35
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	914,256	11,785	2.59	1,003,712	12,208	2.45
Debt securities issued	1,163,350	14,790	2.56	919,710	11,833	2.59
Total interest-bearing liabilities	6,062,602	71,405	2.37	5,896,339	70,283	2.40
Interest expenses		**71,405**			**70,283**	
Net interest income		**48,111**			**54,733**	
Net interest spread[1]			**1.46**			**1.75**
Net interest margin[2]			**1.54**			**1.82**

Notes:

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

2. Net interest margin = net interest income/average balance of total interest-earning assets. It was presented in annualized form.

The following table sets forth the changes in interest income and interest expenses of the Group due to changes in business scale and interest rate:

Unit: RMB million

Item	Scale factor	Interest rate factor	Change in interest
Loans and advances to customers	4,895	(9,597)	(4,702)
Finance lease receivables	(356)	(43)	(399)
Investments	1,594	(1,075)	519
Deposits with the central bank	(157)	(20)	(177)
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	(849)	108	(741)
Changes in interest income	**5,127**	**(10,627)**	**(5,500)**
Deposits from customers	141	(1,553)	(1,412)
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	(1,088)	665	(423)
Debt securities issued	3,135	(178)	2,957
Changes in interest expenses	**2,188**	**(1,066)**	**1,122**
Net interest income	**2,939**	**(9,561)**	**(6,622)**

iv. Interest income

During the reporting period, the Group's interest income stood at RMB119,516 million, a year-on-year decrease of RMB5,500 million or 4.40%. Such decrease was mainly due to declines in interest income from loans and advances to customers.

1. Interest income from loans and advances to customers

During the reporting period, the Group's interest income from loans and advances to customers stood at RMB83,509 million, a year-on-year decrease of RMB4,702 million or 5.33%. Such decrease was mainly due to the decline in loan yields.

Unit: RMB million, %

Item	January-June 2024			January-June 2023		
	Average balance	Interest income	Average yield ratio	Average balance	Interest income	Average yield ratio
Corporate loans	2,244,755	44,123	3.95	2,023,121	42,800	4.27
Retail loans	1,507,227	38,652	5.16	1,516,746	44,474	5.91
Discounted bills	103,308	734	1.43	112,735	937	1.68
Loans and advances to customers	**3,855,290**	**83,509**	**4.36**	**3,652,602**	**88,211**	**4.87**

2. Interest income from investments

During the reporting period, the Group's interest income from investments amounted to RMB28,246 million, a year-on-year increase of RMB519 million or 1.87%. Such increase was mainly due to the expanding investment scale.

3. Interest income from placements and deposits with banks and other financial institutions, and financial assets held under resale agreements

During the reporting period, the Group's interest income from placements and deposits with banks and other financial institutions and financial assets held under resale agreements was RMB3,209 million, a year-on-year decrease of RMB741 million or 18.76%. Such decrease was mainly due to the decline in the scale of placements and financial assets held under resale agreements.

v. Interest expenses

During the reporting period, the Group's interest expenses amounted to RMB71,405 million, representing a year-on-year increase of RMB1,122 million or 1.60%. Such increase was mainly due to the increase of interest expenses on debt securities issued.

1. Interest expenses on deposits from customers

During the reporting period, the interest expenses on deposits from customers stood at RMB44,830 million, a year-on-year decrease of RMB1,412 million or 3.05%. Such decrease was mainly due to the decreased interest rate of deposits.

Unit: RMB million, %

Item	January-June 2024 Average balance	Interest expense	Average cost ratio	January-June 2023 Average balance	Interest expenses	Average cost ratio
Corporate deposits	2,756,866	31,083	2.27	2,833,092	32,659	2.32
Demand deposits	1,011,485	7,244	1.44	916,896	5,560	1.22
Time deposits	1,745,381	23,839	2.75	1,916,196	27,099	2.85
Retail deposits	1,228,130	13,747	2.25	1,139,825	13,583	2.40
Demand deposits	257,001	416	0.33	244,821	441	0.36
Time deposits	971,129	13,331	2.76	895,004	13,142	2.96
Total deposits from customers	**3,984,996**	**44,830**	**2.26**	**3,972,917**	**46,242**	**2.35**

2. Interest expenses on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements

During the reporting period, the Group's interest expenses on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements registered RMB11,785 million, representing a decrease of RMB423 million or 3.46% year on year. Such decrease was mainly due to the decrease in the scale of financial liabilities sold under repurchase agreements.

3. Interest expenses on debt securities issued

During the reporting period, the Group's interest expenses on debt securities issued totaled RMB14,790 million, a year-on-year increase of RMB2,957 million or 24.99%. Such increase was mainly due to the increase of the scale of debt securities issued.

vi. Net fee and commission income

During the reporting period, net fee and commission income of the Group was RMB10,533 million, a year-on-year decrease of RMB2,912 million or 21.66%. Such decrease was mainly due to the year-on-year decrease in the bank card service fees of RMB1,855 million.

Unit: RMB million

Item	January-June 2024	January-June 2023
Fee and commission income	**11,849**	**14,886**
Underwriting and advisory fees	668	699
Bank card service fees	4,247	6,102
Settlement and clearing fees	2,020	2,161
Wealth management service fees	1,986	2,038
Acceptance and guarantee fees	704	780
Agency service fees	1,168	1,948
Custody and other fiduciary business fees	1,046	1,149
Others	10	9
Fee and commission expenses	**(1,316)**	**(1,441)**
Net fee and commission income	**10,533**	**13,445**

vii. Other income

During the reporting period, the Group's other income stood at RMB11,222 million, representing a year-on-year increase of RMB2,869 million or 34.35%. The increase was mainly due to the increase in net gains arising from investment securities.

Unit: RMB million

Item	January-June 2024	January-June 2023
Net trading gains	1,685	2,028
Dividend income	–	1
Net gains arising from investment securities	8,488	5,228
Gains/(losses) from derecognition of financial assets measured at amortized cost	140	(376)
Net foreign exchange (losses)/gains	(6)	714
Other operating income	915	758
Total other income	**11,222**	**8,353**

viii. Operating expenses

During the reporting period, the Group incurred operating expenses of RMB19,763 million, a decrease of RMB780 million or 3.80% year on year. Cost-to-income ratio stood at 27.03%, up 1.38 percentage points year on year.

Unit: RMB million

Item	January-June 2024	January-June 2023
Staff costs	10,716	11,025
Premises and equipment expenses	3,814	3,684
Tax and surcharges	877	912
Others	4,356	4,922
Total operating expenses	**19,763**	**20,543**

ix. Impairment losses on assets

During the reporting period, the Group sustained impairment losses on assets totaling RMB20,298 million, representing a year-on-year decrease of RMB6,299 million or 23.68%. Such decrease was mainly due to the decrease in impairment losses on loans and advances to customers.

Unit: RMB million

Item	January-June 2024	January-June 2023
Impairment losses on loans and advances to customers	19,138	23,595
Loans and advances to customers measured at amortized cost	19,504	22,957
Loans and advances to customers measured at fair value through other comprehensive income	(366)	638
Debt instruments at fair value through other comprehensive income	(95)	(79)
Financial investments measured at amortized cost	1,139	2,327
Impairment losses on finance lease receivables	70	390
Others	46	364
Total impairment losses on assets	**20,298**	**26,597**

x. Income tax

During the reporting period, the Group incurred income tax of RMB5,205 million, an increase of RMB11 million or 0.21% year on year.

VI. BALANCE SHEET ANALYSIS

i. Assets

As at the end of the reporting period, the Group's total assets posted RMB6,796,694 million, representing an increase of RMB23,898 million or 0.35% as compared with the end of the previous year. Such increase was mainly due to the increase in loans and advances.

Unit: RMB million, %

Item	30 June 2024 Balance	30 June 2024 Percentage	31 December 2023 Balance	31 December 2023 Percentage
Total loans and advances to customers	3,893,444		3,786,954	
Accrued interest on loans	11,637		11,342	
Provision for impairment of loans[Note]	(83,780)		(85,371)	
Net loans and advances to customers	3,821,301	56.22	3,712,925	54.83
Finance lease receivables	89,737	1.31	99,158	1.46
Due from banks and other financial institutions	36,697	0.54	39,942	0.59
Cash and due from central bank	325,267	4.79	349,184	5.16
Investment in securities and other financial assets	2,228,455	32.79	2,254,786	33.29
Precious metals	6,532	0.10	6,916	0.10
Placements with banks and other financial institutions, and financial assets held under resale agreements	166,390	2.45	209,742	3.10
Long-term equity investment	220	0.00	204	0.00
Property and equipment	26,215	0.39	25,838	0.38
Right-of-use assets	9,991	0.15	10,408	0.15
Goodwill	1,281	0.02	1,281	0.02
Deferred tax assets	31,696	0.46	33,974	0.50
Other assets	52,912	0.78	28,438	0.42
Total assets	**6,796,694**	**100.00**	**6,772,796**	**100.00**

Note: It only includes provision for impairment of loans measured at amortized cost.

1. Loans and advances to customers

As at the end of the reporting period, the Group's balance of loans and advances to customers totaled RMB3,893,444 million, an increase of RMB106,490 million or 2.81% as compared with the end of the previous year. The proportion of net loans and advances to customers in total assets was 56.22%, an increase of 1.39 percentage points as compared with the end of the previous year.

Unit: RMB million, %

Item	30 June 2024 Balance	30 June 2024 Percentage	31 December 2023 Balance	31 December 2023 Percentage
Corporate loans	2,265,622	58.19	2,165,840	57.19
Retail loans	1,492,205	38.33	1,512,616	39.94
Discounted bills	135,617	3.48	108,498	2.87
Total loans and advances to customers	**3,893,444**	**100.00**	**3,786,954**	**100.00**

2. Investment in securities and other financial assets

As at the end of the reporting period, the Group's investments in securities and other financial assets totaled RMB2,228,455 million, a decrease of RMB26,331 million as compared with the end of the previous year, accounting for 32.79% of total assets, down 0.50 percentage point as compared with the end of the previous year.

Unit: RMB million, %

Item	30 June 2024		31 December 2023	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	460,224	20.65	432,896	19.20
Derivative financial assets	18,508	0.83	13,324	0.59
Debt instruments at fair value through other comprehensive income	601,273	26.99	561,047	24.88
Financial investments measured at amortized cost	1,147,317	51.48	1,246,387	55.28
Equity instruments at fair value through other comprehensive income	1,133	0.05	1,132	0.05
Total investments in securities and other financial assets	**2,228,455**	**100.00**	**2,254,786**	**100.00**

3. Types and amounts of financial bonds held

As at the end of the reporting period, the financial bonds held by the Group amounted to RMB536,133 million, representing a decrease of RMB136,949 million as compared with the end of the previous year. Financial investments measured at amortized cost accounted for 60.53% of the total.

Unit: RMB million, %

Item	30 June 2024		31 December 2023	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	62,718	11.70	58,750	8.73
Financial investments measured at amortized cost	324,517	60.53	449,905	66.84
Debt instruments at fair value through other comprehensive income	148,898	27.77	164,427	24.43
Total financial bonds held	**536,133**	**100.00**	**673,082**	**100.00**

4. Top 10 financial bonds held in nominal value

Unit: RMB million, %

Name of bond	Nominal value	Annual interest rate	Maturity date	Allowance for impairment losses
Bond 1	21,870	4.04	2027-04-10	–
Bond 2	19,290	4.24	2027-08-24	–
Bond 3	19,100	2.39	2026-11-15	–
Bond 4	18,304	3.05	2026-08-25	–
Bond 5	16,680	2.50	2027-07-25	–
Bond 6	16,390	3.01	2028-05-13	–
Bond 7	14,930	4.39	2027-09-08	–
Bond 8	14,740	3.12	2026-12-05	–
Bond 9	13,780	2.48	2027-04-15	–
Bond 10	13,750	2.85	2027-06-04	–

5. Goodwill

The cost of the Group's goodwill stood at RMB6,019 million. As at the end of the reporting period, the allowance for impairment losses on goodwill was RMB4,738 million, and the book value of goodwill registered RMB1,281 million, the same as the end of the previous year.

6. For details about the collateralized assets of the Bank as at the end of the reporting period, please refer to "Notes to the Unaudited Condensed Consolidated Financial Statements".

ii. Liabilities

As at the end of the reporting period, the Group's total liabilities posted RMB6,225,829 million, representing an increase of RMB7,818 million or 0.13% as compared with the end of the previous year, which was mainly due to the increases in deposits from banks and other financial institutions and debt securities payable.

Unit: RMB million, %

Item	30 June 2024		31 December 2023	
	Balance	Percentage	Balance	Percentage
Due to the central bank	84,963	1.37	99,633	1.60
Deposits from customers	3,919,764	62.97	4,094,528	65.85
Deposits from banks and other financial institutions	631,446	10.14	552,326	8.88
Placements from banks and other financial institutions	179,356	2.88	194,205	3.12
Derivative financial liabilities	18,659	0.30	13,946	0.22
Financial assets sold under repurchase agreements	102,772	1.65	73,115	1.18
Accrued staff costs	18,884	0.30	20,064	0.32
Taxes payable	3,696	0.06	7,304	0.12
Lease liabilities	9,982	0.16	10,349	0.17
Debt securities payable	1,174,774	18.87	1,099,326	17.68
Other liabilities	81,533	1.30	53,215	0.86
Total liabilities	**6,225,829**	**100.00**	**6,218,011**	**100.00**

As at the end of the reporting period, the balance of the Group's deposits from customers reached RMB3,919,764 million, representing a decrease of RMB174,764 million or 4.27%, as compared with the end of the previous year.

Unit: RMB million, %

Item	30 June 2024		31 December 2023	
	Balance	Percentage	Balance	Percentage
Corporate deposits	2,202,726	56.20	2,417,109	59.03
Demand deposits	808,167	20.62	965,167	23.57
Time deposits	1,394,559	35.58	1,451,942	35.46
Personal deposits	1,253,191	31.97	1,194,615	29.17
Demand deposits	332,493	8.48	249,402	6.09
Time deposits	920,698	23.49	945,213	23.08
Pledged deposits	388,265	9.90	412,129	10.06
Corporate	380,742	9.71	405,955	9.91
Personal	7,523	0.19	6,174	0.15
Other deposits	1,616	0.04	1,019	0.03
Accrued interest	73,966	1.89	69,656	1.71
Total deposits from customers	**3,919,764**	**100.00**	**4,094,528**	**100.00**

iii. Equity of shareholders

As at the end of the reporting period, the Group's equity attributable to shareholders of the Bank amounted to RMB570,865 million, representing a net increase of RMB16,080 million as compared with the end of the previous year. The increase was mainly due to the increase in profit realized in the current period.

Unit: RMB million

Item	30 June 2024	31 December 2023
Share capital	59,086	59,086
Other equity instruments	104,899	104,899
Capital reserve	74,473	74,473
Other comprehensive income	6,550	2,245
Surplus reserve	26,245	26,245
General risk reserve	86,310	86,161
Retained earnings	210,828	199,282
Total equity attributable to shareholders of the Bank	568,391	552,391
Equity of minority shareholders	2,474	2,394
Total equity	**570,865**	**554,785**

iv. Off-balance-sheet items

The Group's off-balance-sheet items are mainly credit commitments, including loan and credit card commitments, bank's acceptance bills, letters of guarantee, letters of credit and guarantees. As at the end of the reporting period, the total amount of credit commitments was RMB1,361,116 million, an increase of RMB22,935 million as compared with the end of the previous year.

Unit: RMB million

Item	30 June 2024	31 December 2023
Loan and credit card commitments	473,274	379,310
Bank's acceptance bills	609,744	669,058
Letters of guarantee	119,117	128,239
Letters of credit	158,801	161,394
Guarantees	180	180
Total credit commitments	**1,361,116**	**1,338,181**

VII. CASH FLOWS

The Group's net cash outflows from operating activities amounted to RMB147,131 million, of which cash inflows from operating assets reached RMB28,455 million, cash outflows arising from changes in operating assets stood at RMB89,496 million, and cash outflows arising from changes in operating liabilities totaled RMB86,090 million.

The Group's net cash inflows from investing activities amounted to RMB109,946 million, of which cash inflows arising from disposal and redemption of investments were RMB563,375 million and cash outflows arising from investment payments were RMB489,033 million.

The Group's net cash inflows from financing activities were RMB56,526 million, of which net proceeds from bond issuance posted RMB484,158 million and cash outflows arising from principal repayment of debt securities registered RMB408,812 million.

VIII. LOAN QUALITY

i. Industry concentration of loans

Unit: RMB million, %

Industry	30 June 2024 Balance	30 June 2024 Percentage	31 December 2023 Balance	31 December 2023 Percentage
Manufacturing	507,612	22.40	444,913	20.55
Leasing and commercial services	357,956	15.80	335,235	15.48
Water, environment and public utility management	348,141	15.37	337,316	15.57
Wholesale and retail trade	170,722	7.54	177,439	8.19
Construction	167,176	7.38	165,227	7.63
Real estate	166,404	7.34	165,745	7.65
Transportation, storage and postal services	130,046	5.74	136,270	6.29
Finance	103,617	4.57	105,414	4.87
Production and supply of power, gas and water	98,001	4.33	84,276	3.89
Agriculture, forestry, animal husbandry and fishery	57,305	2.53	59,157	2.73
Others[Note]	158,642	7.00	154,848	7.15
Subtotal of corporate loans	**2,265,622**	**100.00**	**2,165,840**	**100.00**
Retail loans	**1,492,205**		**1,512,616**	
Discounted bills	**135,617**		**108,498**	
Total loans and advances to customers	**3,893,444**		**3,786,954**	

Note: "Others" includes mining; accommodation and catering; public administration and social organization; information transmission, computer services and software; health, social security and social welfare; resident services and other services; scientific research, technical services and geological prospecting; culture, sports and recreation; and education.

ii. Distribution of loans by region

Unit: RMB million, %

Region	30 June 2024 Balance	30 June 2024 Percentage	31 December 2023 Balance	31 December 2023 Percentage
Yangtze River Delta	954,346	24.51	903,353	23.86
Central China	682,830	17.54	650,965	17.19
Pearl River Delta	619,267	15.91	574,249	15.16
Bohai Rim	555,724	14.27	516,609	13.64
Western China	480,784	12.35	475,934	12.57
Northeastern China	97,194	2.50	105,734	2.79
Head Office	387,099	9.94	434,359	11.47
Overseas	116,200	2.98	125,751	3.32
Total loans and advances to customers	**3,893,444**	**100.00**	**3,786,954**	**100.00**

iii. Types and proportions of loans by collateral

Unit: RMB million, %

Type	30 June 2024		31 December 2023	
	Balance	Percentage	Balance	Percentage
Unsecured loans	1,352,565	34.74	1,313,169	34.68
Guaranteed loans	855,673	21.98	937,383	24.75
Mortgage loans	1,416,483	36.38	1,210,545	31.97
Pledged loans	268,723	6.90	325,857	8.60
Total loans and advances to customers	**3,893,444**	**100.00**	**3,786,954**	**100.00**

iv. Top ten loan customers

Unit: RMB million, %

Name	Industry	Balance of loans as at 30 June 2024	Proportion in total loans and advances	Proportion in net capital[1]
Borrower 1	Leasing and commercial services	14,498	0.37	2.19
Borrower 2	Real estate	7,798	0.20	1.18
Borrower 3	Transportation, storage and postal services	7,358	0.19	1.11
Borrower 4	Manufacturing	6,850	0.18	1.03
Borrower 5	Construction	5,526	0.14	0.83
Borrower 6	Leasing and commercial services	5,400	0.14	0.81
Borrower 7[2]	Leasing and commercial services	5,000	0.13	0.75
Borrower 8[2]	Leasing and commercial services	4,999	0.13	0.75
Borrower 9	Manufacturing	4,799	0.12	0.72
Borrower 10	Mining	3,650	0.09	0.55
Total		**65,878**	**1.69**	**9.92**

Notes:

1. The proportion of the balance of loans in net capital is calculated according to the requirements of the NFRA.

2. Borrower 7 and Borrower 8 are related parties of the Bank and therefore their transactions with the Bank constitute related party transactions.

v. Five-category loan classification

Unit: RMB million, %

Type	30 June 2024 Balance	30 June 2024 Percentage	31 December 2023 Balance	31 December 2023 Percentage
Normal	3,767,099	96.76	3,669,687	96.91
Special mention	77,576	1.99	69,791	1.84
Substandard	22,952	0.58	23,335	0.62
Doubtful	16,619	0.43	15,258	0.40
Loss	9,198	0.24	8,883	0.23
Total loans and advances to customers	**3,893,444**	**100.00**	**3,786,954**	**100.00**
Performing loans	3,844,675	98.75	3,739,478	98.75
Non-performing loans	48,769	1.25	47,476	1.25

Note: Performing loans comprise of normal loans and special mention loans, and non-performing loans comprise of substandard loans, doubtful loans and loss loans.

vi. Loan migration ratio

Unit: %

Item	30 June 2024	31 December 2023	Change
Migration ratio of normal loans	1.50	2.49	-0.99 percentage point
Migration ratio of special mention loans	10.07	26.41	-16.34 percentage points
Migration ratio of substandard loans	51.32	72.10	-20.78 percentage points
Migration ratio of doubtful loans	30.46	58.51	-28.05 percentage points

vii. Restructured loans and overdue loans

1. Restructured loans

Unit: RMB million, %

Type	30 June 2024 Balance	30 June 2024 Proportion of loans and advances in total principal	31 December 2023 Balance	31 December 2023 Proportion of loans and advances in total principal
Restructured loans and advances to customers	18,030	0.46	6,551	0.17
Restructured loans and advances to customers overdue for more than 90 days	383	0.01	1,267	0.03

2. Overdue loans

Unit: RMB million, %

Item	30 June 2024 Balance	30 June 2024 Percentage	31 December 2023 Balance	31 December 2023 Percentage
Overdue within 3 months	41,793	48.70	31,861	43.23
Overdue from 3 months up to 1 year	25,689	29.93	26,245	35.60
Overdue from 1 year up to 3 years	13,570	15.81	12,044	16.34
Overdue more than 3 years	4,772	5.56	3,564	4.83
Total principal of overdue loans	**85,824**	**100.00**	**73,714**	**100.00**

viii. NPLs by business type

Unit: RMB million, %

Type	30 June 2024 Balance	30 June 2024 Percentage	31 December 2023 Balance	31 December 2023 Percentage
Corporate loans	26,782	54.92	26,849	56.55
Retail loans	21,987	45.08	20,627	43.45
Discounted bills	–	–	–	–
Total NPLs	**48,769**	**100.00**	**47,476**	**100.00**

ix. Distribution of NPLs by region

Unit: RMB million, %

Region	30 June 2024 Balance	30 June 2024 Percentage	31 December 2023 Balance	31 December 2023 Percentage
Pearl River Delta	9,079	18.62	8,431	17.76
Yangtze River Delta	6,711	13.76	6,062	12.76
Central China	6,582	13.50	6,001	12.64
Bohai Rim	5,642	11.57	4,921	10.37
Western China	4,829	9.90	3,818	8.04
Northeastern China	4,044	8.29	4,206	8.86
Head Office	9,347	19.16	9,923	20.90
Overseas	2,535	5.20	4,114	8.67
Total NPLs	**48,769**	**100.00**	**47,476**	**100.00**

x. Distribution of NPLs by industry

Unit: RMB million, %

Item	30 June 2024 Balance	30 June 2024 Percentage	31 December 2023 Balance	31 December 2023 Percentage
Real estate	7,507	15.39	8,833	18.60
Manufacturing	4,868	9.99	4,696	9.88
Wholesale and retail trade	4,672	9.58	3,998	8.41
Leasing and commercial services	1,663	3.41	1,840	3.88
Mining	1,621	3.32	1,655	3.49
Construction	1,227	2.52	1,309	2.76
Transportation, storage and postal services	844	1.73	1,062	2.24
Information transmission, computer services and software	508	1.04	179	0.38
Accommodation and catering	480	0.98	590	1.24
Production and supply of power, gas and water	393	0.81	403	0.85
Others[Note]	2,999	6.15	2,284	4.82
Subtotal of corporate loans	**26,782**	**54.92**	**26,849**	**56.55**
Retail loans	**21,987**	**45.08**	**20,627**	**43.45**
Discounted bills	–	–	–	–
Total NPLs	**48,769**	**100.00**	**47,476**	**100.00**

Note: "Others" includes health, social security and social welfare; scientific research, technical services, and geological exploration; finance; public management and social organization; water, environment and public utility management; agriculture, forestry, animal husbandry and fishery; and education.

xi. Distribution of NPLs by collateral type

Unit: RMB million, %

Type	30 June 2024 Balance	30 June 2024 Percentage	31 December 2023 Balance	31 December 2023 Percentage
Unsecured loans	15,771	32.34	15,970	33.63
Guaranteed loans	6,395	13.11	7,836	16.51
Mortgage loans	26,587	54.52	20,452	43.08
Pledged loans	16	0.03	3,218	6.78
Total NPLs	**48,769**	**100.00**	**47,476**	**100.00**

xii. Repossessed assets and provision for impairment

Unit: RMB million

Item	30 June 2024	31 December 2023
Repossessed assets	252	314
Land, buildings and structures	252	314
Provision for impairment	(167)	(167)
Net value of repossessed assets	85	147

xiii. Provision for loan impairment losses and write-off

After determining the credit risk of financial instruments on the balance sheet date, the Group made provision for the estimated credit loss for loans of varied risk levels according to their potential risk based on the expected credit loss model and such quantitative risk parameters as PD (probability of default) and LGD (loss given default) of customers. The provision for impairment losses was recognized through current profit or loss.

Unit: RMB million

Item	As at 30 June 2024	As at 31 December 2023
Balance at the beginning of the reporting period[1]	85,371	83,180
Charge for the period[2]	19,504	45,241
Recovery of loans and advances written-off	5,880	9,437
Interest income on impaired loans[3]	(377)	(961)
Write-off and disposal for the current period	(26,632)	(51,573)
Others	34	47
Balance at the end of the reporting period[1]	**83,780**	**85,371**

Notes:

1. It excludes provision for impairment of discounted bills and forfaiting under domestic L/C measured at fair value through other comprehensive income.

2. It includes provision for impairment of loans made due to the change of stage and change in cash flow resulting in loan contract being not derecognized.

3. It refers to cumulative interest income of impaired loans due to the subsequent increase in present value over time.

IX. CAR ANALYSIS

Please refer to "Summary of Accounting Data and Financial Indicators" for details of CARs.

X. SEGMENT PERFORMANCE

i. Operating income by regional segment

Unit: RMB million

Region	January-June 2024	January-June 2023
Bohai Rim	13,355	13,815
Yangtze River Delta	11,997	13,480
Central China	10,931	13,117
Pearl River Delta	8,833	10,876
Western China	7,717	9,362
Northeastern China	2,110	3,148
Head Office	13,492	10,893
Overseas	1,431	1,840
Total	**69,866**	**76,531**

ii. Operating income by business segment

Unit: RMB million

Type	January-June 2024	January-June 2023
Corporate banking	25,709	28,223
Retail banking	28,566	34,258
Financial market business	15,652	14,088
Others	(61)	(38)
Total	**69,866**	**76,531**

Please refer to "Notes to the Unaudited Condensed Consolidated Financial Statements" for details of performance by business segment.

XI. OTHERS

i. Changes in major financial indicators and reasons

Unit: RMB million, %

Item	30 June 2024	31 December 2023	Increase/ Decrease	Major reason for change
Derivative financial assets	18,508	13,324	38.91	Value appreciation due to the increases in foreign exchange swap business and foreign exchange rate fluctuation
Financial assets held under resale agreements	8,195	67,500	(87.86)	Decrease in financial assets held under resale agreements in order to seize market opportunities
Other assets	52,912	28,438	86.06	Increase in scale of in-transit clearing amount
Derivative financial liabilities	18,659	13,946	33.79	Value appreciation due to the increases in foreign exchange swap business and foreign exchange rate fluctuation
Gains from sale of repurchased financial assets	102,772	73,115	40.56	Increase in sale of repurchased financial assets in order to seize market opportunities
Taxes payable	3,696	7,304	(49.40)	Decrease in corporate income tax payable
Other liabilities	81,533	53,215	53.21	Increase in creditor funds pending settlement

Item	January-June 2024	January-June 2023	Increase/ Decrease	Major reason for change
Net gains arising from investment securities	8,488	5,228	62.36	Increase in gains arising from the disposal of investment financial assets
Impairment losses on other assets	(43)	(2)	2,050.00	Increase in provision of allowance for debt-offsetting assets

ii. Overdue and outstanding debts

During the reporting period, the Bank did not incur any overdue or outstanding debts.

iii. Provision for interest receivables and allowance for related bad debts

1. Change in on-balance-sheet interest receivable

Unit: RMB million

Item	Balance at the beginning of the reporting period	Increase during the reporting period	Decrease during the reporting period	Balance at the end of the reporting period
On-balance-sheet interest receivable[Note]	47,345	233,778	236,998	44,125

Note: It includes accrued interest and interest receivable that has not been collected.

2. Provision of allowance for bad debts of interest receivable

Unit: RMB million

Item	30 June 2024	31 December 2023	Increase/ Decrease
Balance of allowance for bad debts of interest receivable	3	3	–

iv. Other receivables and provision of allowance for related bad debts

1. Change in other receivables

Unit: RMB million

Item	30 June 2024	31 December 2023	Increase/ Decrease
Other receivables	33,255	8,955	24,300

2. Provision of allowance for bad debts of other receivables

Unit: RMB million

Item	30 June 2024	31 December 2023	Increase/ Decrease
Balance of allowance for bad debts of other receivables	903	908	(5)

XII. PERFORMANCE OF BUSINESS SEGMENTS

i. Corporate banking

The corporate banking line of the Bank, driven by FPA, promoted transformation, refinement, professionalization and specialization in business operation, optimized the business structure consisting of basic credit, bond investment and non-loan non-debt business, gradually formed new competitive edges through the integration of commercial banking, investment banking and private banking, and developed its corporate banking business with professionalism, speciality, influence and competitiveness. The Bank continued to serve the real economy by providing support for technology finance, green finance, inclusive finance, private enterprises as well as urban real estate financing coordination mechanism. The Bank formulated work plans to support the large-scale equipment upgrading, consumer goods trade-in programs, and the initiative to deepen and upgrade SOE reform, proactively supported the construction of "Three Major Projects" (constructing government-subsidized housing, renovating urban villages and building dual-use public infrastructure that accommodate emergency needs in mega cities), and ensured timely delivery of pre-sold homes, so as to improve the quality and efficiency of comprehensive financial services. Focusing on the principle of "increasing income, reducing cost and improving efficiency", the Bank carried out special initiatives to stabilize price and increase volume in credit business, reduce cost and improve efficiency in deposit business, expand customer base, and upgrade products, promoting high-quality and sustainable development. The Bank deepened the comprehensive customer management, launched a series of activities such as "Direct Marketing for Industrial Clusters", "Inclusive Finance Promotion Month", "Serving Grain Security to Promote Revitalization in Seed Industry", "Boosting Confidence and Optimizing Service for Thousands of Enterprises", "Integrated Development of SRDI Enterprises in Industrial Chains", and continued to build brands such as "PLA Supporting Bank", "Sunshine Prosperous Agriculture", "Chain Ecology" and "Finance Ecology" to meet the diverse financial needs of customers. During the reporting period, the Bank's corporate banking realized an operating income of RMB25,709 million, a year-on-year decrease of RMB2,514 million or 8.91%, accounting for 36.80% of the Bank's total operating income. As at the end of the reporting period, the total FPA stood at RMB5.09 trillion and the total number of corporate customers was 991,400.

1. Corporate deposits and loans

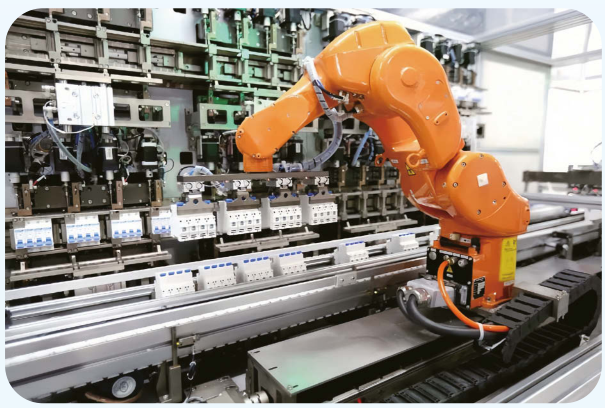
The Bank make coordinated efforts to promote corporate deposits, loans, customer management and risk management, maintaining a good balance between functionality and profitability. The Bank continued to optimize the structure of corporate loans and strengthen research in key industries, forming differentiated business operation strategies and solutions in such sub-areas as the national new electric power system, charging infrastructure, the China-Europe Freight Train Services and leading agricultural enterprises. More replicable and valuable online products of inclusive finance were introduced, and more financial support were provided in key areas such as technology finance, green finance, inclusive finance, high-quality manufacturing and industrial clusters. With a focus on wealth management transformation, the Bank steadily promoted the balance between quantity and quality of corporate deposits, fostered four new momentum drivers including institutional expansion, entrusted payment, customer chain expansion and cash management to stabilize deposits, increase deposits and reduce deposit costs. The Bank actively worked to improve both quality and quantity with respect to corporate customer base, gradually established a stratified and grouped service system covering strategic customers, potential customers and basic customers to carry out specialized management of strategic customers at both the Head Office and branches, with a focus on high-quality acquisition of customers and in-depth management of stock customers. As at the end of the reporting period, the balance of corporate deposits (including the corporate business-related portion of marginal deposits) amounted to RMB2,583,468 million, representing a decrease of RMB239,596 million or 8.49% as compared with the end of the previous year, of which the balance of core RMB corporate deposits amounted to RMB2,267,112 million; and the balance of corporate loans (excluding discounted bills) amounted to RMB2,265,622 million, representing an increase of RMB99,782 million or 4.61% over the end of the previous year.

Case 1: Technology finance empowering new quality productive forces

In 2024, the Bank issued the *Work Plan for Technology Finance* so as to expand the scale of loans to technology enterprises, establish a specialized and professional organizational system, strengthen product innovation, deepen ecosystem construction, and deliver a good performance in technology finance. As at the end of the reporting period, the Bank cooperated with 39,173 technology enterprises, and the balance of technology finance loans amounted to RMB351,061 million, representing an increase of RMB83,809 million or 31.36% as compared with the end of the previous year; the balance of loans to support SRDI enterprises amounted to RMB107,244 million, representing an increase of RMB15,063 million or 16.34% over the end of the previous year.

Located in the Wuhan Donghu New Technology Development Zone, famous as the "Optics Valley of China", a technology enterprise owns 55 invention patents and 30 software copyrights, whose business covers power grid detection, lithography machine shock absorption and humanoid robots. The company was rated as a national high-tech enterprise and a state-level SRDI "Small Giant" enterprise. As the enterprise expanded rapidly, its business cooperation with the Bank extended from unsecured credit granting under inclusive finance to fixed asset loans, with a total credit of RMB226 million.

An information technology enterprise covers the R&D, production, sales and after-sales services of servers, computers, storage tools, cloud computing and other related software and hardware products. Its products and solutions were successfully applied by many large-scale financial institutions. The enterprise was selected as the "Intelligent Manufacturing Pilot Factory" by the Ministry of Industry and Information Technology of China. The Bank established a cooperative relationship with the enterprise at the beginning of its establishment and became the first bank to provide financial support. The credit line has been gradually increased from RMB50 million to RMB400 million. At the same time, the Bank cooperated with China Everbright Group to participate in the capital increase and share expansion project of the enterprise, and completed an equity investment of RMB50 million.



2. Inclusive finance

The Bank continued to strengthen the supply of inclusive finance, promoted "quantity increase, coverage expansion and quality enhancement" for the services of inclusive finance. With a focus on key areas such as SRDI enterprises and strategic emerging industries, the Bank increased the loans granting to SRDI enterprises, and improved the capabilities to serve technology enterprises comprehensively. By applying "data empowerment + scenario empowerment", the Bank advanced product innovation and launched online products such as Nanchang Bank Flow Loan, Suzhou Credit Information Loan and Yutong E-loan. The Bank promoted digital construction for inclusive finance, optimized the inclusive finance version of CEB Mobile Banking and the "CEB Inclusive Finance" WeChat official account to improve online marketing service. As at the end of the reporting period, the balance of inclusive loans stood at RMB429,334 million, representing an increase of RMB50,201 million or 13.24% as compared with the end of the previous year, faster than the average growth rate of the Bank's total loans; the number of inclusive finance customers was 432,400; and the weighted average interest rate of new loans was 3.51%, representing a decrease of 46 bps as compared with the end of the previous year.

Case 2: Developing inclusive finance to serve the people

The Bank supported the development of SRDI enterprises. SRDI refers to small and medium-sized enterprises with specialized, refined, distinctive and innovative features. Cultivating SRDI enterprises is an important measure taken by the country to promote the high-quality development of SMEs. The Bank innovatively launched an online product called SRDI Enterprise Loan. For this product, the Bank developed a tailor-made review model based on the list of SRDI enterprises and the big data acquired from the Bank and the outside, to run all-round evaluations on the strength, industry status and future development potential of SRDI enterprises. Enterprises can check the results of "Smart Credit Line Evaluation" through the inclusive finance version of CEB Mobile Banking, WeChat official account, CEB Corporate Online Banking, etc. They can also do applications, contracts, withdrawals online to access financing services for daily production and operation, with a maximum amount of RMB10 million, which can be withdrawn or repaid anytime. As at the end of the reporting period, the balance of SRDI Enterprise Loan stood at RMB10,579 million.

The Bank supported the development of modern protected agriculture. Pig Farm Construction Loan is a loan product of the Bank to support core enterprises and their subsidiaries to build large-scale pig farms. During the 14th Five-Year Plan period, Hunan Province planned to add 100 new standardized pig farms. After conducting in-depth research on the funding needs of pig farm construction, the Bank provided customized financial services for the pig farm construction project of a group company in Hunan Province, and provided the project financing credit lines to the enterprise and its subsidiaries, with equity pledge, project rent pledge and settlement fund withdrawal as risk mitigation measures. As at the end of the reporting period, a total of 9 credit facilities have been provided to the enterprise and its subsidiaries, with the loan balance standing at RMB835 million. This construction project drove up rural employment in the local area, and realized both economic and social benefits by promoting the integration of production, supply and marketing of animal husbandry and creating an industrialization model featuring "company + breeding consortium + family farm".

3. Investment banking

The Bank proactively practiced the business philosophy of "developing commercial banking, investment banking and private banking as a whole", continuously optimized the investment banking product system, and satisfied the diversified financing needs of customers through multi-dimensional services such as bond financing, M&A financing, structured financing, business matchmaking and equity financing. During the reporting period, the Bank underwrote 523 debt financing instruments of non-financial enterprises in the interbank bond market, with an underwriting amount of RMB272,155 million, including different innovative debt financing instruments such as sci-tech innovation notes, green debt financing instruments, rural revitalization notes and Panda bonds, covering various key national strategic areas including technological innovation, advanced manufacturing, green development and rural revitalization. The Bank continued to strengthen the integration of M&A financing resources, supported M&A in the real economy and industrial upgrading projects, and focused on carrying out project marketing for key customers such as listed companies under key transaction scenarios. The Bank's domestic and overseas newly-added M&A loans reached RMB8,883 million. The Bank issued three credit securitization projects with an asset scale of RMB9,623 million.

4. Transaction banking

Aiming to refine and optimize hit products, strengthen customized service capabilities, and deepen product combination application, the Bank deeply cultivated service capabilities for the industry-finance integration of industrial chains and supply chains, so as to build a "chain ecosystem". The Bank took corporate treasury construction as an opportunity to grow its cash management business, so as to build a "treasury ecosystem". The Bank seized opportunities in the trade finance market to enhance collaboration between domestic and overseas businesses and between basic and new-type businesses, so as to build an "FX ecosystem". The three-ecosystem integration provided customers with open-ended transaction banking featuring "finance + pan-finance". The Bank continued to promote the financial service of Sunshine Wage for rural migrant workers, to help alleviate the financial pressure of employer enterprises and safeguard the legitimate rights and interests of "new citizens". As at the end of the reporting period, the Bank provided wage payment guarantees for rural migrant workers with a cumulative amount of RMB12,442 million, an increase of RMB811 million during the first half of the year, serving 1,507 corporate customers in total. The Bank accelerated digital transformation with a focus on customers, reshaped the business process of Auto Full Pass through automation and digital technology, accelerated the system interface connection process of Sunshine E-financing Chain by using standardized interfaces and utilizing agile configuration capability, and continued to promote the application of Sunshine Cash Management Payment & Settlement Express. The Bank accelerated the construction of Everbright Corporate Treasury System, optimized the one-stop service platform of Cloud Corporate Treasury, established a stratified and grouped corporate treasury service strategy, and enhanced the ability to serve the direct connection between banks and enterprises. The Bank further promoted the development of the second phase of the international settlement system, which will shift from an operational system to a service-oriented system, and promoted digital transformation for foreign exchange business and capital account operation. As at the end of the reporting period, the balance of on- and off-balance-sheet trade finance amounted to RMB440,621 million.

ii. Retail banking

Focusing on the building of digital retail banking and adhering to the customer-oriented business philosophy, the Bank further implemented its development model featuring the combination of online and on-site operations. The Bank not only gave full play to the advantages of outlets and professional customer managers to boost on-site operating capacity, but also promoted an intensive, online and scenario-based business model to speed up the introduction and conversion of customers and promote service transformation and upgrading. Meanwhile, the Bank strengthened data-driven development and deepened the stratified and grouped management of retail customers, with the total number of retail customers increased and structure improved. The Bank accelerated structural adjustment on the liability side, leading to scale expansion, structure optimization and cost reduction in retail deposits. The Bank advanced business transformation on the asset side, strengthened intensive operation, supported the development of inclusive finance, and cultivated hit "Sunshine" retail loans, leading to rapid scale growth of retail loans and stable asset quality. The Bank deepened wealth management transformation, strengthened product system construction, enhanced asset allocation capabilities, and innovated scenario services to meet the diversified investment needs of customers. During the reporting period, the operating income stood at RMB28,566 million, a year-on-year decrease of RMB5,692 million or 16.62%, accounting for 40.89% of the Bank's total operating income, of which the retail net interest income was RMB21,901 million, a year-on-year decrease of 13.25%, accounting for 45.52% of the Bank's total net interest income; and the net non-interest income from retail banking was RMB6,665 million, a year-on-year decrease of RMB2,347 million, accounting for 30.64% of the Bank's total net non-interest income.

Column 1: Deepening wealth management transformation to meet diversified wealth management needs

The Bank continued to build a diversified and professional financial product and service system, and steadily promoted the high-quality development of wealth management business.

I. Anchoring the goal of AUM to build the core competitiveness of wealth management business

Adhering to the customer-centered principle and taking creating value for customers as the starting point with a focus on AUM, the Bank closely followed macro policies and industry development trend, enhanced the ability to manage different customer sub-groups, upgraded product and service system, and strengthened digital operation and refined management, which helped build the core competitiveness of wealth management business, expand customer base and AUM scale, and maintain a double-digit growth of AUM for four consecutive years.

II. Deepening the supply-side reform of financial products by furthering the construction and management of product system

Adhering to the customer-oriented perspective, the Bank enriched and further optimized the wealth management product system according to customers' needs, focusing on major national deployments such as pension finance, inclusive finance and capital market stimulation. The Bank actively seized the opportunity to develop pension finance, built a complete product shelf of personal pension finance covering savings, wealth management, mutual funds and insurance, leveraged professional capabilities to select high-quality products in line with the reserve characteristics of pension funds, enriched the supply of pension finance products, and served the wealth management needs of pension finance customers. The Bank strove to develop inclusive wealth management, lowered the threshold of wealth management, and actively introduced standardized financial products with a low starting point, low risk and easy access to provide more appropriate investment options for the public. The Bank established a market-wide product selection mechanism, furthered its extensive cooperation with excellent external institutions, refined its product management, enhanced the comprehensive competitiveness of its product shelf, and continued to create long-term value for customers.

III. Enhancing asset allocation ability by strengthening the construction of investment and research system

The Bank strengthened overall market research and judgment, optimized the investment research framework, strengthened the application of investment research results, and promoted the construction of enterprise-level investment consultation platform. The Bank strengthened the team management of investment consultants and wealth management consultants, continuously improved their abilities in strategy study, customer analysis, asset allocation and product evaluation to promote both high quality and high quantity with respect to the professional team. The Bank enhanced the comprehensive service capabilities of the front-line team, strengthened the analysis of different customer groups through differentiated customer business models, accurately identified wealth management needs of the public, cultivated diversified asset allocation concept among customers, strengthened investor education, and provided customers with more professional, targeted and effective wealth management service.

IV. Innovating scenario services to build an open wealth management ecosystem

Relying on digital means, based on the dual applications of CEB Mobile Banking and Cloud Fee Payment, the Bank created an open ecosystem of wealth management, offering specialized and professional service experience to meet customers' wealth management needs throughout the entire life cycle. The Bank optimized the product service process that covers all links of transactions from the perspective of customers, paid attention to the holdings of customers all along, strengthened the links between contents and products, and improved customers' service experience throughout their wealth management journey. The Bank promoted content operation service with "finance + non-finance" comprehensive service at the core, deepened internal and external cooperation, actively introduced leading institutions and featured enterprises, built a specialized content operation system, and promoted online comprehensive operation to a new level. The Bank focused on the principles of "serving people's livelihood" and "managing wealth" to foster features in scenario-based finance, and pushed news and market information in online sections such as "Wealth Management Night Market", "One-stop Pension Express", "Golden Cicada Community", among which the "Golden Cicada Community & Wealth Manager Workshop" built an industry-leading end-to-end online business platform for individual customers, the "Wealth Management Night Market" strengthened wealth management companionship with comprehensive operation at the core, explored new pathways for digital marketing, and constantly improved capabilities to serve customers online.

1. Retail customers and AUM

The Bank continued to give full play to the Retail Customer Management and Development Committee as a mechanism to ensure the implementation of the customer management strategy featuring "stratified and grouped management, data-driven operation, channel coordination and transaction-to-contribution conversion". Relying on the customer operation center at the Head Office, the Bank improved quality and efficiency of collaborative operation of the Head Office and its branches, and gradually realized intensive management for all basic customer groups. The Bank improved centralized management of medium- and high-end customer groups mainly relying on offline channels and the expertise of professional client managers. The Bank deepened the coordination mechanism that integrates corporate banking and retail banking, strengthened cross-marketing efforts for key projects, and enhanced the ability to acquire customers from the source. Driven by data elements with platform tools as the means, the Bank consolidated the core capability of middle office for retail banking business, and established a digital customer management model covering all products, all channels and the entire chain, so as to improve the comprehensive contributions of customers. As at the end of the reporting period, the Bank had 154,920.7 thousand retail customers (including holders of debit and credit cards). Medium- and high-end customers with at least RMB500,000 of daily average assets per month grew by 3.68% over the end of the previous year. The number of users of the three main apps (CEB Mobile Banking, Sunshine Life and Cloud Fee Payment) stood at 317,231 thousand, up 13.92% year on year. Among them, the number of monthly active users (MAU) was 48,655.6 thousand, up 3.32% year on year, and the balance of AUM totaled RMB2,872,716 million, up 5.42% over the end of the previous year.

2. Retail deposits

Guided by the concept of "improvement in both quantity and quality", the Bank deepened integrated operation of deposit businesses to realize scale expansion, structure optimization and cost reduction. The Bank acquired customers in batches, by actively expanding scenarios such as social security & livelihood service, supporting the military and providing preferential treatment to the families of servicepersons as well as martyrs, pension finance, health and medical care, business district operation, community property management, transportation, culture & education, tourism and consumption payment. Furthermore, the Bank enhanced its capacity to bring in source-based funds, strengthened coordination between corporate banking and retail banking to develop its payroll agency business, promoted Enterprise Administrative Management Platform ("Xin Yue Tong"), a service platform for corporate customers, continued to carry out targeted marketing activities such as "Premium Pay" and "Payday Afternoon Tea" for individual customers, and conducted characteristic customer group management in payroll agency services. In addition, the Bank stepped up channel coordination, expanded quick payment business by linking CEB cards to third parties, and increased transaction volume via online platforms, thus retaining settlement funds. The Bank strengthened "debit card + credit card" linkage, and created a powerful synergy of debit card and credit card businesses for customer acquisition and activation, which effectively improved customer loyalty and service experience. As at the end of the reporting period, the balance of retail deposits (including the retail business-related portion in marginal deposits) of the Bank amounted to RMB1,260,714 million, representing an increase of RMB59,925 million or 4.99% over the end of the previous year.

3. Retail loans

The Bank actively made efforts in inclusive finance, accelerated digital transformation, and supported the development of the real economy. In terms of individual business loans, the Bank promoted product standardization and online process, created featured inclusive projects relying on specialized industries, strengthened the supply-side innovation of loans, and effectively improved the quality and efficiency of inclusive financial services. In terms of individual housing loans, the Bank adapted to the changes in supply and demand in the real estate market, implemented relevant policies on real estate, met people's rigid demands and diversified improved demands for housing, and helped build a new model for real estate development. In terms of individual consumption loans, the Bank fully leveraged the convenience of online financing, enriched product supply, deepened cooperation with internet platforms as well as scenario integration, and facilitated consumption expansion and upgrading for residents. The Bank further promoted comprehensive risk management system construction, enhanced the digital risk control ability for pre-lending, lending and post-lending processes, strictly adhered to the bottom line of risk control, and ensured the high-quality development of retail loan business. As at the end of the reporting period, the balance of retail loans (excluding credit card business) amounted to RMB1,106,051 million, representing an increase of RMB26,982 million or 2.50% over the end of the previous year.

4. Wealth management

The Bank accelerated wealth management transformation, conducted in-depth research on market trends, and improved customers' experience with optimized strategies, products and services. The Bank improved the construction of product system, established a market-wide product selection mechanism, enriched the wealth management and agency product system, built a wealth management product spectrum featured by inclusive finance and steady investment, and expanded the development path for inclusive finance wealth management. The Bank promoted integrated development of both online and offline channels. The Bank increased the value of retail banking channels and improved the service efficiency of outlets by building tiered and professional wealth manager teams and promoting the management mode featuring "integrated lobby marketing management" at outlets. The Bank developed an online open-ended wealth management ecosystem, enhanced cooperation with external partners, and established a whole-journey and full life-cycle customer companion system. The Bank strengthened asset allocation ability, improved the investment research and advisory system, provided more targeted products and services according to the differentiated characteristics of different customer groups to cater to the diversified investment needs of customers. During the reporting period, the net fee income from personal wealth management was RMB3,541 million, accounting for 33.61% of the Bank's total net fee income.

5. Private banking

The Bank promoted deep integration between private banking development and technology finance, inclusive finance, pension finance and digital finance, in order to foster wealth management features and brands. The Bank improved the comprehensive financial service of "commercial banking + investment banking + private banking" for technology enterprises, promoted the "Join Hands with Hundreds of Enterprises" joint marketing activities and the "Ji Xian Hui" entrepreneur activities, serving 8,006 entrepreneurs with the AUM standing at RMB112,037 million, an increase of 16.25% over the end of the previous year. The number of customers of Cloud Fee Payment fund account and inclusive finance insurance exceeded 483.5 thousand, and the number of customers of Wealth Wallet accounts exceeded 1,564.2 thousand, an increase of 7.80% over the end of the previous year, initially forming certain one-stop service capability of "daily life fee payment + inclusive finance". The Bank enriched the pension finance product shelf that includes individual pension insurance, funds and commercial pension products, upgraded the two major tools (retirement account book and retirement planning), integrated the five service matrices covering wealth, community, health, companionship and interests, and served 1,827.6 thousand customers in the online service zone of pension finance. The Bank strengthened the construction of digitalized investment research and investment advisory, launched platforms for enterprise-level investment research and asset allocation, and introduced digitalized service tools such as "wealth ladder", "income statement" and "capital allocation proposal". As at the end of the reporting period, the sales volume of insurance, funds, securities, trust and other agency products amounted to RMB86,267 million, representing a year-on-year increase of 6.55%; the AUM for agency products amounted to RMB313,507 million, representing an increase of 5.60% over the end of the previous year; and the scale of family trust (including insurance trust) increased by more than 170% as compared with the end of the previous year. The Bank comprehensively deepened the reform of customer base management, strengthened the stratified and classified management, improved the abilities of digital operation, activity operation and interests operation. By focusing on cultivating three types of customers, namely, middle- and old-aged customers and their children, female customers and entrepreneurs, the Bank promoted the transformation of customer management from "serving individuals" to "serving families", and built a full-life-cycle service system. The Bank optimized the reward point platform, which had served 137 thousand customers cumulatively. The Bank continuously created activities in six key scenarios including finance, culture, family, medical care, sports and travel, and served more than 220 thousand customers. As at the end of the reporting period, the Bank had 66,985 private banking customers, representing an increase of 3,483 or 5.48% as compared with the end of the previous year.

Case 3: Making efforts in pension finance to offer heart-warming financial services

The Bank actively promoted the construction of a multi-level and multi-pillar pension security system, and was committed to providing professional and convenient comprehensive pension finance services for the elderly to enjoy their later life.

The Bank promoted the construction of pension finance online service platform. The Personal Pension Zone on the CEB Mobile Banking app provided one-stop whole-process service for individual pension finance customers covering account opening, pension deposit, transaction statement, tax deferral voucher, pension calculation, account management and pension withdrawal, and provided pension finance products such as wealth management, funds, insurance and savings, built two professional tools including "retirement account book" and "retirement planning" to help customers continuously optimize the collection of pension assets, calculate the pension fund gap, and plan the pension finance program.

The Bank improved the convenience of outlets and the availability of financial services. CEB Shanghai Branch segmented community customers into different groups to enrich their interests, in light of different community life scenarios of property management via Cloud Fee Payment, and carried out MGM (Member Get Member) precise fission marketing referral activities. Customers could not only open personal pension accounts by scanning QR codes, but also invite relatives, friends and neighbors to open accounts and obtain activity benefits by sharing activity links, so that community residents can stay at home, helping customers to make pension reserve planning in advance and providing heart-warming financial services.

As at the end of the reporting period, the Bank opened a total of 1,049.4 thousand individual pension accounts, representing an increase of 430.2 thousand or 69.48% as compared with the end of the previous year.

6. Credit card business

The Bank continued to implement the prudent and steady development philosophy, insisted on returning to the origin of consumption and the idea of mega retail banking, and accelerated the optimization and transformation of customer base and asset structure. The Bank strengthened risk management and control, implemented a more prudent and accurate credit approval strategy, strictly controlled the risk from new customers, further reduced the number of existing high-risk customers, prevented the downward shift of asset quality, and implemented integrated operation for debt collection, litigation response and dispute mediation to improve collection efficiency. The Bank promoted business operation transformation, comprehensively promoted dual-card (debit cards and credit cards) integrated operation, enhanced digital operation capability for customers, focused on high-quality scenarios such as automobile and e-commerce to provide installment products, and advanced consumption quality improvement and upgrading. The Bank accelerated technology empowerment, pressed ahead with the launch of the Next-Generation

Credit Card Integrated Business System (Phase II) for full production, and promoted the construction of AI marketing, intelligent operation platform, Sunshine Life app (Harmony Version) and other projects. The Bank effectively fulfilled the main responsibility of consumer rights and interests protection, promoted the deep integration of consumer protection concept and the whole process of products and services, and improved the quality and efficiency for handling customers' complaints and meeting their needs. As at the end of the reporting period, the number of credit card customers was 51,438.8 thousand, an increase of 511.9 thousand; the number of monthly active users of the Sunshine Life app was 15,394.2 thousand; the transaction amount was RMB895,125 million; the time-point overdraft balance was RMB385,670 million (excluding payment adjustments to transitional accounts); and the business income was RMB17,357 million.

7. Digital banking and Cloud Fee Payment

The Bank made full efforts to develop digital finance by focusing on key areas such as Cloud Fee Payment, scenario-based finance and the online channel construction for both corporate banking and retail banking. Cloud Fee Payment maintained the advantages as a leading open-ended convenient fee payment platform in China, and strove to improve the level of digitalization for rural inclusive finance and convenient livelihood services. The Bank focused on promoting public fee payment services (electricity, water, gas, etc.) in counties and townships (villages) and expanding service channels, so as to achieve full coverage of electricity fee collection services, with the coverage rate of water and gas fee collection services in counties standing at 68.76% and 67.34%, respectively. The Bank focused on government-related fee payment collection business including non-tax and traffic fine payments, strengthened cooperation with governments at all levels across the country to help governments realize "handy operation and once-for-all operation" of government affairs. The Bank's personal social security collection services covered 30 provinces, and launched a Tibetan language version to enhance the convenient financial service experience for people living in ethnic minority areas. As at the end of the reporting period, the platform offered 17,152 fee payment service items cumulatively, an increase of 912 items or 5.62%. The payment service items were exported to 847 platforms cumulatively, an increase of 32 platforms or 3.93%. The platform served users for 1,508 million person-times, up 17.15% year on year, with the total amount of fee payment reaching RMB359,611 million, up 14.34% year on year. The Bank worked hard to build featured scenario-based financial services, with the business scale of Sunshine Logistics Express ("Wu Liu Tong"), Sunshine Housing Express ("An Ju Tong") and Enterprise Administrative Management Platform ("Xin Yue Tong") increased continuously. For Sunshine Logistics Express ("Wu Liu Tong"), the Bank promoted credit product and account product innovation, optimized value-added services, and deepened cooperation with key enterprises. The Bank cooperated with a total of 85 leading enterprises and served 10.6824 million cargo owners and drivers, with the transaction amount standing at RMB115,783 million, an increase of 17.23% year on year.

For Sunshine Housing Express ("An Ju Tong"), the Bank made every effort to expand cooperation with local housing management departments, enriched business models, and established in-depth cooperation with 22 leading enterprises in the industry, with the transaction amount standing at RMB205,923 million. For Enterprise Administrative Management Platform ("Xin Yue Tong"), the Bank, based on the collaboration between corporate banking and retail banking, deeply developed digital value-added services for the comprehensive management of personnel, finance and affairs, and accelerated iteration and upgrading, with 11.7 thousand new customers added to the platform. The Bank proactively built an online customer management matrix characterized by intelligence and ecosystem. On the Cloud Fee Payment platform, the Bank improved the featured "life + finance" services by streamlining the account opening and purchase procedures for small funds, and introduced 435,600 fund customers cumulatively. CEB Mobile Banking upgraded the pension finance zone, simplified the barrier-free service process, and created characteristic sections such as "Fortune Luminous Festival" and "Wealth Management Night Market". As at the end of the reporting period, the number of registered mobile banking users was 63.9335 million, an increase of 3.26% over the end of the previous year; the number of monthly active users was 22.6226 million, an increase of 9.08% over the end of the previous year; and the number of directly-linked fee payment users was 203 million, an increase of 4.10% over the end of the previous year.

Case 4: Creating excellent convenient products to develop characteristic digital finance

CEB Cloud Fee Payment achieved digital convenience acceleration. CEB Cloud Fee Payment is used to serve people and solve difficulties by building such a digital convenient platform with inclusive finance feature, demonstrating four characteristics. First, the public utility fee payment service has a wide coverage. The collection service for electricity, communication and cable TV fees had achieved full coverage at the above-county level, and the county coverage of water and gas fee collection service had exceeded 67%. Second, the cooperation agencies where the Bank exported service had basically achieved full coverage on China's mainstream internet platforms. A total of 847 cooperative institutions had been covered, including large internet companies such as WeChat, Alipay, Huawei, Cloud Flash Payment, Meituan, JD.com and TikTok, the E-CNY app, and provincial and municipal government service platforms. Third, the Bank's convenient social security payment service effectively promoted the equalization of urban and rural public services. Relying on the mini-program of Social Security Cloud Fee Payment, the Bank made efforts to promote the agency collection of personal social security fees for urban and rural (village) residents and flexible employment population, promoted cooperation with the official channels of provincial and municipal governments, realized "handy operation and once-for-all operation" of government affairs, and launched a Tibetan language version to offer ethnic minorities equally convenient financial services. Fourth, the Bank made efforts to build an inclusive finance service system featuring "life + finance" to continuously meet people's new demands. The Bank launched wealth management special online zones such as small-amount wealth management products, insurance and funds in an all-round manner, and provided low-threshold inclusive finance services such as the money-fund-based wallet balance investment product called Fee Payment Wallet ("Jiao Fei Bao") and inclusive finance insurance.

Sunshine Logistics Express ("Wu Liu Tong") facilitated the digital transformation of the logistics industry. Sunshine Logistics Express can help the industry to reduce costs and increase efficiency by providing one-stop comprehensive financial services such as membership authentication, fund transfer, day-end account reconciliation and voucher printing for the Bank's cooperation platforms. A logistics enterprise used to adopt the traditional online banking mode for freight settlement, so finance management personnel needed to match the order and the amount one by one, which was prone to errors. But after connecting with the product account system of Sunshine Logistics Express, the enterprise was able to do separate account management and effectively realize accurate identification of payments for goods. An internet freight platform faced high pressure from the manual account reconciliation when checking the consistency between the receipt and the amounts, because the receipts and the transactions were frequently unmatched. By connecting with the Sunshine Logistics Express platform, the enterprise was able to realize intelligent account reconciliation and obtain real-time electronic receipts, which effectively improved the efficiency of enterprise account reconciliation.

Sunshine Housing Express ("An Ju Tong") helped safeguard the security of housing transactions. Sunshine Housing Express is an innovative comprehensive financial service launched by the Bank in close cooperation with real estate agencies and government housing construction departments, mainly targeting at second-hand housing transactions. A leading real estate agency highly valued the online experience of customers, and needed to use a banking system that enables whole-process online processing under housing transaction and housing trust scenarios. By connecting with Sunshine Housing Express, which enables full online processing of housing transaction trusteeship between customers and real estate agencies, the real estate agencies could reduce transaction costs, improve transaction efficiency and enhance mutual trust between the two transaction parties.

iii. Financial market business

The Bank's financial market business focused on serving five target areas (technology finance, green finance, inclusive finance, pension finance and digital finance) to continuously consolidate business operation and investment and trading capabilities, improving both quality and efficiency in serving national strategies and the development of the real economy. The Bank focused on the high-quality development of financial institution business and GMV (a North Star Metric), and continuously optimized the functions of the Digital Integrated Service Platform for Financial Institutions to further improve the quality and efficiency of financial institution customers. The Bank insisted on placing investors in the center, continuously enriched the "Colorful Sunshine" product system, optimized product investment experience, provided diversified investment options and accompanying services, enhanced the ability of multi-asset and multi-strategy investment and research to earn stable returns for investors. The Bank gave full play to the custody platform to enhance synergy, expand scale and increase income of custody business, and promoted the brand of "Everbright Custody". During the reporting period, the Bank achieved an operating income of RMB15,652 million, a year-on-year increase of RMB1,564 million or 11.10%, accounting for 22.40% of the Bank's total operating income.

1. Treasury business

The Bank actively leveraged its investment and trading expertise to improve the allocation efficiency of financial resources; strengthened refined management of funds to ensure the safety of liquidity for both domestic and foreign currencies; leveraged its advantages in macro research and judgment, enhanced the forward-looking and flexible management of bond portfolios, and seized market opportunities by doing investment allocation in central treasury bonds, local government bonds, policy financial bonds and high-grade credit bonds. The bond underwriting business was driven by both agency model and proprietary trading model, and the Bank was still ranked at the forefront among joint-stock commercial banks in China. The Bank adhered to the risk-neutral concept to develop agency business and provide currency hedging service for corporate customers, and promoted business coordination between the Head Office and branches through mechanisms such as investment-underwriting coordination and investment-custody coordination. As at the end of the reporting period, the balance of bonds in proprietary accounts amounted to RMB1,356,825 million, accounting for 20.37% of the Bank's total assets, 56.85% of which were central treasury bonds and local government bonds.

2. Financial institution business

Guided by GMV, the Bank placed financial institution customers in the center and launched the "Digital Integrated Service Platform for Financial Institutions", and continuously optimized system functions in four major service areas (agency product sale, matchmaking quotation, technology output and market information), and improved the comprehensive customer service capabilities. Focusing on the strategy of "digitalization + ecosystem", the Bank promoted the digital operation transformation for financial institution customers, built a financial cooperation ecosystem for them, link them with the Bank's all-sector integrated marketing and integrated operation, improved the quality and efficiency of business with them, and promoted the high-quality growth of GMV. Focusing on national key areas and the development needs of the real economy, the Bank supported the direct financing of the real economy in green development, inclusive development, technological innovation and other fields through credit bonds and ABS investment, and improved the accuracy of financial services in serving the real economy; conducted forward-looking market research and judgment, optimized the asset structure, and promoted the quality and efficiency of financial institution business. By adhering to the strategy-driven approach, the Bank optimized the allocation of resources, gave overall consideration to liquidity, risk management and performance indicators, and dynamically determined the optimal asset-liability portfolios; continued to pay attention to liquidity security for better liquidity management, adhered to the compliance bottom line, strengthened credit risk monitoring and early warning, and maintained stable asset quality. During the reporting period, the Bank conducted business cooperation with nearly 4,000 financial institution customers, continuously deepening the ecosystem construction of financial institution customers.

3. Asset management

The Bank gave full play to the brand advantages of "Sunshine Wealth Management" which has a history of 20 years, placed investors in the center to do service planning, continuously enriched the "Colorful Sunshine" wealth management product system, issued customized products for different customer groups, optimized product investment experience, and realized "24/7" sales for some wealth management products. The Bank promoted the construction of production-research-investment systematic investment structure, the self-research and landing of company-level intelligent investment platform, and the completion of the investment and research system cluster construction.

Through the digital transformation of investment and research, the Bank enhanced asset management capabilities, optimized asset allocation, and achieved stable product performance, comparable among peers. The Bank strengthened efforts to serve the real economy and national strategies, further promoted the "stock option" business model for technology enterprises, which is an investment-loan linkage business model, deepened the whole-chain enterprise service of REITs, and conducted capital market business in a diversified manner. The Bank adhered to compliance management and risk prevention, completed the construction of internal control matrix, and promoted the iterative progress of risk management concepts, strategies and mechanisms. As at the end of the reporting period, the balance of the Bank's non-principal-guaranteed wealth management products amounted to RMB1,490,168 million. Among these, the balance of net-worth wealth management products amounted to RMB1,463,055 million, accounting for 98.18%, and the issuance amount of non-principal-guaranteed wealth management products amounted to RMB1.84 trillion, generating RMB16,184 million of returns for investors.

4. Asset custody

The Bank gave full play to the role of the custody platform, collaboratively built an ecosystem for financial institution customers, continued to expand the scale of custody, and increased the income of custody. By promoting the brand of "Everbright Custody", the Bank created greater value, fully tapped market demands, actively innovated products, adhered to the customer-centered philosophy, and built itself into a custody bank with a full range of product types. The Bank continued to develop the featured pension business to serve pension finance. As at the end of the reporting period, the scale of pension custody was nearly RMB430,000 million, an increase of 9.13%. The Bank accelerated the application of financial technology, promoted digital transformation, and improved the capabilities of clearing, accounting, investment supervision, research and other services. CEB Hong Kong Branch successfully launched the first QDII product with the first order done, promoted the development of cross-border custody business, and accelerated the international expansion of "Everbright Custody". The Bank strengthened the internal control management of risk compliance, and ensured secure, continuous and stable operation of various businesses. During the reporting period, the Bank's asset custody business realized an after-tax income of RMB787 million.

XIII. BUSINESS INNOVATION

The Bank continued to improve the construction of innovation management system, controlled the risks of innovation projects, strengthened innovation guidance and incentives under the premise of regulatory compliance, and made best efforts in the approval, supervision and closure of innovation projects. In order to promote the development of the cooperate banking, retail banking, financial market business and other sectors, the Bank selected the annual innovation and development awards and set up five categories of awards under the guidance of "Serving Five Target Areas", including product/service, management, technology, external innovation demonstration, and innovation & creativity, to encourage the emergence of outstanding innovative achievements.

XIV. FINANCIAL TECHNOLOGY

With fintech as the production tool, data as the production factor, and business middle office, data middle office and technology middle office as the support, the Bank actively promoted the deep integration of business and technology, carried out the construction of strategic key technological projects, promoted data governance and value creation of data assets, promoted the large-scale application of innovative technologies, and promoted the improvement of core technologies and independent capabilities, so as to achieve the strategic objectives in an all-round way.

The Bank continued to improve the technological input-output efficiency, and strengthened the building of technology teams. As at the end of the reporting period, the Bank invested RMB2,108 million in technology, and had 3,721 technology personnel, an increase of 36 over the end of the previous year, accounting for 8.08% of the Bank's employees.

The Bank optimized the mechanism of technological innovation, and made outstanding achievements in technological innovation projects. During the reporting period, 11 patents were granted in terms of block chain, network security protocol, data management and storage structure, and 385 systems such as "Anwo Database Text Pump Software" and "Third Generation Social Security Card System" were granted computer software copyright certificates.

The Bank ensured security during important periods, organized network security, operational security and data security inspection activities, and completed the formulation of unified routine exercise plan for the financial industry organized by the People's Bank of China in 2024, so as to prepare for immediate switch from one data center to the other upon request. During the reporting period, the information system of the Bank was operated steadily and there was no major security incident.

Column 2: Releasing the value of data elements and developing new quality productive forces

The Bank actively played the role of data as the basic resource and the innovation engine to better realize data value and empower the development of the real economy.

I. Making full use of data elements, strengthening the integration of data resources inside and outside the bank, and enabling business development and risk prevention and control

Data application is the basis and prerequisite for data materialization and value release. As at the end of the reporting period, the Bank introduced a total of 150 external data items, including risk control, industrial and commercial administration, and taxation, to strengthen the full integration and application of internal and external data under the premise of compliance with laws and regulations and ensuring data security. The Bank strengthened data application in credit risk assessment, transaction fraud identification, precision marketing, supply chain finance, operation optimization, intelligent investment, quantitative investment and research, risk-based pricing, financial anti-fraud, anti-money laundering and other scenarios, and effectively improved the level of financial services and risk resistance. The Bank actively cultivated the data awareness and data culture in the whole company, trained data analysts, and strengthened the ability of data analysis application and data product development. A total of 14,498 people participated in the data analyst training and 3,506 people participated in the data analyst examination. During the reporting period, 4,235 people participated in the training and 1,350 people participated in the data analyst examination, of which 1,018 people obtained the data analyst qualification.

II. Strengthening theoretical research on data elements, closely following the direction of national policies, and publishing group standards for data asset valuation

The Bank continued to carry out theoretical research on data elements, and published research results in the fields of data asset valuation, balance sheet entry, factor market ecology, and financial products and services. During the reporting period, the Bank worked with 12 financial banking institutions as the leader to formulate and issue the group standards of the *Guidelines for the Valuation of Data Assets in the Banking Industry*, and put forward the framework for the valuation of data assets, covering key links such as the identification, evaluation, management and value enhancement of data assets, so as to build the valuation system of data assets in China's financial sector, providing a reference for commercial banks to quantify the value of data assets and improve the level of fine management of data assets. In the future, the Bank will continue to research on the value evaluation system of data assets for enterprises and apply it to the credit financing business scenarios of data assets of commercial banks.

III. Promoting the innovation of data elements to serve the "Five Target Areas" and carrying out the credit financing business of data assets

The Bank cooperated extensively with local governments and data trading institutions, aiming at data element enterprises with light assets and high innovation characteristics, fully considered their data asset quality, compliance, risk, market, scale and other dimensions, established enterprise data asset valuation model, formulated corresponding risk mitigation measures, and provided credit financing services for enterprises. The Bank successively released products such as Guiyang Data Asset Loan ("Gui Shu Dai") and Sunshine Data Asset Business Loan, and released Chaoyang Data Asset Financing Product ("Chao Shu Rong") in cooperation with the Chaoyang District Government of Beijing Municipality and the Beijing Big Data Exchange, providing financial services for data business enterprises. As at the end of the reporting period, 15 data asset credit enhancement businesses were launched in 11 branches including Beijing, Shanghai, Shenzhen and Guiyang Branches, with a cumulative credit amount of over RMB100 million, of which 7 were issued in the first half of the year with a credit amount of over RMB50 million.

IV. Constructing the basic system of data elements, promoting the practice of data resources entering the balance sheet, and efficiently using and managing data resources

In accordance with the requirements of the *Rules on the Accounting Treatment of Enterprise Data Resources (Provisional)* issued by the Ministry of Finance of China, the Bank clarified the overall working principles for the entry of data resources into the balance sheet. First, strictly complying with the relevant requirements of the law and regulations on accounting and bookkeeping in a pragmatic and effective manner; second, starting from the easiest to the most difficult, and gradually promoting the entry of data resources with clearer measurement in external procurement and internal development into the financial statement; third, summing up experience, forming mechanisms, establishing operable working mechanisms and methods, and ensuring the sustainable development of data resources. As at the end of the reporting period, the Bank completed the sorting and checking of the data resources obtained from external procurement and some internally developed algorithm models, and established judgment standards as well as business policies.

Management Discussion and Analysis

XV. INVESTMENT

i. External equity investment

As at the end of the reporting period, the balance of the Bank's material external equity investments was RMB13,233 million, on par with that of the previous year.

ii. Major equity investment

Unit: RMB10,000, 10,000 shares,%

Investee	Principal business	Investment amount	Number of shares	Shareholding percentage	Profit or loss in the reporting period	Partner
Everbright Financial Leasing Co., Ltd.	Financial leasing	468,000	531,000	90	99,649	Hubei Port Group Co., Ltd., Wuhan Rail Transit Construction Co., Ltd.
Everbright Wealth Management Co., Ltd.	Wealth management	500,000	–	100	92,895	Nil
Beijing Sunshine Consumer Finance Co., Ltd.	Personal consumer finance	60,000	60,000	60	6,208	China CYTS Tours Holding Co., Ltd., O-Bank Co., Ltd
CEB International Investment Corporation Limited	Investment banking	HKD2,600 million	–	100	HKD3.22 million	Nil
China Everbright Bank (Europe) S.A.	Fully-licensed banking business	EUR20 million	–	100	EUR0.87 million	Nil
Shaoshan Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	244	Sany Group Co., Ltd., Guangzhou Baoli Hetai Financial Holding Co., Ltd., Changsha Tongcheng Holding Co., Ltd., Shaoshan Urban Construction Investment Co., Limited
Jiangsu Huai'an Everbright Rural Bank Co., Ltd.	Commercial banking	7,000	7,000	70	205	Jiangsu East Goldfox Fashion Co., Ltd., Huai'an Hongyun Municipal Co., Ltd., Nanjing Mengdu Tobacco Packaging Co., Ltd., Huai'an Honghuai Agricultural Industry Development Co., Ltd.
Jiangxi Ruijin Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	722	Ruijin Cultural Tourism Development Investment Co., Ltd., Ruijin Hongdu Aquatic Product Food Co. Ltd., Ruijin Shitong Driver Training School Co., Ltd., Ruijin Lvyexuan Forestry Co., Ltd.
China UnionPay Co., Ltd.	Bank card clearing	9,750	255,000	2.56	824,800	Other commercial banks, etc.
National Financing Guarantee Fund Co., Ltd.	Re-guarantee	100,000	–	1.51	–	20 shareholders including MOF, China Development Bank, Industrial and Commercial Bank of China, China Merchants Bank, China Life, etc.

Notes:

1. All the above-mentioned material equity investments were made with unquoted equity.

2. All the above-mentioned material equity investments were long-term investments.

3. All the above-mentioned material equity investments were in the form of new establishment.

4. All the above-mentioned material equity investments were completed.

5. All the above-mentioned material equity investments were not subject to any litigation.

iii. There was no material non-equity investment and the Bank conducted bond investment in the ordinary and usual course of business. Please refer to the aforementioned for details.

iv. Financial assets designated at fair value during the reporting period

The Bank held domestic and overseas bonds and financial derivative instruments measured at fair value in the ordinary and usual course of business. For more details, please refer to the "Notes to the Unaudited Condensed Consolidated Financial Statements".

XVI. DURING THE REPORTING PERIOD, THERE WAS NO ACQUISITION OR DISPOSAL OF MATERIAL EQUITY OF THE BANK.

XVII. MAJOR COMPANIES IN WHICH THE BANK HELD EQUITY

i. Everbright Financial Leasing Co., Ltd.

Established in May 2010, the company engages in financial leasing business. It was registered in Wuhan City, Hubei Province with a registered capital of RMB5,900 million. During the reporting period, the company adhered to the original mission of serving the real economy, gave full play to the features of industry-finance integration and fund-assets combination, formed certain brand advantages in professional fields such as aviation, shipping, vehicles and new energy, and actively expanded new infrastructure, new materials, high-end manufacturing and other emerging national strategic areas. It provided customers with comprehensive, high-quality and efficient operating leasing and financial leasing services with a nationwide business network. As at the end of the reporting period, its total assets and net assets were RMB127,557 million and RMB15,805 million, respectively. It realized a net profit of RMB996 million for the reporting period.

ii. Everbright Wealth Management Co., Ltd.

Founded in September 2019, the company specializes in asset management related businesses such as the issuance of publicly-offered wealth management products, the issuance of privately-offered wealth management products, and wealth management advisory and consultation. It was registered in Qingdao City, Shandong Province with a registered capital of RMB5 billion. During the reporting period, the company adhered to the investor-centered approach, continued to enrich the "Colorful Sunshine" product spectrum, optimized product investment experience, provided diversified investment options and accompanying services, enhanced multi-asset and multi-strategy investment and research capabilities, strengthened efforts to serve the real economy and national strategies, and continued to create stable returns for investors. As at the end of the reporting period, its total assets under management, total assets and net assets were RMB1,490,168 million, RMB11,528 million and RMB10,991 million, respectively. It realized a net profit of RMB929 million during the reporting period.

iii. Beijing Sunshine Consumer Finance Co., Ltd.

Founded in August 2020, the company specializes in businesses related to personal consumer loan granting. It was incorporated in Beijing with a registered capital of RMB1 billion. During the reporting period, the company focused on people's livelihood and serve the real economy through inclusive finance, optimized and improved the product system, and enhanced the ability of independent risk control. As at the end of the reporting period, its total assets and net assets were RMB10,440 million and RMB1,381 million, respectively. It realized a net profit of RMB62 million for the reporting period.

iv. CEB International Investment Corporation Limited

Registered with a capital of HKD2,600 million in Hong Kong in June 2015, the company was licensed for securities trading, securities consultation, financing consultation and asset management business. During the reporting period, the company focused on developing such investment banking businesses as listing sponsorship and underwriting, public offering and placement of new shares by listed companies, and enterprise refinancing. As at the end of the reporting period, its total assets and net assets were HKD8,771 million and HKD1,521 million, respectively. It realized a net profit of HKD3.22 million for the reporting period.

v. China Everbright Bank (Europe) S.A.

The company was incorporated in Luxembourg in July 2017 with a registered capital of EUR20 million. As a fully-licensed banking institution, it mainly engages in deposit taking, lending, bill issuance, bond issuance and other businesses of credit institutions permitted by the laws in Luxembourg. During the reporting period, it mainly conducted risk participation buying, among other credit businesses. As at the end of the reporting period, its total assets and net assets were EUR179.75 million and EUR20.77 million, respectively. It realized a net profit of EUR0.87 million for the reporting period.

vi. Shaoshan Everbright Rural Bank Co., Ltd.

Founded in September 2009, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Shaoshan City, Hunan Province with a registered capital of RMB150 million. During the reporting period, focusing on serving agriculture, rural areas and rural residents as well as Shaoshan City, it developed businesses for micro and small enterprises, helped boost the growth of county economy, and explored ways to support rural economic development with its financial products and services. As at the end of the reporting period, the rural bank had total assets of RMB841 million and net assets of RMB247 million, and realized a net profit of RMB2.44 million during the reporting period.

vii. Jiangsu Huai'an Everbright Rural Bank Co., Ltd.

Founded in February 2013, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Huai'an City, Jiangsu Province with a registered capital of RMB100 million. During the reporting period, it served agriculture, rural areas and rural residents, expanded businesses for micro and small enterprises, and achieved a steady growth. As at the end of the reporting period, the rural bank had total assets of RMB1,157 million and net assets of RMB140 million, and realized a net profit of RMB2.05 million during the reporting period.

viii. Jiangxi Ruijin Everbright Rural Bank Co., Ltd.

Founded in November 2018, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Ruijin City, Jiangxi Province with a registered capital of RMB150 million. During the reporting period, it explored ways to serve agriculture, rural areas and rural residents, and developed businesses for micro, small and medium enterprises. As at the end of the reporting period, the rural bank had total assets of RMB712 million and net assets of RMB187 million, and realized a net profit of RMB7.22 million during the reporting period.

XVIII. STRUCTURED ENTITIES CONTROLLED BY THE BANK

The structured products controlled by the Group but not recognized in the consolidated financial statements mainly include special asset management plans. For more details, please refer to the "Notes to the Unaudited Condensed Consolidated Financial Statements".

XIX. RISK MANAGEMENT

i. Credit risk management

The Bank continued to deepen unified credit management, strengthened the risk limit management at the consolidated level of the Group, strictly controlled the concentration of loans, implemented stratified management for large credit customers, further optimized the asset portfolio structure, accelerated the resolution of stock risks, and strictly prevented incremental risks. The Bank strengthened risk management and control in key areas, promoted the reform of the credit approval mechanism for corporate customers, optimized the credit limit approval mechanism for group customers, promoted the professional approval of industry committee members, and strengthened the centralized management of the Head Office on customer credit concentration and risk strategy. Giving full play to industry research as the cornerstone and the link, the Bank built a team of adaptive workforce for business and risk research, in a bid to facilitate the commercialization of research outcomes. The Bank accelerated the implementation of the unified credit management platform for corporate customers, gave full play to the role of large models in the process of data mining and information analysis to promote intelligent credit analysis, and accelerate the digital transformation of risk management. The Bank also sorted out the stock of non-performing assets across the bank, sped up problem accountability, delved into the root causes of the formation of non-performing assets, and improved the weak links of the systems and mechanisms to form closed-loop risk management, and raised the risk awareness of all employees.

The Bank persisted in serving the real economy, optimized credit resource allocation, and maintained stable credit growth. Meanwhile, the Bank strengthened financial services for major strategies, key areas and weak links, made best efforts to serve the "Five Target Areas", provided diversified and continuous financial services for technology-based enterprises throughout their life cycle. Seizing the opportunity of equipment renewal and consumer goods replacement, the Bank promoted the integration of green finance and transition finance, and accelerated the online construction of inclusive finance businesses. The Bank firmly implemented the macro prudential management requirements on real estate finance, actively promoted the financing coordination mechanism to achieve actual results, supported the reasonable financing of real estate projects in a precise manner, better met residents' rigid demand for buying their first homes and diversified demand for improving their housing situation, and helped accelerate the construction of a new model of real estate development. Furthermore, the Bank formulated a separate credit plan for small and micro enterprises, and increased credit support for small and micro enterprises and agriculture-related enterprises. It also strengthened financial services for the consumption sector to support the expansion of domestic demand.

The Bank strictly classified assets in an accurate manner so as to disclose risk profile dynamically and objectively. The Bank pursued a prudent and sound provision policy, performing impairment testing and provisioning in line with the new accounting standards for financial instruments. Besides, the Bank improved the whole-process asset quality management mechanism, strengthened portfolio monitoring and penetration risk monitoring for large-value credit customers, and stepped up risk prevention in key areas. It also intensified the disposal of existing non-performing loans, and broadened disposal channels.

Please refer to "Notes to the Unaudited Condensed Consolidated Financial Statements" for more information on credit risk management.

ii. Liquidity risk management

The Bank strictly stuck to the bottom line of liquidity safety, insisted on a prudent concept for liquidity risk management, and adopted an active liquidity management strategy, in a bid to maintain liquidity at an adequate and stable level. In response to the changes in economic and financial situations at home and abroad, the Bank positively responded to the challenges in operating environment, made forward-looking evaluation and strategic planning, and made overall planning for taking diversified liabilities. The Bank regularly conducted stress testing and emergency plan assessment, strictly controlled liquidity risk limits to properly balance liquidity, security and benefits, further improved its consolidated management governance system, and enhanced the risk resistance capacity of the Group.

Please refer to "Notes to the Unaudited Condensed Consolidated Financial Statements" for more information on liquidity risk management.

iii. Market risk management

The Bank closely followed the international political and economic situation as well as the domestic and overseas markets, and conducted forward-looking research and management on interest rate risk, exchange rate risk and commodity risk. The Bank established a market risk management system covering all aspects of market risk identification, measurement, monitoring and control, and strengthened the management of market risk limits. It conducted market risk stress testing and improved the testing procedure and result application mechanism. The Bank also effectively implemented various risk prevention and control measures, and ensured the smooth operation of related businesses to prevent potential extreme market risks caused by emergency events.

Please refer to "Notes to the Unaudited Condensed Consolidated Financial Statements" for more information on market risk management.

iv. Large exposures management

In line with the *Measures for the Administration of Large Exposures of Commercial Banks* (Decree No. 1 of CBIRC in 2018), the Bank continuously enhanced large exposures management, orderly carried out work relating to measurement, monitoring and system optimization for large exposures, and thus effectively brought customer concentration risk under control. During the reporting period, all limit indicators for the Bank's large exposures were controlled within the regulatory scope.

v. Country risk management

The Bank established a country risk management system that fits in with its risk profile, carried out regular internal rating of country risk, set country risk limits and monitored them on a regular basis, conducted country risk stress tests, and formulated procedures for handling material risk matters. As at the end of the reporting period, the Bank was granted above investment grades in national and international ratings for country risk exposures. It also accrued adequate country risk provisions in accordance with regulatory requirements.

vi. Operational risk management

The Bank optimized and improved the operational risk management policies and systems in accordance with the new regulations. It strengthened the dynamic identification and monitoring of operational risk management, and collectively used historical loss data for risk prevention, problem tracking, risk disposal and rectification. The Bank paid close attention to regulatory penalties in real time, analyzed and summarized key violation cases, drew lessons from them, and took preventive measures. The Bank carried out the collection of risk cases, strengthened cautionary notification, education and training of common risks in key areas. The Bank conducted operational risk capital measurement under the standardized approach.

Please refer to the "Notes to the Unaudited Condensed Consolidated Financial Statements" for more details on operational risk management.

vii. Compliance risk management

The Bank consistently reduced the number of internal regulations, in order to consolidate the achievements of the "Regulation Implementation Year". It reinforced the inspection of system implementation by focusing on key areas of regulatory concern, and strengthened accountability in a well-conceived, accurate and standardized manner by adopting a problem-oriented approach. Moreover, the Bank continued to improve the construction of corporate lawyer mechanism, and set up a liaison platform between business personnel and corporate lawyers. It carried out the special case prevention activity of "strengthening warning and investigation to promote development", with various case prevention measures implemented and case procedure management perfected. It also re-inspected the authorization of operation and management, improved the quality and effectiveness of related party transaction management, constantly carried out screening and investigation into employees' abnormal fund transactions, and strengthened the management of employee behavior.

viii. Reputational risk management

The Bank attached great importance to the management of reputational risk, regarded maintaining the stability of the Bank's reputation as the overall objective, strengthened policy construction, optimized work flow, enhanced prevention and control capabilities, and improved assessment and supervision. It made unremitting efforts to conduct regular checks, monitoring and early warning of potential reputational risks to prevent and defuse reputational risks from the source. The Bank promoted the combination of reputational risk management and business, products and services, and improved reputational risk response and management capability. During the reporting period, there occurred no material reputational risk event which could seriously endanger the reputation of the Bank.

ix. Money laundering risk management

The Bank earnestly fulfilled various anti-money laundering obligations, continuously improved the anti-money laundering internal control system, initiated the second round self-assessment on institutional money laundering risk, and promoted the anti-money laundering data governance of internal accounts. The Bank improved the customer due diligence mechanism, effectively carried out the monitoring and reporting of large and suspicious transactions, and managed high-risk customers in multiple dimensions. It implemented the rectification of the problems found in the law enforcement inspection made by the People's Bank of China, continued to improve the system, mechanism and procedure, and enhanced the level of money laundering management. In addition, the Bank strengthened the compliance of sanctions and the management of overseas institutions, strictly fulfilled international obligations, and fully implemented the relevant resolutions of the United Nations Security Council.

x. Credit policies in key areas

The Bank continued to strengthen risk prevention in the real estate sector, and adapted to the new changes in the supply-demand relation in the real estate market. The Bank arranged real estate credit in an orderly manner with reference to the "market + security" housing supply system, accelerated the disposal of stock risk projects, and provided supporting financial services for "ensuring timely delivery of pre-sold homes" in order to promote the steady and healthy development of the real estate industry. In terms of corporate banking, the Bank maintained the credit strategy of "core customers, core regions and core areas", provided financing support to the "whitelist" projects under the coordination mechanism in a market-oriented and law-based manner, strictly implemented the requirements of closed management of regulatory funds, and strengthened whole-process risk control. In terms of retail banking, the Bank steadily and orderly implemented the policy requirements of lowering the interest rate of existing mortgage loans, formulated city-specific policies, made adjustments according to local conditions, and implemented differentiated access and mortgage rate management strategies, in a bid to meet residents' expectations for high-quality housing.

XX. OUTLOOK OF THE BANK'S FUTURE DEVELOPMENT

i. Implementation progress of business plan

The Bank stayed committed to serving the real economy and devoted to serving the "Five Target Areas". The scale of deposits and loans continued to grow, the quality of assets was generally controllable, and the overall operation was in line with expectations.

ii. Potential risks and countermeasures

Internationally speaking, the momentum of world economic growth has been sluggish, inflation has shown a downward trend from a high level but still with stickiness, and discrepancies emerge in the economic growth and monetary policy of major economies. Domestically speaking, China's economic operation is generally stable with steady growth, maintaining an upward tendency. The cultivation of new momentum and new advantages is accelerating, high-quality development is making solid progress, and the overall social stability is maintained. At the same time, the adverse effects of changes in the external environment are increasing, domestic effective demand is insufficient, and economic operation shows disparity. Potential risks in key areas are looming, and problems in the transition between new and old momentum arose from time to time. Under the background of fiercer competition in the banking industry, accelerated fintech development, deepened interest rate market reform and continuously heavier downward pressure on deposit and loan spreads all give rise to difficulties in bank asset and liability management, and both the traditional business philosophy and the operation model of commercial banks face major challenges.

The Bank will stay true to the general principle of seeking progress while maintaining stability, focus on its main business and core businesses, and better coordinate the effective improvement of quality and reasonable growth of quantity to promote high-quality development. First, the Bank will vigorously serve the real economy. It will accelerate the strategic transformation that integrates "commercial banking + investment banking + private banking", provide accurate and strong support for major strategies, key areas and weak links, and focus on serving the "Five Target Areas". Second, the Bank will firmly serve people's livelihood. By providing low-cost, wide-coverage and convenient financial products and services in a more market-oriented and sustainable manner, the Bank will help create sustainable returns for urban and rural residents to promote common prosperity. Third, The Bank will focus on improving core competitiveness, strengthen the role of digital transformation in business development as a growth driver, and optimize the allocation of fund resources to better utilize the core coordination role of CEG's comprehensive financial services. Fourth, the Bank will resolutely safeguard financial security by improving the prudent and efficient comprehensive risk management system, strictly abiding by the internal control and compliance policies and perfecting the audit and supervision system, so as to play its stabilizing role as a systemically important bank.

Environmental and Social Responsibilities

I. ENVIRONMENTAL INFORMATION

i. Green finance

1. Green finance policy

The Bank worked hard to fulfill the requirements of meeting the "carbon peaking and carbon neutrality" targets, thoroughly implemented the green development philosophy, and incorporated "green finance" into its development strategy. It bolstered the development of green finance, improved organizational structure and working mechanisms, devised special work plans, and pressed ahead with all work with a focus on customer service system, supporting policies, capacity and team building, green brand construction, ESG and climate risk management. It made unremitting efforts to innovate product and service system, improved supporting policies and resource allocation, constructed the "green finance +" comprehensive service system, and deepened green capacity building, in a bid to facilitate the development of green and low-carbon sectors as well as the green transformation of traditional industries.

2. Green finance performance

The Bank stepped up support for green finance through more credit resource allocation and enriched product spectrum, realizing fast growth in business such as green loans and green bonds. As at the end of the reporting period, the balance of green loans amounted to RMB403,405 million, an increase of RMB89,643 million or 28.57% from the prior year-end. Specifically, loans to the clean energy sector stood at RMB80,762 million, an increase of RMB17,817 million or 28.31% from the end of the previous year, faster than the Bank's average loan growth rate. During the reporting period, the Bank actively underwrote green bonds to support eco-friendly and low-carbon enterprises in gaining access to direct financing, assisted 13 market entities in issuing 14 green bonds with a cumulative underwriting volume of RMB4,048 million, and helped enterprises in new energy vehicles, clean energy power generation and some other sectors to obtain direct financing of RMB19,266 million.

Case 5: Developing green finance with product innovation

The Bank launched loans pledged by pollutant discharge rights. Zhejiang Province, as one of the first pilot provinces for the trading of pollutant discharge rights in China, has been promoting paid use and trading of pollutant discharge rights by improving institutional systems, establishing a unified trading platform and innovating administration mechanisms. For printing and dyeing enterprises, the quota for "pollutant discharge rights" is an essential factor of production. A company based in Shaoxing City, Zhejiang Province, is running comprehensive printing and dyeing business with certain quota to discharge pollutants. As a high-tech SME, the company enjoys prominent competitiveness. The Bank assisted the company in completing procedures such as evaluation, registration and collateralization/pledging of pollutant discharge rights, and approved RMB170 million of loans as circulating capital. The company pledged its pollutant discharge rights as a guarantee for the loan, fully mobilizing its environmental rights assets to ramp up production capacity. The Bank and the company further explored financial cooperation in other aspects of comprehensive finance such as agency payroll service, realizing win-win outcomes for both sides.

The Bank launched "Water-drawing Right Loan", which is a way of financing collateralized by water-drawing rights, aiming at bolstering the green and low-carbon development of the real economy. This product caters to the financing needs of enterprises having legitimate water-drawing rights, and is mainly used to support projects related to the exploitation and utilization, protection, conservation and management of water resources, green de-carbonization, treatment and recycling of production tail water, and treatment and utilization of non-conventional water sources. A paper-making company in Nanjing City, as one of the world's largest copper plate paper manufacturers, has been integrating forestry, pulp-producing and paper-making to bolster sound development in the green circular sector, and is on the list of "National-level Key Water-using Enterprises and Water Efficiency Pioneers" by four ministerial departments of China. Immediately after launching the "Water-drawing Right Loan" in Jiangsu Province, the Bank worked with the company and landed the first business of its kind with RMB20 million granted to the company.

ii. Green operation

The Bank advocated green office practices by formulating standards for the use of water, electricity and other resources to include energy conservation and emission reduction in daily management. It put in place a waste material classification and recycling system, enhanced employees' awareness for energy conservation, and encouraging them to consciously save water, paper and electricity at work. It promoted waste sorting among employees to raise their awareness for waste sorting and help them develop a strong awareness for energy conservation and environmental protection. It fostered an environment for green office practices, and vigorously advocated video conferencing to reduce the consumption of resources in on-site meetings. It promoted digital office practices to reduce the use of paper, and used emails, instant messaging tools and electronic document sharing platforms to lessen the need for printing. Furthermore, it adopted remote working technologies such as video conferencing to reduce travel frequency and cut carbon emissions, and encouraged employees to embrace green travel by opting for low-carbon transportation means for business trips.

iii. Environmental and climate risk management

1. Risk management policy

The Bank highly valued ESG risk management, formulated the *Environmental, Social and Governance Risk Management Policy*, incorporated ESG risk into the comprehensive risk management system, and adhered to basic principles of full coverage, category-specific management and whole-process management. The Bank proactively built a framework for ESG risk management, and defined organizational structure and responsibilities for risk management. The Bank established category-specific management standards, and strictly implemented the "one-vote veto system" for customers with major ESG risks. The Bank standardized the management process, incorporated ESG risk management requirements into all links in credit business such as due diligence, review & approval and post-lending management, and strictly exerted whole-process control.

2. Risk management measures

The Bank strengthened the review of environmental and climate risks, and carefully managed credit access for green projects to prevent problems such as capital idling and "green washing". The Bank strengthened whole-process management for customers' ESG risks, improved functions of the ESG risk modules in the management system, and added ESG risk identification, assessment and management to business links including pre-lending examination, review & approval, contract management, loan granting review and post-lending management. The Bank resolutely implemented the policy of reducing excess industrial capacity by enhancing management of industries with severe overcapacity, heavy energy consumption and emission, and persisted in total amount management and structural adjustment. The Bank actively supported the liquidation of "zombie firms", and adopted credit limit management for industries with serious overcapacity and four-category management for existing customers (supporting, maintaining, reducing and eliminating). Combining both internal and external standards, the Bank put high-carbon labels within the Bank to regularly monitor high-carbon asset concentration and asset quality. The Bank included the impacts of environmental and climate changes on its operations into the scope of management and supervision, in a bid to better take precautions against extreme weather and make emergency responses.

II. INFORMATION ON SOCIAL RESPONSIBILITY FULFILLMENT

i. Consolidation of achievements in lifting people out of poverty

The Bank persisted in promoting effective alignment between the poverty alleviation outcome consolidation and rural revitalization, adhered to the principle that poverty relief responsibilities, policies, support, and oversight shall continue even after a county is removed from the poverty list, and adopted steady credit support policies for poverty-alleviated areas. As at the end of the reporting period, the balance of loans to areas that had been lifted out of poverty amounted to RMB40,881 million, an increase of RMB1,200 million from the beginning of the year. The Bank continued to make donations for paired assistance, with a donation amount of RMB13 million. Through its “Wonderful E-shopping” platform, the Bank helped 296 rural companies in 240 counties in 29 provinces sell about 70,500 pieces of agricultural products, realizing a total sale of RMB5.4481 million. The Bank’s 28 branches undertook paired assistance tasks to help a total of 66 targeted areas and dispatch 69 cadres to villages for paired assistance.

ii. Support for rural revitalization

The Bank proactively implemented the national rural revitalization strategy, stepped up agriculture-related credit support, continued to make efforts in areas such as grain security, and beefed up efforts to bolster county economy. As at the end of the reporting period, the balance of agriculture-related loans amounted to RMB475,165 million, an increase of RMB25,016 million from the beginning of the year; and the balance of inclusive agriculture-related loans stood at RMB34,155 million, an increase of RMB6,481 million from the beginning of the year.

iii. Protection of consumers’ rights & interests

The Bank constantly perfected the work mechanism for the protection of consumers’ rights and interests and took “responsible consumer protection”, “cultural consumer protection” and “intelligent consumer protection” as main pathways to promote high-quality development in the field of financial consumers’ protection. The Board of Directors, the Board of Supervisors and the Senior Management proactively fulfilled their duties in consumer protection, considered and reviewed the annual work plan and the annual audit report on consumer protection, made deployment and offered guidance. A host of events were held, including the “March 15th” Consumers’ Rights and Interests Protection Education and Publicity Campaign, the “May 15th” Investor Protection Awareness Day, the “Financial Knowledge Popularization” Campaign and the “Popularizing Financial Knowledge, Safeguarding Your Wallet” Campaign in June. Furthermore, a series of financial literacy education campaigns featuring “Sunshine Consumer Protection As Your Monthly Companion” were held on a regular basis to disseminate financial knowledge among such disadvantaged groups as rural residents, ethnic minorities and disabled persons. 23,500 education sessions were launched, up 49.55% year on year, reaching 238 million person-times, up 89.93% year on year. The Bank also took solid steps to launch the “12378” hotline service and the complaint-handling channel on WeChat mini program, standardized channels for customer complaint filing, interests coordination, and rights and interests protection, and streamlined complaint handling procedures to enhance efficiency and resolve disputes in a proper way. The Bank promoted elderly-friendly transformation of financial service, with all elderly-friendly facilities at the Bank’s outlets meeting regulatory requirements. The Bank worked hard to build more elderly-friendly outlets to deliver better service to the elderly. The Bank accelerated digital transformation for consumer protection, explored the application of big data and artificial intelligence among other technologies in this regard, improved and upgraded the systems for censorship, complaint management and analysis in an effort to realize higher work quality and efficiency. During the reporting period, the Bank handled 313,526 consumer complaints, mostly related to bank cards (251,187 complaints, accounting for 80.12%), debt collection (32,713 complaints, accounting for 10.43%), and loan business (17,684 complaints, accounting for 5.64%). The top three regions receiving most complaints were Beijing Municipality, Guangdong Province and Fujian Province.

III. GOVERNANCE INFORMATION

The Bank established a sound corporate governance and ESG governance structure with the shareholders' general meetings as the organ of power, the Board of Directors as the decision-making organ, the Board of Supervisors as the supervisory organ and the Senior Management as the executive organ, and an ESG structure consisting of three layers including decision-making, management and execution with the Board of Directors as the decision-making layer, the Social Responsibility/Inclusive Finance Management Committee of the Bank as the management layer, and relevant units as the execution layer.

The Board of Directors and its Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee actively performed their duties in the strategic deployment, decision-making and guidance of ESG work. They worked hard to press ahead with the ESG work, studied and evaluated relevant measures to improve ESG performance, instructed Senior Management to formulate annual ESG work priorities, and heard the MSCI rating report. They attached great importance to the protection of consumers' rights and interests, deliberated on the summary and plan on consumer protection, listening to the evaluation report on the consumer protection work of both the Head Office and branches, and conducted research and analysis on consumer complaints. They made dedicated efforts to work related to the "carbon peaking and carbon neutrality" goals, and heard work reports on carbon peaking, carbon neutrality and green finance. They also helped consolidate the achievenments of poverty alleviation, and deliberated on and approved the *Proposal on Supporting Paired Assistance Through Donations*.

The Senior Management of the Bank promoted the bank-wide fulfillment of environmental and social responsibilities in a coordinated manner, with multiple committees and working groups established to oversee various ESG-related tasks, formulated *the 2024 ESG Work Priorities*, and adopted the new development philosophy featuring innovation, coordination, greenness, openness and sharing to incorporate ESG management into the Bank's development strategy, business management, customer service and product innovation, to prompt the whole bank to gain a deeper understanding of and attach greater importance to ESG concepts. The "1+6C" responsibility model was put in place covering environmental, social and governance dimensions. "1" refers to building a complete set of ESG management system, while "6C" refers to addressing climate change, upholding civil finance, enhancing client experience, creating colleague coherence, engaging in community development and advancing sound corporate governance. Furthermore, work priorities in 14 aspects were specified and 35 work targets were refined. In environmental dimension, the Senior Management reviewed and approved 2 proposals related to green finance, carbon peaking & carbon neutrality, and environmental and climate risk management. In social dimension, 20 proposals were reviewed and approved, covering topics such as boosting the private economy, data asset management, supporting rural revitalization and protecting consumers' rights & interests. In governance dimension, 26 proposals were reviewed and approved, including internal control & compliance, *Employee Code of Conduct*, related party transactions, internal audit and remuneration management.

IV. OTHER INFORMATION

The Bank vigorously developed green finance, supported energy conservation and environmental protection industries, stayed committed to green operation, and carried out environmental protection public welfare activities. The Bank was not on the list of key pollutant discharging units announced by the environmental protection authority, and there occurred no administrative penalty due to environment-related issues.

Significant Events

I. IMPORTANT UNDERTAKINGS AND PERFORMANCE OF UNDERTAKINGS GIVEN BY THE BANK AND THE BANK'S DE FACTO CONTROLLER, SHAREHOLDERS AND OTHER RELATED PARTIES

During the reporting period, the Bank, the Bank's de facto controller and shareholders did not make any new material undertakings. Please refer to the 2023 Annual Report of the Bank for more details.

II. USE OF CAPITAL BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES

During the reporting period, there was no non-operational capital occupation by the controlling shareholder and other related parties of the Bank.

III. MATTERS CONCERNING BANKRUPTCY OR REORGANIZATION

During the reporting period, no bankruptcy or reorganization took place at the Bank.

IV. MATERIAL LITIGATION AND ARBITRATION MATTERS

The Bank was involved in some litigation and arbitration cases during its ordinary and usual course of business, most of which were initiated by the Bank for the purpose of recovering NPLs. During the reporting period, the Bank was not involved in any major sued litigation and arbitration cases. As at the end of the reporting period, the Bank was involved in 192 sued litigation and arbitration cases pending final judgment, which involved about RMB356 million. The above litigation and arbitration cases would not have any significant adverse impact on the financial position or operating performance of the Bank.

V. PENALTY IMPOSED ON THE BANK OR ITS CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

i. During the reporting period, the Bank was not investigated for suspected crimes according to law, and none of its controlling shareholder, de facto controller, Directors, Supervisors and Senior Management was suspected of committing crimes or subject to any compulsory measures taken according to law.

ii. During the reporting period, the Bank, the Bank's controlling shareholder, de facto controller, Directors, Supervisors or Senior Management were not subject to any criminal punishment, investigation by the CSRC for suspected violation of laws and regulations, administrative penalty by the CSRC, or material administrative penalty by other competent authorities.

iii. During the reporting period, none of the Bank's controlling shareholder, de facto controller, Directors, Supervisors or Senior Management was detained by the disciplinary inspection and supervision authorities for suspected serious disciplinary violations or duty-related crimes.

iv. During the reporting period, none of the Bank's Directors, Supervisors or Senior Management was subject to any compulsory measures taken by other competent authorities for suspected violation of laws and regulations.

v. During the reporting period, the Bank, the Bank's controlling shareholder, de facto controller, Directors, Supervisors or Senior Management were not subject to any administrative regulatory measures taken by the CSRC, or disciplinary actions taken by any stock exchange.

VI. CREDIBILITY OF THE BANK, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the reporting period, the Bank, the Bank's controlling shareholder and de facto controller had neither unfulfilled obligations specified in effective court documents nor unpaid significant matured debts.

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

During the reporting period, the Bank and its subsidiaries did not purchase, sell or redeem any listed securities of the Bank (including the sale of treasury shares). As at the end of the reporting period, the Bank did not hold any treasury shares.

VIII. CHANGES IN ACCOUNTING POLICIES

During the reporting period, there was no change in the Bank's accounting policies.

IX. MATTERS CONCERNING CONNECTED TRANSACTIONS OF THE BANK UNDER THE *HONG KONG LISTING RULES*

In accordance with the *Hong Kong Listing Rules*, the transactions between the Bank and its connected persons (as defined in the *Hong Kong Listing Rules*) constitute connected transactions of the Bank. The Bank has monitored and managed these connected transactions in accordance with the *Hong Kong Listing Rules*. The connected transactions that occurred or existed during the reporting period are as follows:

i. Non-exempt connected transactions

1. Verification of transaction limits for connected legal persons to acquire the Bank's non-performing assets

On 30 June 2023, the Bank entered into an agreement with Everbright Jinou Asset Management Co., Ltd. ("Everbright Jinou") and the Bank agreed to verify an accumulative transaction limit of RMB1.5 billion for Everbright Jinou to acquire the Bank's non-performing assets. A single transaction under the limit shall not exceed RMB1.5 billion, and the limit shall be valid for one year from 30 June 2023 to 30 June 2024 (both dates inclusive). Everbright Jinou is a subsidiary of CEG, the Bank's controlling shareholder, and thus constitutes a connected person of the Bank under the *Hong Kong Listing Rules*.

2. Mutual provision of services between connected legal persons

On 29 December 2023, the Bank and CEG entered into a comprehensive service framework agreement, valid from 1 January 2024 to 31 December 2026 (both dates inclusive), pursuant to which services can be provided for each other between the Bank and CEG or CEG's associates or both. To be specific, CEG or CEG's associates or both provide the Bank with insurance services, joint marketing services, product management services, investment services, technology services, product services and comprehensive services, and the Bank provides asset custody services, agency sales services, product management services, investment services, product services and comprehensive services for CEG or CEG's associates or both. CEG is the controlling shareholder of the Bank. Therefore, CEG constitutes a connected person of the Bank under the *Hong Kong Listing Rules*.

ii. Exemptible connected transactions

During the reporting period, a series of connected transactions were carried out between the Bank and its connected persons in the ordinary and usual course of business of the Bank. Pursuant to Chapter 14A of the *Hong Kong Listing Rules,* such connected transactions were exempted from reporting, annual review, announcement and independent shareholders' approval requirements.

X. MATERIAL CONTRACTS AND THEIR PERFORMANCE

i. Significant events relating to material custody, contracting or leasing of other companies' assets, or other companies' material custody, contracting or leasing of the Bank's assets

During the reporting period, apart from routine business, there was no significant event relating to material custody, contracting and leasing of other companies' assets or other companies' material custody, contracting and leasing of the Bank's assets.

ii. Significant guarantee

The provision of guarantee is in the ordinary and usual course of business of the Bank. During the reporting period, the Bank did not enter into any significant guarantee required to be disclosed save for the financial guarantees within its business scope as approved by the PBOC and the former CBIRC or any guarantee contract in violation of laws, administrative regulations and the resolution procedures for external guarantees stipulated by the CSRC.

iii. Other material contracts

During the reporting period, there was no other material contract, and all contracts regarding routine operation were duly performed.

XI. USE OF RAISED PROCEEDS

All the proceeds raised by the Bank in history were used for the purposes disclosed in prospectuses, offering circulars and other documents. The proceeds were used to replenish the Bank's capital, increase capital adequacy ratio, and support the Bank's sustainable and healthy business development. During the reporting period, no proceeds were raised from share allotment, secondary public offering, and preference share issuance and capital debenture issuance.

XII. OTHER SIGNIFICANT EVENTS

i. Increased holdings of the Bank's shares by the controlling shareholder

On 29 March 2024, CEG, the controlling shareholder of the Bank, increased holdings of the 64,321,400 A-shares of the Bank through centralized bidding via the system of Shanghai Stock Exchange (SSE), accounting for 0.11% of the Bank's total share capital. Under certain market circumstances, CEG plans to continue to increase holdings of the Bank's shares within the coming 12 months, with cumulative increase in holdings amounting to not less than RMB400 million (inclusive) and not more than RMB800 million (inclusive).

ii. Completion of profit distribution for 2023

On 27 June 2024, the 2023 Annual General Meeting of the Bank deliberated and approved the profit distribution plan for 2023, and distributed cash dividends among all its ordinary shareholders at RMB1.73 (before tax) per 10 shares. As at the disclosure date of this report, all the cash dividends totaling RMB10,222 million had been distributed.

XIII. SIGNIFICANT EVENTS OF SUBSIDIARIES

i. Everbright Financial Leasing Co., Ltd.

In June 2024, the company distributed cash dividends of RMB200 million to all shareholders. During the reporting period, the company was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty.

ii. Jiangxi Ruijin Everbright Rural Bank Co., Ltd.

In June 2024, the company distributed cash dividends of RMB2.7786 million to all shareholders. During the reporting period, the company was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty.

iii. Other subsidiaries

During the reporting period, other subsidiaries of the Bank including Everbright Wealth Management Co., Ltd., Beijing Sunshine Consumer Finance Co., Ltd., CEB International Investment Corporation Limited, China Everbright Bank (Europe) S.A., Shaoshan Everbright Rural Bank Co., Ltd. and Jiangsu Huai'an Everbright Rural Bank Co., Ltd. neither did any profit distribution, nor got involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty.

XIV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

There occurred no subsequent event after the balance sheet date at the Bank.

XV. REVIEW OF INTERIM RESULTS

KPMG had reviewed the Bank's interim financial statements, which were prepared in accordance with the IFRS and the disclosure requirements prescribed in the *Hong Kong Listing Rules*. The Board of Directors of the Bank and its Audit Committee had reviewed and approved the interim performance results and financial statements of the Bank for the six months ended 30 June 2024.

XVI. PUBLICATION OF INTERIM REPORT

The Chinese and English versions of this Interim Report prepared by the Bank in accordance with the IFRS and the *Hong Kong Listing Rules*, are available at the websites of the HKEXnews and the Bank. In case of any ambiguity in understanding of the Chinese and English versions of this Interim Report, the Chinese version shall prevail.

Changes in Ordinary Share Capital and Shareholders

I. CHANGES IN SHARES

Unit: Share, %

	31 December 2023 Number of shares	31 December 2023 Percentage	Changes during the reporting period	30 June 2024 Number of shares	30 June 2024 Percentage
I. Shares subject to restrictions on sales	–	–	–	–	–
Shares held by state-owned legal persons	–	–	–	–	–
II. Shares not subject to restrictions on sales	59,085,551,061	100.00	–	59,085,551,061	100.00
1. RMB-denominated ordinary shares	46,406,815,561	78.54	–	46,406,815,561	78.54
2. Overseas listed foreign shares	12,678,735,500	21.46	–	12,678,735,500	21.46
III. Total shares	59,085,551,061	100.00	–	59,085,551,061	100.00

II. NUMBER OF SHAREHOLDERS

Unit: Shareholder

	A Shares	H Shares
Total number of shareholders as at the end of the reporting period	180,011	825

III. CONFIRMATION OF COMPLIANCE WITH THE REQUIREMENT OF SUFFICIENCY OF PUBLIC FLOAT UNDER THE *HONG KONG LISTING RULES*

Based on publicly available information and to the knowledge of the Directors, as at 30 June 2024, the Bank had maintained the minimum public float as required by the *Hong Kong Listing Rules* and the waiver granted by SEHK at the time of its listing.

IV. SHAREHOLDING OF TOP TEN SHAREHOLDERS

Unit: Share, %

Name of shareholder	Nature of shareholder	Change in the reporting period	Class of shares	Number of shares held	Shareholding percentage	Number of shares pledged/ marked/frozen
China Everbright Group Ltd.	State-owned legal person	64,321,400	A shares	24,292,134,841	41.11	–
		–	H shares	1,782,965,000	3.02	–
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	-82,220	H shares	5,238,257,070	8.87	Unknown
Including: Ocean Fortune Investment Limited	Overseas legal person	–	H shares	1,605,286,000	2.72	–
Overseas Chinese Town Holdings Company	State-owned legal person	–	H shares	4,200,000,000	7.11	–
China CITIC Financial Asset Management Co., Ltd.	State-owned legal person	–	A shares	4,184,682,388	7.08	–
China Everbright Limited	Overseas legal person	–	A shares	1,572,735,868	2.66	–
China Life Reinsurance Company Ltd.	State-owned legal person	–	H shares	1,530,397,000	2.59	–
Hong Kong Securities Clearing Company Limited	Overseas legal person	338,882,561	A shares	1,097,987,616	1.86	–
China Securities Finance Corporation Limited	State-owned legal person	–	A shares	989,377,094	1.67	–
China Reinsurance (Group) Corporation	State-owned legal person	–	A shares	413,094,619	0.70	–
		–	H shares	376,393,000	0.64	–
Shenergy (Group) Co., Ltd.	State-owned legal person	–	A shares	766,002,403	1.30	–

Changes in Ordinary Share Capital and Shareholders

Notes:

1. As at the end of the reporting period, all other ordinary shares of the Bank were not subject to restrictions on sales.

2. As at the end of the reporting period, the total number of H shares of the Bank held by the Hong Kong Securities Clearing Company Nominees Limited acting as the nominee for all institutional and individual investors that maintain an account with it was 5,238,257,070 H shares. Among them, 1,605,286,000, 282,684,000 and 172,965,000 H shares of the Bank were held by Ocean Fortune Investment Limited, China Life Reinsurance Company Ltd. and CEG, respectively. The number of remaining H shares of the Bank held under it was 3,177,322,070 H shares.

3. The Bank was aware that, as at the end of the reporting period, China Everbright Limited is a subsidiary indirectly controlled by CEG. China Life Reinsurance Company Ltd. is a wholly-owned subsidiary of China Reinsurance (Group) Corporation. COSCO Shipping (Shanghai) Investment Management Co., Ltd. and Ocean Fortune Investment Limited are both subsidiaries indirectly controlled by China COSCO Shipping Corporation Limited. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above shareholders.

4. As at the end of the reporting period, Hong Kong Securities Clearing Company Limited held the 1,097,987,616 A shares of the Bank designated by and on behalf of others as the nominee, including shares under the Shanghai Stock Connect held by Hong Kong and overseas investors.

5. The Bank had no special repurchase account. There was no delegation, entrustment or abstention of voting rights. No strategic investors or general legal persons became top ten shareholders due to right issue. There was no difference in voting right arrangement.

6. As at the end of the reporting period, the top ten shareholders neither lent any shares of the Bank to engage in refinancing business nor held any shares of the Bank using credit accounts.

V. SUBSTANTIAL SHAREHOLDERS

i. Controlling shareholder

As the Bank's controlling shareholder, CEG directly and indirectly holds 47.30% of the Bank's shares. The controlling shareholder of CEG is CHI with 63.16% shareholding. The shares of the Bank held by the company were not pledged, marked or frozen.

ii. Substantial shareholders holding more than 5% shares of the Bank

1. Overseas Chinese Town Holdings Company ("OCT Group") directly holds 7.11% shares of the Bank. As one of the Bank's substantial shareholders, the company's controlling shareholder is the State-owned Assets Supervision and Administration Commission of the State Council of China with 90% shareholding. The shares of the Bank held by the company were not pledged, marked or frozen.

2. China CITIC Financial Asset Management Co., Ltd. directly holds 7.08% shares of the Bank. As one of the Bank's substantial shareholders, the company's substantial shareholders are CITIC Group with 26.46% shareholding, MOF with 24.76% shareholding, and Zhongbao Rongxin Private Equity Fund Management Co., Ltd. with 18.08% shareholding. The shares of the Bank held by the company were not pledged, marked or frozen.

iii. Other substantial shareholders under regulatory standards

In accordance with the *Interim Measures for Equity Management of Commercial Banks* (Decree No. 1 of CBRC in 2018), substantial shareholders of the Bank also include:

1. China COSCO Shipping Corporation Limited ("COSCO Shipping") indirectly holds a total of 3.94% shares of the Bank through its subsidiaries COSCO Shipping (Shanghai) Investment Management Co., Ltd. and Ocean Fortune Investment Limited and dispatches a director (designate) to the Bank, thus imposing a substantial influence on the Bank. The controlling shareholder of COSCO Shipping is the State-owned Assets Supervision and Administration Commission of the State Council of China with 90% shareholding. The shares of the Bank held by the two companies above were not pledged, marked or frozen.

2. China Reinsurance (Group) Corporation directly and indirectly holds 3.93% shares of the Bank and dispatches a director to the Bank, thus imposing a substantial influence on the Bank. Its controlling shareholder is CHI with 71.56% shareholding. The shares of the Bank held by the company were not pledged, marked or frozen.

3. Shenergy (Group) Co., Ltd. directly holds 1.30% shares of the Bank and dispatches a supervisor to the Bank, thus imposing a substantial influence on the Bank. Its controlling shareholder is Shanghai Municipal State-owned Assets Supervision and Administration Commission, with 100% shareholding. The shares of the Bank held by the company were not pledged, marked or frozen.

iv. Related party transactions with substantial shareholders

In accordance with the *Interim Measures for Equity Management of Commercial Banks*, the Bank had treated about 2,200 enterprises as related parties, including the above-mentioned substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries. During the reporting period, the Bank entered into 19 related party transactions with 19 related parties, with the approved amount totaling about RMB88.518 billion. The above-mentioned related party transactions had been reported to the Board of Directors and its Related Party Transaction Control Committee for approval or filing in accordance with relevant procedures.

VI. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS

As at the end of the reporting period, as far as Directors and Supervisors of the Bank were aware, the following persons or corporations (excluding Directors, Supervisors or Chief Executives of the Bank) had interests or short positions in the shares or underlying shares of the Bank as recorded in the register of interests in shares and short positions required to be kept under section 336 of the *Securities and Futures Ordinance of Hong Kong* ("*HKSFO*"), or which were required to be notified to the Bank:

Name of substantial shareholder	Class of shares	Type of interest	Long/ short position	Number of shares	Percentage of relevant shares in issue (%)[4,5]	Percentage of the total issued shares (%)[4,5]
China COSCO Shipping Corporation Limited[1]	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	2.72
China Shipping (Group) Company[1]	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	2.72
COSCO Shipping Financial Holdings Co., Limited[1]	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	2.72
Ocean Fortune Investment Limited[1]	H shares	Beneficial owner	Long	1,605,286,000	12.66	2.72
Central Huijin Investment Ltd.[2]	H shares	Interest of controlled corporation	Long	3,773,385,000	29.76	6.39
China Everbright Group Ltd.[2]	H shares	Beneficial owner/ Interest of controlled corporation	Long	1,866,595,000	14.72	3.16
China Reinsurance (Group) Corporation[2]	H shares	Beneficial owner/ Interest of controlled corporation	Long	1,906,790,000	15.04	3.23
China Life Reinsurance Company Ltd.[2]	H shares	Beneficial owner	Long	1,530,397,000	12.07	2.59
Overseas Chinese Town Holdings Company	H shares	Beneficial owner	Long	4,200,000,000	33.13	7.11
China Everbright Group Ltd.[3]	A shares	Beneficial owner/ Interest of controlled corporation	Long	26,081,426,867	56.20	44.14
Central Huijin Investment Ltd.[3]	A shares	Interest of controlled corporation	Long	27,110,850,486	58.42	45.88
China CITIC Financial Asset Management Co., Ltd.	A shares	Beneficial owner	Long	4,184,682,388	9.02	7.08

Changes in Ordinary Share Capital and Shareholders

Notes:

1. Ocean Fortune Investment Limited directly holds a long position in 1,605,286,000 H shares of the Bank. As far as the Bank was aware, Ocean Fortune Investment Limited is wholly owned by COSCO Shipping Financial Holdings Co., Limited, which is wholly-owned by China Shipping (Group) Company. And China Shipping (Group) Company is wholly-owned by China COSCO Shipping Corporation Limited. In accordance with the *HKSFO*, China COSCO Shipping Corporation Limited, China Shipping (Group) Company and COSCO Shipping Financial Holdings Co., Limited are all deemed to have interests in the 1,605,286,000 H shares held by Ocean Fortune Investment Limited.

2. China Life Reinsurance Company Ltd. directly holds a long position in 1,530,397,000 H shares of the Bank. China Reinsurance (Group) Corporation directly holds a long position in 376,393,000 H shares of the Bank. CEG directly holds a long position in 1,782,965,000 H shares of the Bank. China Everbright Holdings Company Limited directly holds a long position in 83,630,000 H shares of the Bank. As far as the Bank was aware, China Life Reinsurance Company Ltd. is wholly-owned by China Reinsurance (Group) Corporation, while 71.56% of the issued share capital of China Reinsurance (Group) Corporation is held by CHI. China Everbright Holdings Company Limited is wholly-owned by CEG, while 63.16% of the issued share capital of CEG is held by CHI. In accordance with the *HKSFO*, China Reinsurance (Group) Corporation is deemed to have interests in the 1,530,397,000 H shares held by China Life Reinsurance Company Ltd., while CEG is deemed to have interests in the 83,630,000 H shares held by China Everbright Holdings Company Limited. Therefore, CHI is deemed to indirectly have interests in a total of 3,773,385,000 H shares of the Bank.

3. CEG directly holds a long position in 24,292,134,841 A shares of the Bank, and is deemed to indirectly hold a long position in a total of 1,789,292,026 A shares of the Bank through its subsidiaries as follows:

   (1) China Everbright Limited directly holds a long position in 1,572,735,868 A shares of the Bank.

   (2) Meiguang Enyu (Shanghai) Properties Company Limited directly holds a long position of 148,156,258 A shares of the Bank.

   (3) China Everbright Investment and Assets Management Co., Ltd. directly holds a long position of 8,000,000 A shares of the Bank.

   (4) Everbright Financial Holding Asset Management Co., Ltd. directly holds a long position of 60,399,900 A shares of the Bank.

   Therefore, CEG directly and indirectly holds a long position of 26,081,426,867 A shares of the Bank in total.

   China Reinsurance (Group) Corporation and Central Huijin Asset Management Ltd. directly hold a long position of 413,094,619 and 616,329,000 A shares of the Bank, respectively. As far as the Bank was aware, CHI held 100%, 71.56% and 63.16% of the issued share capital of Central Huijin Asset Management Ltd., China Reinsurance (Group) Corporation and CEG, respectively. In accordance with the *HKSFO*, CHI is deemed to hold a long position in 616,329,000 A shares held by Central Huijin Asset Management Ltd., a long position in 413,094,619 A shares held by China Reinsurance (Group) Corporation, and a long position in 26,081,426,867 A shares held by CEG. Therefore, CHI indirectly holds a long position in a total of 27,110,850,486 A shares of the Bank.

4. As at 30 June 2024, the issued share capital of the Bank was 59,085,551,061 shares, including 46,406,815,561 A shares and 12,678,735,500 H shares.

5. The percentage of shareholdings is rounded to two decimal places.

6. The data disclosed above is based on the information provided on the website of HKEXnews and the information obtained by the Bank as at the end of the reporting period.

Save as disclosed above, as at the end of the reporting period, the Bank had not been notified by any person who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank under Divisions 2 and 3 of Part XV of the *HKSFO*, or which were recorded in the register of interests in shares and short positions required to be kept by the Bank under section 336 of the *HKSFO*.

VII. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS

As at the end of the reporting period, as far as Directors and Supervisors of the Bank were aware, none of Directors, Supervisors and Chief Executives of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its relevant corporations (as defined in the *HKSFO*) which were recorded in the register of interests in shares and short positions required to be kept by the Bank under section 352 of the *HKSFO*, or which were required to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the *HKSFO*, or which were required to be notified to the Bank and SEHK pursuant to the *Model Code*. None of Directors, Supervisors and Chief Executives of the Bank was granted a right to acquire any interest in the shares or debentures of the Bank or any of its relevant corporations.

Changes in Preference Share Capital and Shareholders

I. ISSUANCE AND LISTING OF PREFERENCE SHARES

During the reporting period, the Bank did not issue or list any new preference shares, and all the existing preference shares were listed on the SSE Comprehensive Business Platform for trading.

II. TOTAL NUMBER OF PREFERENCE SHAREHOLDERS AND SHAREHOLDINGS OF TOP TEN PREFERENCE SHAREHOLDERS

i. Everbright P1 (Code: 360013)

Unit: Shareholder, Share, %

Total number of shareholders as at the end of the reporting period				22		
Name of shareholder	Nature of shareholder	Change in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Type of shares	Number of shares pledged/ marked/ frozen
Hwabao Trust Co., Ltd.	Others	–	32,400,000	16.20	Domestic preference shares	–
Everbright Securities Asset Management Co., Ltd.	Others	-600,000	24,200,000	12.10	Domestic preference shares	–
Bosera Asset Management Co., Limited	Others	–	15,500,000	7.75	Domestic preference shares	–
BOCOM Schroders Asset Management Co., Ltd.	Others	–	15,500,000	7.75	Domestic preference shares	–
BOC International (China) Co., Ltd.	Others	-900,000	14,510,000	7.26	Domestic preference shares	–
Jiangsu International Trust Corporation Limited	Others	–	11,640,000	5.82	Domestic preference shares	–
Ping An Property & Casualty Insurance Company of China, Ltd.	Others	–	10,000,000	5.00	Domestic preference shares	–
Ping An Life Insurance Company of China, Ltd.	Others	–	10,000,000	5.00	Domestic preference shares	–
China Resources SZITIC Trust Co., Ltd.	Others	1,041,860	9,191,000	4.60	Domestic preference shares	–
CITIC Securities Co., Ltd.	Others	504,500	8,254,500	4.13	Domestic preference shares	–

Note:

Everbright Securities Asset Management Co., Ltd. is a related party of CEG and China Everbright Limited. Ping An Property & Casualty Insurance Company of China, Ltd. and Ping An Life Insurance Company of China, Ltd. are related parties. CITIC Securities Co., Ltd. and China CITIC Financial Asset Management Co., Ltd. are related parties. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above preference shareholders, as well as between the above preference shareholders and the top ten ordinary shareholders.

Changes in Preference Share Capital and Shareholders

ii. Everbright P2 (Code: 360022)

Unit: Shareholder, Share, %

Total number of shareholders as at the end of the reporting period					24	
Name of shareholder	**Nature of shareholder**	**Change in shareholding during the reporting period**	**Number of shares held**	**Percentage of shareholding**	**Type of shares**	**Number of shares pledged/ marked/ frozen**
China Resources SZITIC Trust Co., Ltd.	Others	2,970,000	18,260,000	18.26	Domestic preference shares	–
AVIC Trust Co., Ltd.	Others	–	16,470,000	16.47	Domestic preference shares	–
China Everbright Group Ltd.	State-owned legal person	–	10,000,000	10.00	Domestic preference shares	–
China Life Insurance Company Limited	Others	–	8,180,000	8.18	Domestic preference shares	–
Postal Savings Bank of China Co., Ltd.	Others	–	7,150,000	7.15	Domestic preference shares	–
BOCOM Schroders Asset Management Co., Ltd.	Others	–	6,640,000	6.64	Domestic preference shares	–
Bosera Asset Management Co., Limited	Others	–	5,210,000	5.21	Domestic preference shares	–
Everbright Securities Asset Management Co., Ltd.	Others	347,000	5,177,000	5.18	Domestic preference shares	–
CITIC Wealth Management Corporation Limited	Others	-347,000	3,963,000	3.97	Domestic preference shares	–
Guangdong Utrust Co., Ltd.	Others	–	3,270,000	3.27	Domestic preference shares	–

Note:

China Everbright Group Ltd. is the controlling shareholder of the Bank. China Everbright Limited is a subsidiary indirectly controlled by China Everbright Group Ltd. Everbright Securities Asset Management Co., Ltd. is a related party of China Everbright Group Ltd. and China Everbright Limited. CITIC Wealth Management Corporation Limited is a related party of China CITIC Financial Asset Management Co., Ltd. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above preference shareholders, as well as between the above preference shareholders and the top ten ordinary shareholders.

iii. Everbright P3 (Code: 360034)

Unit: Shareholder, Share, %

Total number of shareholders as at the end of the reporting period				26		
Name of shareholder	Nature of shareholder	Change in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Type of shares	Number of shares pledged/ marked/ frozen
Ping An Life Insurance Company of China, Ltd.	Others	–	84,110,000	24.04	Domestic preference shares	–
Everbright Securities Asset Management Co., Ltd.	Others	37,485,000	53,025,000	15.14	Domestic preference shares	–
China Life Insurance Company Limited	Others	–	47,720,000	13.63	Domestic preference shares	–
New China Life Insurance Company Ltd.	Others	–	27,270,000	7.79	Domestic preference shares	–
Ping An Property & Casualty Insurance Company of China, Ltd.	Others	–	18,180,000	5.19	Domestic preference shares	–
CITIC-Prudential Life Insurance Company Limited	Others	–	15,000,000	4.28	Domestic preference shares	–
China Foreign Economy and Trade Trust Co., Ltd.	Others	7,957,500	12,537,500	3.59	Domestic preference shares	–
CCB Trust Co., Ltd.	Others	-8,900,000	11,910,000	3.40	Domestic preference shares	–
CITIC Securities Co., Ltd.	Others	-257,500	10,462,500	3.00	Domestic preference shares	–
Shanghai Guotai Junan Securities Asset Management Co., Ltd.	Others	–	9,090,000	2.60	Domestic preference shares	–
Taiping Life Insurance Co., Ltd.	Others	–	9,090,000	2.60	Domestic preference shares	–

Note:

Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are related parties. Everbright Securities Asset Management Co., Ltd. is a related party of China Everbright Group Ltd. and China Everbright Limited. CITIC-Prudential Life Insurance Company Limited, CITIC Securities Co., Ltd., and China CITIC Financial Asset Management Co., Ltd. are related parties. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above preference shareholders, as well as between the above preference shareholders and the top ten ordinary shareholders.

III. PROFIT DISTRIBUTION FOR PREFERENCE SHARES

On 18 April 2024, as the 16th Meeting of the Ninth Session of the Board of Directors of the Bank approved, the Bank distributed dividends to the shareholders of Everbright P3 at a coupon rate of 4.80% (before tax) with a total amount of RMB1.68 billion (before tax).

On 25 June 2024, as the 18th Meeting of the Ninth Session of the Board of Directors of the Bank approved, the Bank distributed dividends to the shareholders of Everbright P1 at a coupon rate of 4.45% (before tax) with a total amount of RMB890 million (before tax).

On 12 August 2024, as the 18th Meeting of the Ninth Session of the Board of Directors of the Bank approved, the Bank distributed dividends to the shareholders of Everbright P2 shareholders at a coupon rate of 4.01% (before tax) with a total amount of RMB401 million (before tax).

IV. DURING THE REPORTING PERIOD, THERE WAS NO REDEMPTION OF PREFERENCE SHARES OR CONVERSION OF PREFERENCE SHARES INTO ORDINARY SHARES BY THE BANK.

V. DURING THE REPORTING PERIOD, THERE WAS NO VOTING RIGHT RESTORATION IN THE PREFERENCE SHARES OF THE BANK.

VI. ACCOUNTING POLICIES FOR PREFERENCE SHARES OF THE BANK AND REASONS FOR ADOPTION

According to the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments* and *Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments* promulgated by MOF, the preference shares issued by the Bank were accounted for as an equity instrument.

Directors, Supervisors, Senior Management, Staff and Business Outlets

I. DURING THE REPORTING PERIOD, NONE OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK AND THOSE WHO RESIGNED DURING THE REPORTING PERIOD HELD SHARES OR STOCK OPTIONS ON THE BANK'S SHARES OR WAS GRANTED ANY RESTRICTED SHARES.

II. AS AT THE END OF THE REPORTING PERIOD, THE BANK DID NOT IMPLEMENT ANY STOCK INCENTIVE PLAN OR EMPLOYEE STOCK OWNERSHIP PLAN.

III. BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board of Directors consisted of 14 members, including 3 Executive Directors (Mr. Hao Cheng, Ms. Qi Ye and Mr. Yang Bingbing), 6 Non-executive Directors (Mr. Wu Lijun, Mr. Cui Yong, Mr. Qu Liang, Mr. Yao Wei, Mr. Zhu Wenhui and Mr. Li Wei), and 5 Independent Non-executive Directors (Mr. Shao Ruiqing, Mr. Hong Yongmiao, Mr. Li Yinquan, Mr. Liu Shiping and Mr. Huang Zhiling).

The Board of Supervisors of the Bank consisted of 7 members, including 2 Shareholder Supervisors (Mr. Li Yinzhong and Mr. Wu Junhao), 2 External Supervisors (Mr. Qiao Zhimin and Ms. Chen Qing) and 3 Employee Supervisors (Mr. Shang Wencheng, Mr. Yang Wenhua and Mr. Lu Jian).

The Senior Management of the Bank consisted of 6 members (Mr. Hao Cheng, Mr. Wu Jian, Ms. Qi Ye, Mr. Yang Bingbing, Ms. Liu Yan and Mr. Zhang Xuyang).

For details of the resumes of Directors, Supervisors, Senior Management of the Bank, please refer to the *2023 Annual Report* of the Bank. For details of the resume of Mr. Hao Cheng, a newly-appointed Senior Management member, please refer to the Bank's *Circular of 2024 Second Extraordinary General Meeting*.

IV. NEWLY-APPOINTED AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

i. Newly-appointed or resigned Directors

1. On 27 January 2024, Mr. Han Fuling, Independent Non-executive Director of the Bank, Member of Nomination Committee, Remuneration Committee, Related Party Transaction Control Committee, and Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee of the Board of Directors of the Bank, passed away due to illness.

2. On 29 January 2024, NFRA approved the qualifications of Mr. Wu Lijun as Chairman of the Board of Directors of the Bank.

3. On 28 April 2024, NFRA approved the qualifications of Mr. Cui Yong as Non-executive Director and Vice Chairman of the Board of Directors of the Bank.

4. On 6 June 2024, due to work adjustment, Mr. Wang Zhiheng resigned from the positions as Executive Director, Chairman and Member of Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee, Member of Strategy Committee, and Member of Risk Management Committee of the Board of Directors of the Bank.

5. On 25 June 2024, NFRA approved the qualifications of Mr. Yang Bingbing as Executive Director of the Bank.

6. On 26 June 2024, NFRA approved the qualifications of Ms. Qi Ye as Executive Director of the Bank.

7. On 8 July 2024, due to work adjustment, Mr. Qu Liang resigned from the position as Executive Vice President of the Bank, and his position changed from Executive Director to Non-executive Director of the Bank.

8. On 29 July 2024, the 2024 Second Extraordinary General Meeting of the Bank elected Mr. Zhang Mingwen as Non-executive Director. The qualifications of Mr. Zhang Mingwen as Non-executive Director are still pending the approval of NFRA.

9. On 23 August 2024, NFRA approved the qualifications of Mr. Hao Cheng as Executive Director of the Bank.

ii. Newly-appointed or resigned Supervisors

On 3 July 2024, due to the expiration of the term of office, Mr. Wang Zhe ceased to serve as External Supervisor, Member of Nomination Committee, and Member of Supervision Committee of the Board of Supervisors of the Bank.

iii. Newly-appointed and resigned Senior Management

1. On 5 March 2024, due to work adjustment, Mr. Dong Tiefeng ceased to serve as Member of the CPC Committee, and Secretary of Discipline Inspection Committee (Executive Vice President level) of the Bank.

2. On 25 April 2024, NFRA approved the qualifications of Ms. Liu Yan as Chief Financial Officer (CFO) of the Bank. On 21 June 2024, Ms. Liu Yan served as Member of the CPC Committee of the Bank.

3. On 6 June 2024, due to work adjustment, Mr. Wang Zhiheng resigned from the position as President of the Bank.

4. On 21 June 2024, Mr. Wu Jian served as Deputy Secretary of the CPC Committee, and Secretary of Discipline Inspection Committee of the Bank.

5. On 8 July 2024, due to work adjustment, Mr. Qu Liang resigned from the position as Executive Vice President of the Bank.

6. On 8 July 2024, the 20th Meeting of the Ninth Session of the Board of Directors of the Bank approved the appointment of Ms. Liu Yan as Executive Vice President of the Bank. The qualifications of Ms. Liu Yan as Executive Vice President are still pending the approval of NFRA.

7. On 23 August 2024, NFRA approved the qualifications of Mr. Hao Cheng as President of the Bank.

V. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

1. Mr. Qu Liang, Non-executive Director of the Bank, served as Secretary of the CPC Committee and Chairman of the Board of Directors (Designate) of Everbright Financial Leasing Co., Ltd.

2. Mr. Li Wei, Non-executive Director of the Bank, ceased to serve as Chairman of China Re Asset Management (Hong Kong) Company Limited.

3. Mr. Shao Ruiqing, Independent Non-executive Director of the Bank, ceased to serve as Independent Non-executive Director of China Enterprise Company Limited and Arcplus Group PLC.

4. Mr. Li Yinquan, Independent Non-executive Director of the Bank, served as Independent Non-executive Director of China Agri-Products Exchange Limited.

5. Mr. Wu Junhao, Shareholder Supervisor of the Bank, served as Vice Chairman, Executive Director and Secretary to the Board of Directors of Shenergy Property & Casualty Insurance Co., Ltd.

VI. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

None of the Directors or Supervisors of the Bank had any material interests in any material contract by the Bank or its subsidiaries during the reporting period. None of Directors or Supervisors of the Bank entered into any service contract, pursuant to which the Bank shall compensate Directors or Supervisors if the Bank terminates the contract within a certain year (excluding statutory compensation).

VII. EMPLOYEES AND BUSINESS OUTLETS

As at the end of the reporting period, the Bank had 46,986 incumbent employees, including 933 employees in subsidiaries.

Employee remuneration consists of basic remuneration, performance-based remuneration and welfare income. Among them, basic remuneration is determined according to the value of position, years of service and employees' duty performance ability, and performance-based remuneration is linked to the performance assessment results of the employees and their institutions. The remuneration of employees in the audit, legal compliance and risk management departments of the Bank is determined based on their value contribution, duty performance ability and work performance, so that they have no direct relation with the businesses they supervise and remain independent from other business sectors.

The Bank continually improved its independent talent cultivation system with a focus on both political literacy and business capability, innovated training modes, enriched training contents, and promoted the building of Bank-wide professional talent pools and talent cultivation in a coordinated manner. Furthermore, the Bank formulated training plans for all business segments, insisted on technological empowerment, enhanced digital study platform construction ("Sunshine Academy"), and created quality training projects.

For details of the departmental setup of the Bank, please refer to the *2023 Annual Report* of the Bank. During the reporting period, the former Party Affairs Department (Publicity Department of Party Committee), Party Committee Office of H.O. and Party-building Research Office were integrated as Party Affairs Department/Publicity Department of Party Committee/Party Committee Office of H.O. The former General Office (Party Committee Office) was renamed Party Committee Office/General Office/Security Department. The former Human Resources Department (Organization Department of Party Committee) was renamed Organization Department of Party Committee/Human Resources Department. The former Research & Education Center (Party School) was renamed Party School/Research & Education Center. And there was no change in the setup of other departments.

In the domestic market, as at the end of the reporting period, the Bank had 1,313 branches and outlets, including 39 tier-1 branches, 116 tier-2 branches and 1,158 outlets (inclusive of sub-branches in different cities, county-level sub-branches, intra-city sub-branches and banking departments of branches), and 430 community banks (8 community banks less as compared with the end of the previous year). The outlets of the Bank extended business reach to 150 economic center cities, covering all provincial administrative regions. In the overseas market, the Bank had 6 overseas branch outlets, including Hong Kong Branch, Seoul Branch, Luxembourg Branch, Sydney Branch, Macao Branch and Tokyo Representative Office.

Details of the Bank's employees and branch outlets are as follows:

Name of Branch	Number of outlets	Number of employees	Total assets (RMB million)	Address
Head Office	1	8,188	4,169,932	China Everbright Center, No. 25 Taipingqiao Street, Xicheng District, Beijing
Beijing Branch	73	2,926	755,775	No. 1 Xuanwumen Inner Street, Xicheng District, Beijing
Shanghai Branch	57	1,788	371,871	No. 1118 Century Avenue, Pudong New Area, Shanghai
Tianjin Branch	34	877	103,988	Annex Building of Zhonglian Building, No. 83 Qufu Avenue, Heping District, Tianjin
Chongqing Branch	27	933	119,226	No. 168 Minzu Road, Yuzhong District, Chongqing
Shijiazhuang Branch	55	1,342	116,885	No. 56 Yuhua East Road, Qiaodong District, Shijiazhuang

Name of Branch	Number of outlets	Number of employees	Total assets (RMB million)	Address
Taiyuan Branch	40	1,104	119,727	No. 295 Yingze Street, Yingze District, Taiyuan
Huhhot Branch	20	541	40,140	Tower D, Dongfangjunzuo, Chilechuan Street, Saihan District, Huhhot
Dalian Branch	23	654	29,927	No. 4 Wuwu Road, Zhongshan District, Dalian
Shenyang Branch	39	1,132	51,994	No. 156 Heping North Street, Heping District, Shenyang
Changchun Branch	35	903	40,047	No. 2677 Jiefang Road, Chaoyang District, Changchun
Heilongjiang Branch	38	949	57,761	No. 278 Dongdazhi Street, Nangang District, Harbin
Nanjing Branch	68	1,757	336,349	No. 120 Hanzhong Road, Gulou District, Nanjing
Suzhou Branch	20	846	150,039	No. 188 Xinghai Street, Industrial Park District, Suzhou
Wuxi Branch	10	398	111,231	No. 1 Renmin Middle Road, Chong'an District, Wuxi
Hangzhou Branch	44	1,345	246,864	Zheshang Times Building, No. 1 Miduqiao Road, Gongshu District, Hangzhou
Ningbo Branch	19	706	75,804	Building 1, Hengfu Plaza, No. 828 Fuming Road, Jiangdong District, Ningbo
Hefei Branch	55	1,443	199,752	No. 200 Changjiang West Road, Shushan District, Hefei
Fuzhou Branch	41	1,261	103,771	Building 1, Zhengxiang Center, No. 153 Wuyi North Road, Gulou District, Fuzhou
Xiamen Branch	17	505	49,130	No. 160 Hubin Middle Road, Siming District, Xiamen
Nanchang Branch	32	817	94,941	No. 1333 Fenghezhong Avenue, Honggutan New Area, Nanchang
Jinan Branch	37	939	77,033	No. 85 Jingqi Road, Shizhong District, Jinan
Qingdao Branch	35	944	83,016	No. 69 Hongkong West Road, Shinan District, Qingdao
Yantai Branch	15	495	64,936	No. 111 Nandajie Street, Zhifu District, Yantai
Zhengzhou Branch	52	1,376	128,391	No. 22 Middle Ring Road, Financial Island, Zhengzhou Area (Zhengdong) of Henan Pilot Free Trade Zone, Zhengzhou
Wuhan Branch	41	1,029	132,547	No. 143-144 Yanjiang Avenue, Jiang'an District, Wuhan
Changsha Branch	62	1,486	141,847	No. 142 Section 3 of Furong Middle Road, Tianxin District, Changsha
Guangzhou Branch	91	2,404	295,335	No. 685 Tianhe North Road, Tianhe District, Guangzhou
Shenzhen Branch	49	1,181	271,293	No. 18 Zizhuqi Avenue, Zhuzilinsi Road, Futian District, Shenzhen

Directors, Supervisors, Senior Management, Staff and Business Outlets

Name of Branch	Number of outlets	Number of employees	Total assets (RMB million)	Address
Nanning Branch	29	845	70,315	Taiping Financial Mansion, No. 16 Songxiang Road, Liangqing District, Nanning
Haikou Branch	23	714	44,472	Jinlong City Plaza Building, South of Jinlong Road, Longhua District, Haikou
Chengdu Branch	31	845	90,233	No. 79 Dacisi Road, Jinjiang District, Chengdu
Kunming Branch	22	696	56,930	No. 28 Renmin Middle Road, Wuhua District, Kunming
Xi'an Branch	39	1,104	78,400	No. 33 Hongguang Street, Lianhu District, Xi'an
Urumqi Branch	7	215	20,710	No. 177 Jiefang North Road, Tianshan District, Urumqi City
Guiyang Branch	13	359	40,545	West Tower III, Financial Center, Zone B, Convention and Exhibition City, Changling North Road, Guanshanhu District, Guiyang
Lanzhou Branch	11	311	23,834	No. 555 Donggang West Road, Chengguan District, Lanzhou
Yinchuan Branch	5	138	6,969	No. 219 Jiefang West Road, Xingqing District, Yinchuan
Xining Branch	2	79	3,884	No. 57-7 Wusi West Road, Chengxi District, Xining
Lhasa Branch	2	78	5,756	Taihe International Culture Square, No. 7 Jinzhu Middle Road, Chengguan District, Lhasa
Hong Kong Branch	1	225	168,156	23/F, Everbright Center, 108 Gloucester Road, Wan Chai, Hong Kong SAR
Seoul Branch	1	47	36,943	23/F, Youngpoong Building, 41 Cheonggyecheon-ro, Jongro-ku, Seoul, Republic of Korea
Luxembourg Branch	1	43	28,445	10 Avenue Emile Reuter, Luxembourg City, Grand Duchy of Luxembourg
Sydney Branch	1	58	32,743	28/F, International Tower 1, 100 Barangaroo Avenue, Sydney, Commonwealth of Australia
Macao Branch	1	22	10,194	23F, Finance and IT Center of Macao, 320 Avenida Doutor Mario Soares, Macao SAR
Tokyo Representative Office	1	5	–	1 Chome-4-1 Marunouchi, Chiyoda City, Tokyo, Japan
Subsidiaries		933		
Consolidation adjustment			(2,595,103)	
Total	1,320	46,986	6,662,978	

Notes:

1. For the number of employees of the Head Office, 2,880 staff from Credit Card Center and 1,674 staff from Remote Banking Center were included.

2. The number of outlets and the total assets of the subsidiaries were not included in the total.

Corporate Governance

I. OVERVIEW

During the reporting period, the Board of Directors of the Bank optimized the development strategies and measures for the "14th Five-Year Plan" period, and stepped up efforts to serve the real economy and major national strategies with financial service. The Board of Directors promoted the integration between ESG development philosophy and the Bank's business development, provided guidance for Senior Management on formulating the key points of ESG work, and continuously fulfilled social responsibilities. The Board of Directors revised and optimized policies related to risk management and internal control to constantly improve risk control mechanisms, further optimized internal organizational structures and management models, and enhanced management efficiency. Additionally, the Board of Directors prudently performed the selection and appointment procedures for Directors and Senior Management, and adjusted the composition of Special Committees of the Board of Directors in a timely manner.

During the reporting period, the Board of Supervisors of the Bank continuously carried out annual duty performance evaluation on the Board of Directors, Board of Supervisors, Senior Management and their members, promoting effective performance of duties by all parties. The Board of Supervisors reviewed the periodic reports and annual profit distribution plans of the Bank, conducted oversight over the Bank's finance, and provided guidance for internal audit work. The Board of Supervisors continued to strengthen supervision over the strategies, internal control and risk management, offered more guidance for key supervision areas with professional advice and suggestions. Additionally, the Board of Supervisors continued to strengthen self-building, actively participated in joint investigations by both Directors and Supervisors, and provided strong supervision support for the Bank's sustainable and healthy development.

The Bank's corporate governance had no major deviation from the *Company Law* and the relevant provisions of the CSRC, NFRA and SEHK.

II. SHAREHOLDERS' GENERAL MEETINGS

The Bank convenes shareholders' general meetings in strict accordance with the *Articles of Association* and the *Rules of Procedure of the Shareholders' General Meetings* to ensure shareholders' general meetings make decisions on material matters according to law, so as to effectively safeguard shareholders' legitimate rights and interests. During the reporting period, the Bank convened 1 extraordinary general meeting and 1 annual general meeting. The details are as follows:

On 7 March 2024, the Bank convened the 2024 First Extraordinary General Meeting in Beijing, during which 3 proposals were deliberated, including the election of Directors.

On 27 June 2024, the Bank convened the 2023 Annual General Meeting in Beijing, during which 10 proposals were considered and approved, including the work report of the Board of Directors, the work report of the Board of Supervisors, the final accounts, the fixed asset investment budget, the engagement of accounting firms, the profit distribution plan, the remuneration of Directors and Supervisors, the paired assistance through donations, the capital bond issuance plan and the authorization issues. The Meeting also heard 6 reports.

The calling, notification, convening and voting procedures of the above-mentioned meetings were in conformity with the provisions of the *Company Law*, the listing rules of the place where the Bank was listed, and the *Articles of Association* of the Bank. The legal advisor engaged by the Board of Directors of the Bank witnessed the above-mentioned meetings, and the A-share lawyer issued legal opinions.

For details of the duties of shareholders' general meetings, please refer to the *Articles of Association* of the Bank.

III. BOARD OF DIRECTORS AND THE SPECIAL COMMITTEES

i. Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank convened 6 meetings including 3 on-site meetings (14th, 16th and 18th Meetings of the Ninth Session of the Board of Directors) and 3 meetings via written resolutions (15th, 17th and 19th Meetings of the Ninth Session of the Board of Directors). The Board of Directors considered 66 proposals and listened to 34 reports, playing an effective role in making decisions in a well-conceived manner.

For details of the duties of the Board of Directors, please refer to the *Articles of Association* of the Bank.

ii. Meetings of Special Committees of the Board of Directors

The Special Committees of the Board of Directors convened a total of 28 meetings, including 3 meetings of the Strategy Committee, 4 meetings of the Audit Committee, 6 meetings of the Risk Management Committee, 1 meeting of the Nomination Committee, 3 meetings of the Remuneration Committee, 5 meetings of the Related Party Transaction Control Committee, and 6 meetings of the Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee. These meetings considered a total of 60 proposals and listened to 40 reports.

iii. Attendance of Directors at the Meetings of the Board of Directors

			Special Committees of the Board of Directors						
Director	Shareholders' General Meeting	Board of Directors	Strategy Committee	Audit Committee	Risk Management Committee	Nomination Committee	Remuneration Committee	Related Party Transaction Control Committee	Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee
	Number of attendance in person/Number of meetings during the term of office								
Incumbent Directors									
Wu Lijun	1/2	6/6	3/3	–	–	1/1	–	–	–
Cui Yong	1/1	2/2	–	–	–	–	–	–	–
Hao Cheng	–	–	–	–	–	–	–	–	–
Qu Liang	1/2	6/6	–	–	–	–	–	–	6/6
Qi Ye	–	–	–	–	–	–	–	–	–
Yang Bingbing	–	–	–	–	–	–	–	–	–
Yao Wei	0/2	5/6	–	3/4	–	–	–	–	6/6
Zhu Wenhui	2/2	6/6	2/2	4/4	–	–	–	–	–
Li Wei	1/2	6/6	–	–	6/6	–	3/3	–	–
Shao Ruiqing	1/2	6/6	–	4/4	6/6	–	3/3	5/5	–
Hong Yongmiao	1/2	5/6	2/2	–	–	1/1	3/3	5/5	–
Li Yinquan	1/2	6/6	–	4/4	–	1/1	2/3	5/5	–
Liu Shiping	1/2	6/6	2/2	4/4	–	1/1	–	5/5	–
Huang Zhiling	1/2	6/6	–	4/4	6/6	–	–	5/5	6/6
Former Director									
Wang Zhiheng	1/1	4/5	2/2	–	5/5	–	–	–	5/5

Notes:

1. Directors newly appointed in 2024 would start to perform their duties after their appointment qualifications were approved by NFRA.

2. For more details about the changes of Directors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".

3. "Number of attendance in person" includes on-site attendance and attendance via written resolutions.

4. Directors who were unable to attend in person the meetings of the Board of Directors and Special Committees had all entrusted other Directors to attend the meetings by proxy and exercise their voting rights.

iv. Work of Independent Non-executive Directors

The Bank had 5 Independent Non-executive Directors, exceeding one-third of the Board members. The Remuneration Committee, the Nomination Committee, the Related Party Transaction Control Committee and the Audit Committee of the Board of Directors were all chaired by Independent Non-executive Directors. During the reporting period, they expressed their independent opinions on all issues involving the interests of minority shareholders, such as profit distribution plan, nomination of Directors, remuneration of Directors, material related party transactions, and internal control & audit. In all Board committees, Independent Non-executive Directors, based on their expertise, provided professional and constructive opinions and recommendations on issues under discussion. When the Board of Directors was not in session, the Independent Non-executive Directors participated in the director communication meetings and special research symposiums, kept themselves updated of the Bank's internal documents and information on the *Reference Information for Directors*, conducted investigation visits to branches, so as to be well informed of strategic implementation, business innovation, internal control & audit, and risk prevention and control of the Bank. They communicated actively with other Directors, Supervisors, Senior Management and auditors, so as to obtain necessary information to perform their duties. Independent Non-executive Directors maintained close contact with the Bank via emails and phone calls. The suggestions from Independent Non-executive Directors were highly regarded and adopted by Senior Management, which played a positive role in further strengthening risk control and promoting business development of the Bank.

IV. BOARD OF SUPERVISORS AND THE SPECIAL COMMITTEES

i. Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank convened 5 meetings, including 2 on-site meetings (12th and 14th Meetings of the Ninth Session of the Board of Supervisors), and 3 meetings via written resolutions (10th, 11th and 13th Meetings of the Ninth Session of the Board of Supervisors). The Board of Supervisors considered 17 proposals and listened to 46 reports, effectively performing supervision duties.

For details of the duties of the Board of Supervisors, please refer to the *Articles of Association* of the Bank.

ii. Meetings of special committees of the Board of Supervisors

The Special Committees of the Board of Supervisors convened a total of 5 meetings, including 3 meetings of the Supervision Committee and 2 meetings of the Nomination Committee. These meetings considered 9 proposals and listened to 4 reports.

iii. Attendance of Supervisors at Meetings of the Board of Supervisors

Supervisor	Board of Supervisors	Special Committees of the Board of Supervisors: Nomination Committee	Special Committees of the Board of Supervisors: Supervision Committee
	Number of attendance in person/Number of meetings during the term of office		
Incumbent Supervisors			
Li Yinzhong	5/5	2/2	–
Wu Junhao	4/5	–	2/3
Qiao Zhimin	5/5	2/2	3/3
Chen Qing	5/5	2/2	3/3
Shang Wencheng	5/5	–	3/3
Yang Wenhua	4/5	–	2/3
Lu Jian	4/5	2/2	–
Former Supervisor			
Wang Zhe	4/5	2/2	3/3

Notes:

1. For details about the changes of Supervisors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".
2. "Number of attendance in person" includes on-site attendance and attendance via written resolutions.
3. Supervisors who were unable to attend in person the meetings of the Board of Supervisors and special committees had all entrusted other Supervisors to attend the meetings by proxy and exercise their voting rights.

iv. Work of External Supervisors

According to the *Articles of Association* of the Bank, Chairpersons of the Nomination Committee and the Supervision Committee of the Board of Supervisors shall be acted by external supervisors. During the reporting period, external supervisors of the Bank strictly complied with laws, regulations, regulatory provisions, as well as the requirements of the *Articles of Association* of the Bank, faithfully and diligently performed their duties in accordance with laws and regulations, and attended in person the meetings of the Board of Supervisors and its Special Committees and expressed independent, professional and objective opinions on major issues of concern such as material related party transactions, profit distribution, information disclosure, authenticity of financial statements, nomination, selection and appointment of Directors, Supervisors and Senior Management and their remuneration. When the Board of Supervisors was not in session, external supervisors carefully studied internal documents sent by the Bank, the information on the *Bulletin of the Board of Supervisors* and other materials to fully obtain information to perform their duties, and maintained close contact with the Bank through emails and phone calls. They actively participated in joint investigations with the Board of Directors of the Bank. They paid attention to safeguarding the legitimate rights and interests of minority shareholders and other stakeholders, playing a positive role in the Board of Supervisors' duty performance.

v. Review of the *Interim Report* by the Board of Supervisors

The Board of Supervisors reviewed the Interim Report and issued a written review opinion. The Board of Supervisors held that the preparation and review procedures of the *2024 Interim Report* complied with relevant laws, regulations, regulatory requirements, the *Articles of Association* of the Bank and internal management policies. The contents and formats of this Report were in compliance with laws, regulations and regulatory requirements, and the information contained in this Report truly reflected the Bank's operation, management and financial position for the first half of 2024. No breach of confidentiality by the personnel involved in the preparation and review of this Report was found.

V. SENIOR MANAGEMENT

As at the disclosure date of this report, the Senior Management of the Bank consisted of 6 members, whose duties include carrying out operation and management of the Bank, organizing resources to implement the resolutions of the Board of Directors, implementing the strategic plan, the business plan and the investment plan approved by the Board of Directors, developing plans for setting up the internal management structure and the basic management rules, and formulating specific administrative measures. During the reporting period, the Senior Management, in accordance with the development strategy of the Bank, actively served the real economy and national strategies, made great efforts in serving five target areas including technology finance, green finance, inclusive finance, pension finance and digital finance, and focused on three North Star Metrics including FPA, AUM and GMV to optimize the liability structure, consolidate the customer base, and break new ground in building wealth management features. Meanwhile, the Senior Management improved capabilities in risk management and control, accelerated digital transformation, and achieved expected operations results.

VI. INFORMATION DISCLOSURE

During the reporting period, the Bank issued its *2023 Annual Report* and the *First Quarterly Report of 2024* on schedule, highlighted business features and achievements in the periodic reports, and enriched disclosure contents. The Bank strictly followed information disclosure rules, fully disclosed ad hoc announcements in a timely manner. In accordance with both domestic and overseas regulatory requirements, the Bank published a total of 52 A-share announcements and 76 H-share announcements. Meanwhile, the Bank properly conducted insider management and strictly prevented the leakage of sensitive information to ensure investors had fair access to the Bank's information.

VII. INVESTOR RELATIONS MANAGEMENT

During the reporting period, the Bank held annual report performance announcement meetings via online and offline forms to communicate and exchange with investment banking analysts, institutional investors and news media at home and abroad. The Bank received institutional investors for research and attended strategy seminars held by both domestic and overseas securities companies, so as to communicate and exchange views with more than 200 investors. Additionally, the Bank answered over 240 phone calls from domestic and overseas investors and handled over 130 emails for inquiry. The Bank interacted with investors via platforms including "SSE e-interaction", and continuously updated the contents of the Bank's website in both Chinese and English versions to keep investors informed of the Bank's information.

VIII. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank adopted the standards set out in the *Model Code* as the code of conduct to govern the securities transactions by Directors and Supervisors of the Bank. Upon enquiry, all Directors and Supervisors confirmed that they had always complied with the *Model Code* for the six months ended 30 June 2024. The Bank has also formulated guidelines regarding the dealing of the Bank's securities by relevant employees and the guidelines are no less exacting than the *Model Code*. It had not come to the attention of the Bank that any employee was in violation of the guidelines during the reporting period.

IX. STATEMENT ON COMPLIANCE WITH THE *CORPORATE GOVERNANCE CODE* OF THE *HONG KONG LISTING RULES*

During the six-month period ended 30 June 2024, the Bank had adopted the principles as stipulated in the *Corporate Governance Code* ("CG Code") contained in Appendix C1 to the *Hong Kong Listing Rules*, and complied with all the code provisions in the CG Code.

Report on Review of Interim Financial Statements

To the board of directors of China Everbright Bank Company Limited
(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the following accompanying interim financial statements of China Everbright Bank Company Limited (the "Bank") and its subsidiaries (together, the "Group") set out on pages 78 to 189, which comprises the condensed consolidated statement of financial position as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of this interim financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

CONCLUSION

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

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2024

Unaudited Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

(Expressed in millions of Renminbi, unless otherwise stated)

		For the six months ended 30 June	
	Note III	2024 Unaudited	2023 Unaudited
Interest income		119,516	125,016
Interest expense		(71,405)	(70,283)
Net interest income	1	48,111	54,733
Fee and commission income		11,849	14,886
Fee and commission expense		(1,316)	(1,441)
Net fee and commission income	2	10,533	13,445
Net trading gains	3	1,685	2,028
Dividend income		0	1
Net gains arising from investment securities	4	8,488	5,228
Net gains/(losses) on derecognition of financial assets measured at amortised cost		140	(376)
Net foreign exchange (losses)/gains		(6)	714
Other operating income		915	758
Operating income		69,866	76,531
Operating expenses	5	(19,763)	(20,543)
Credit impairment losses	6	(20,255)	(26,595)
Other impairment losses		(43)	(2)
Operating profit		29,805	29,391
Share of profit of associates and joint ventures		10	22
Profit before tax		29,815	29,413
Income tax	7	(5,205)	(5,194)
Net profit		24,610	24,219
Net profit attributable to:			
Equity shareholders of the Bank		24,487	24,072
Non-controlling interests		123	147
Earnings per share			
Basic earnings per share (in RMB/share)	8	0.37	0.38
Diluted earnings per share (in RMB/share)	8	0.37	0.36

The accompanying notes on pages 86 to 189 form part of these condensed consolidated interim financial statements.

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

(Expressed in millions of Renminbi, unless otherwise stated)

		For the six months ended 30 June	
	Note III	2024 Unaudited	2023 Unaudited
Net profit		24,610	24,219
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss:			
– Equity instruments at fair value through other comprehensive income			
– Change in fair value		1	4
– Related income tax effect	21(b)	(0)	(1)
Subtotal		1	3
Items that will be reclassified to profit or loss:			
– Debt instruments at fair value through other comprehensive income			
– Change in fair value		6,422	3,646
– Change in provision for impairment losses		(445)	520
– Reclassified to the profit or loss upon disposal		(331)	131
– Related income tax effect	21(b)	(1,397)	(1,069)
– Change in cash flow hedge		19	–
– Exchange differences on translation of financial statements		38	80
Subtotal		4,306	3,308
Other comprehensive income, net of tax		4,307	3,311
Total comprehensive income		28,917	27,530
Total comprehensive income attributable to:			
Equity shareholders of the Bank		28,792	27,381
Non-controlling interests		125	149
		28,917	27,530

The accompanying notes on pages 86 to 189 form part of these condensed consolidated interim financial statements.

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2024

(Expressed in millions of Renminbi, unless otherwise stated)

	Note III	30 June 2024 Unaudited	31 December 2023 Audited
Assets			
Cash and deposits with central banks	9	325,267	349,184
Deposits with banks and other financial institutions	10	36,697	39,942
Precious metals		6,532	6,916
Placements with banks and other financial institutions	11	158,195	142,242
Derivative financial assets	12	18,508	13,324
Financial assets held under resale agreements	13	8,195	67,500
Loans and advances to customers	14	3,821,301	3,712,925
Finance lease receivables	15	89,737	99,158
Financial investments	16	2,209,947	2,241,462
– Financial assets at fair value through profit or loss		460,224	432,896
– Debt instruments at fair value through other comprehensive income		601,273	561,047
– Equity instruments at fair value through other comprehensive income		1,133	1,132
– Financial investments measured at amortised cost		1,147,317	1,246,387
Investments in joint ventures	17(b)	220	204
Property and equipment	18	26,215	25,838
Right-of-use assets	19	9,991	10,408
Goodwill	20	1,281	1,281
Deferred tax assets	21	31,696	33,974
Other assets	22	52,912	28,438
Total assets		6,796,694	6,772,796
Liabilities and equity			
Liabilities			
Due to the central bank	24	84,963	99,633
Deposits from banks and other financial institutions	25	631,446	552,326
Placements from banks and other financial institutions	26	179,356	194,205
Derivative financial liabilities	12	18,659	13,946
Financial assets sold under repurchase agreements	27	102,772	73,115
Deposits from customers	28	3,919,764	4,094,528
Accrued staff costs	29	18,884	20,064
Taxes payable	30	3,696	7,304
Lease liabilities	31	9,982	10,349
Debt securities issued	32	1,174,774	1,099,326
Other liabilities	33	81,533	53,215
Total liabilities		6,225,829	6,218,011

The accompanying notes on pages 86 to 189 form part of these condensed consolidated interim financial statements.

	Note III	30 June 2024 Unaudited	31 December 2023 Audited
Liabilities and equity (continued)			
Equity			
Share capital	34	59,086	59,086
Other equity instruments	35	104,899	104,899
of which: Preference shares		64,906	64,906
Perpetual bonds		39,993	39,993
Capital reserve	36	74,473	74,473
Other comprehensive income	37	6,550	2,245
Surplus reserve	38	26,245	26,245
General reserve	38	86,310	86,161
Retained earnings	39	210,828	199,282
Total equity attributable to equity shareholders of the Bank		568,391	552,391
Non-controlling interests		2,474	2,394
Total equity		570,865	554,785
Total liabilities and equity		6,796,694	6,772,796

Approved and authorised for issue by the board of directors on 30 August 2024.

Wu Lijun
Chairman,
Non-executive Director

Hao Cheng
President,
Executive Director

Liu Yan
Chief Financial Officer

Lu Jian
General Manager of
Financial Accounting Department

The accompanying notes on pages 86 to 189 form part of these condensed consolidated interim financial statements.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

(Expressed in millions of Renminbi, unless otherwise stated)

For the six months ended 30 June 2024

		Unaudited											
		Attributable to equity shareholders of the Bank											
			Other equity instruments										
	Note III	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at 1 January 2024		59,086	64,906	39,993	–	74,473	2,245	26,245	86,161	199,282	552,391	2,394	554,785
Changes in equity for the period:													
Net profit		–	–	–	–	–	–	–	–	24,487	24,487	123	24,610
Other comprehensive income	37	–	–	–	–	–	4,305	–	–	–	4,305	2	4,307
Investment and reduction of owners													
– Convertible corporate bonds to increase share capital and capital reserves		–	–	–	–	–	–	–	–	–	–	–	–
Appropriation of profit:	39												
– Appropriation to general reserve		–	–	–	–	–	–	–	149	(149)	–	–	–
– Dividends to ordinary shareholders		–	–	–	–	–	–	–	–	(10,222)	(10,222)	(45)	(10,267)
– Dividends to other equity instrument holders		–	–	–	–	–	–	–	–	(2,570)	(2,570)	–	(2,570)
Balance at 30 June 2024		59,086	64,906	39,993	–	74,473	6,550	26,245	86,310	210,828	568,391	2,474	570,865

For the six months ended 30 June 2023

		Unaudited											
		Attributable to equity shareholders of the Bank											
			Other equity instruments										
	Note III	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at 1 January 2023		54,032	64,906	39,993	4,163	58,434	(590)	26,245	81,401	179,299	507,883	2,130	510,013
Changes in equity for the period:													
Net profit		–	–	–	–	–	–	–	–	24,072	24,072	147	24,219
Other comprehensive income	37	–	–	–	–	–	3,309	–	–	–	3,309	2	3,311
Investment and reduction of owners													
– Convertible corporate bonds to increase share capital and capital reserves		5,054	–	–	(4,163)	16,039	–	–	–	–	16,930	–	16,930
Appropriation of profit:	39												
– Appropriation to general reserve		–	–	–	–	–	–	–	153	(153)	–	–	–
– Dividends to ordinary shareholders		–	–	–	–	–	–	–	–	(11,226)	(11,226)	–	(11,226)
– Dividends to other equity instrument holders		–	–	–	–	–	–	–	–	(2,570)	(2,570)	–	(2,570)
Balance at 30 June 2023		59,086	64,906	39,993	–	74,473	2,719	26,245	81,554	189,422	538,398	2,279	540,677

The accompanying notes on pages 86 to 189 form part of these condensed consolidated interim financial statements.

For the year ended 31 December 2023

		Audited												
		Attributable to equity shareholders of the Bank												
			Other equity instruments											
	Note III	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at 1 January 2023		54,032	64,906	39,993	4,163	58,434	(590)	26,245	81,401	179,299	507,883	2,130	510,013
Changes in equity for the year:													
Net profit		–	–	–	–	–	–	–	–	40,792	40,792	284	41,076
Other comprehensive income	37	–	–	–	–	–	2,835	–	–	–	2,835	1	2,836
Investment and reduction of owners													
– Convertible corporate bonds to increase share capital and capital reserves		5,054	–	–	(4,163)	16,039	–	–	–	–	16,930	–	16,930
Appropriation of profit:	39												
– Appropriation to general reserve		–	–	–	–	–	–	–	4,760	(4,760)	–	–	–
– Dividends to ordinary shareholders		–	–	–	–	–	–	–	–	(11,238)	(11,238)	(21)	(11,259)
– Dividends to other equity instrument holders		–	–	–	–	–	–	–	–	(4,811)	(4,811)	–	(4,811)
Balance at 31 December 2023		59,086	64,906	39,993	–	74,473	2,245	26,245	86,161	199,282	552,391	2,394	554,785

The accompanying notes on pages 86 to 189 form part of these condensed consolidated interim financial statements.

Unaudited Condensed Consolidated Statement of Cash Flow Statement

For the six months ended 30 June 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	For the six months ended 30 June	
	2024 Unaudited	2023 Unaudited
Cash flows from operating activities		
Profit before tax	29,815	29,413
Adjustments for:		
Credit impairment losses	20,255	26,595
Other impairment losses	43	2
Depreciation and amortisation	3,397	3,264
Interest income on impaired financial assets	(778)	(465)
Dividend income	(0)	(1)
Unrealised foreign exchange gains	(547)	(338)
Interest income from investment securities and net gains on disposal	(34,737)	(30,972)
Net (gains)/losses on derecognition of financial assets measured at amortised cost	(140)	376
Share of profits of associates and joint ventures	(10)	(22)
Net gains on disposal of trading securities	(1,279)	(1,770)
Revaluation gains on financial instruments at fair value through profit or loss	(2,545)	(2,360)
Interest expense on debt securities issued	14,790	11,833
Interest expense on lease liabilities	194	192
Net (gains)/losses on disposal of property and equipment	(3)	8
	28,455	35,755
Changes in operating assets		
Net decrease/(increase) in deposits with central banks, banks and other financial Institutions	39,029	(3,899)
Net increase in placements with banks and other financial institutions	(8,129)	(24,045)
Net (increase)/decrease in financial assets held for trading	(38,640)	4,443
Net increase in loans and advances to customers	(133,014)	(191,216)
Net decrease/(increase) in financial assets held under resale agreements	59,257	(90,293)
Net increase in other operating assets	(7,999)	(26,088)
	(89,496)	(331,098)
Changes in operating liabilities		
Net increase in deposits from banks and other financial institutions	78,297	6,076
Net decrease in placements from banks and other financial institutions	(14,814)	(9,239)
Net increase in financial assets sold under repurchase agreements	29,526	113,207
Net (decrease)/increase in amounts due to the central bank	(14,786)	34,774
Net (decrease)/increase in deposits from customers	(179,074)	244,134
Income tax paid	(8,169)	(11,664)
Net increase/(decrease) in other operating liabilities	22,930	(11,180)
	(86,090)	366,108
Net cash (used in)/from operating activities	(147,131)	70,765

The accompanying notes on pages 86 to 189 form part of these condensed consolidated interim financial statements.

	Note III	For the six months ended 30 June 2024 Unaudited	2023 Unaudited
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		563,375	507,515
Investment income received		39,203	33,001
Proceeds from disposal of property and equipment and other long-term assets		154	16
Payments on acquisition of investments		(489,033)	(665,199)
Payments on acquisition of property and equipment, intangible assets and other long-term assets		(3,753)	(1,613)
Net cash from/(used in) investing activities		109,946	(126,280)
Cash flows from financing activities			
Proceeds from insurance of debts		484,158	620,219
Repayments of debts issued		(408,812)	(564,641)
Interest paid on debt securities issued		(14,688)	(11,800)
Dividends paid		(2,591)	(2,570)
Other net cash flows from financing activities		(1,541)	(1,570)
Net cash from financing activities		56,526	39,638
Effect of foreign exchange rate changes on cash and cash equivalents		213	1,236
Net increase/(decrease) in cash and cash equivalents	43(a)	19,554	(14,641)
Cash and cash equivalents as at 1 January		123,902	136,664
Cash and cash equivalents as at 30 June	43(b)	143,456	122,023
Cash flows from operating activities include:			
Interest received		91,261	96,925
Interest paid		(51,205)	(60,518)

The accompanying notes on pages 86 to 189 form part of these condensed consolidated interim financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024
(Expressed in millions of Renminbi, unless otherwise stated)

I BACKGROUND INFORMATION

China Everbright Bank Company Limited (the "Bank") commenced its operations in Beijing, the People's Republic of China (the "PRC") on 18 August 1992. The A Shares and H Shares of the Bank were listed on the Shanghai Stock Exchange in August 2010 and the Stock Exchange of Hong Kong Limited in December 2013, respectively.

The Bank is licensed as a financial institution by the National Financial Regulatory Administration (the "NFRA"), formerly the China Banking Regulatory Commission, No. B0007H111000001 and is issued the business licence of legal enterprise No. 91110000100011743X by the State Administration of Industry and Commerce of the PRC. The registered address is No.25, Taipingqiao Ave, Everbright Center, Xicheng District, Beijing, People's Republic of China.

The principal activities of the Bank and its subsidiaries (Note III 17(a)) (collectively the "Group") are the provision of corporate and retail deposits, loans and advances, settlement, treasury business and other financial services as approved by the NFRA. The Group mainly operates in Chinese Mainland and also has a number of overseas branches and subsidiaries. For the purpose of this interim financial statements, Chinese 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 the Taiwan Region of the PRC. Overseas refers to countries and regions other than Chinese Mainland.

This financial statements has been approved by the Board of Directors on 30 August 2024.

II BASIS OF PREPARATION

1 Compliance with International Financial Reporting Standards ("IFRSs")

The notes to the unaudited condensed consolidated financial statements for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.and should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2023.

Except as described in Note II 3 below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Group's consolidated annual financial statements for the year ended 31 December 2023.

2 Use of estimates and assumptions

The preparation of the the unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions. The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's consolidated financial statements for the year ended 31 December 2023, except for the adoption of new amendments effective as of 1 January 2024.

II BASIS OF PREPARATION (CONTINUED)

3 Material accounting policy information

3.1 Standards, amendments and interpretations effective in 2024

On 1 January 2024, the Group adopted the following amendments.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1 (2020)	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 1 (2022)	*Non-current Liabilities with Covenants*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The adoption of the above amendments does not have any significant impact on the consolidated financial statements of the Group.

3.2 Standard, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2024

		Effective for annual periods beginning on or after
Amendments to IAS 21	*Lack of Exchangeability*	1 January 2025
Amendments to IFRS 9 and IFRS 7	*Classification and Measurement of Financial Instruments*	1 January 2026
IFRS 18	*Presentation and Disclosure in Financial Statements*	1 January 2027
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

The Group is considering the impact of the above standards and revisions on the consolidated financial statements.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	Note	For the six months ended 30 June 2024	2023
Interest income arising from			
Deposits with central banks		2,149	2,326
Deposits with banks and other financial institutions		134	164
Placements with banks and other financial institutions		2,545	2,673
Loans and advances to customers	(a)		
– Corporate loans and advances		44,123	42,800
– Personal loans and advances		38,652	44,474
– Discounted bills		734	937
Finance lease receivables		2,403	2,802
Financial assets held under resale agreements		530	1,113
Investments	(a)	28,246	27,727
Subtotal		119,516	125,016
Interest expenses arising from			
Due to the central bank		1,050	1,144
Deposits from banks and other financial institutions		6,076	5,904
Placements from banks and other financial institutions		3,595	3,513
Deposits from customers			
– Corporate customers		31,083	32,659
– Individual customers		13,747	13,583
Financial assets sold under repurchase agreements		1,064	1,647
Debt securities issued		14,790	11,833
Subtotal		71,405	70,283
Net interest income		48,111	54,733

Note:

(a) *The interest income arising from impaired financial assets for the six months ended 30 June 2024 amounted to RMB778 million (Six months ended 30 June 2023: RMB465 million).*

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Net fee and commission income

	For the six months ended 30 June	
	2024	2023
Fee and commission income		
Bank card service fees	4,247	6,102
Settlement and clearing fees	2,020	2,161
Wealth management service fees	1,986	2,038
Agency services fees	1,168	1,948
Custody and other fiduciary business fees	1,046	1,149
Acceptance and guarantee fees	704	780
Underwriting and advisory fees	668	699
Others	10	9
Subtotal	11,849	14,886
Fee and commission expense		
Bank card transaction fees	755	881
Settlement and clearing fees	383	372
Underwriting and advisory fees	26	28
Wealth management service fees	22	51
Acceptance and guarantee fees	2	4
Agency services fees	2	2
Others	126	103
Subtotal	1,316	1,441
Net fee and commission income	10,533	13,445

3 Net trading gains

	For the six months ended 30 June	
	2024	2023
Trading financial instruments		
– Derivatives	119	209
– Debt securities	1,646	1,934
Subtotal	1,765	2,143
Financial instruments designated at fair value through profit or loss	–	(1)
Precious metal contracts	(80)	(114)
Total	1,685	2,028

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Net gains arising from investment securities

	For the six months ended 30 June	
	2024	2023
Net gains arising from financial investments at fair value through profit or loss	8,157	5,359
Net gains/(losses) arising from debt instruments at fair value through other comprehensive income	302	(203)
Net gains arising from loans and advances to customers at fair value through other comprehensive income	29	72
Total	8,488	5,228

5 Operating expenses

	For the six months ended 30 June	
	2024	2023
Staff costs		
– Salaries and bonuses	7,386	7,765
– Pension and annuity	1,269	1,221
– Housing allowances	623	599
– Staff welfares	299	285
– Others	1,139	1,155
Subtotal	10,716	11,025
Premises and equipment expenses		
– Depreciation of right-of-use assets	1,397	1,371
– Depreciation of property, plant and equipment	1,197	1,231
– Amortisation of intangible assets	630	496
– Rental and property management expenses	223	228
– Interest expense on lease liabilities	194	192
– Amortisation of other long-term assets	173	166
Subtotal	3,814	3,684
Tax and surcharges	877	912
Other general and administrative expenses	4,356	4,922
Total	19,763	20,543

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Credit impairment losses

	For the six months ended 30 June	
	2024	2023
Loans and advances to customers		
– measured at amortised cost	19,504	22,957
– measured at fair value through other comprehensive income	(366)	638
Debt instruments at fair value through other comprehensive income	(95)	(79)
Financial investments measured at amortised cost	1,139	2,327
Finance lease receivables	70	390
Others	3	362
Total	20,255	26,595

7 Income tax

(a) Income tax:

		For the six months ended 30 June	
	Note III	2024	2023
Current tax		3,707	7,468
Deferred tax	21(b)	881	(2,102)
Adjustments for prior years		617	(172)
Total		5,205	5,194

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

		For the six months ended 30 June	
	Note	2024	2023
Profit before tax		29,815	29,413
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		7,454	7,353
Effect of different tax rates applied by certain subsidiaries		1	–
Non-deductible expenses and others		877	1,163
Non-taxable gains			
– Non-taxable income	(i)	(3,744)	(3,150)
Subtotal		4,588	5,366
Adjustments for prior years		617	(172)
Income tax		5,205	5,194

Note:

(i) Non-taxable income mainly includes interest income of PRC government bonds and dividends of funds.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8 Basic and diluted earnings per ordinary share

Basic earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2024	2023
Net profit attributable to equity holders of the Bank	24,487	24,072
Less: Dividends on preference shares declared	2,570	2,570
Net profit attributable to ordinary shareholders of the Bank	21,917	21,502
Weighted average number of ordinary shares in issue (in million shares)	59,086	56,992
Basic earnings per share (in RMB/share)	0.37	0.38

Weighted average number of ordinary shares in issue (in million shares)

	For the six months ended 30 June	
	2024	2023
Issued ordinary shares as at 1 January	59,086	54,032
Add: Weighted average number of new issued ordinary shares in current period	–	2,960
Weighted average number of ordinary shares in issue (in million shares)	59,086	56,992

Diluted earnings per share was computed by dividing the net profit attributable to the ordinary 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.

	For the six months ended 30 June	
	2024	2023
Net profit attributable to ordinary shareholders of the Bank	21,917	21,502
Add: Interest expense on convertible bonds, net of tax	–	272
Net profit used to determine diluted earnings per share	21,917	21,774
Weighted average number of ordinary shares in issue (in million shares)	59,086	56,992
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	–	2,993
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	59,086	59,985
Diluted earnings per share (in RMB/share)	0.37	0.36

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Cash and deposits with central banks

	Notes	30 June 2024	31 December 2023
Cash on hand		8,086	4,361
Deposits with central banks			
– Statutory deposit reserves	(a)	237,799	276,799
– Surplus deposit reserves	(b)	76,112	64,428
– Foreign exchange risk reserves	(c)	443	740
– Fiscal deposits		2,717	2,717
Subtotal		325,157	349,045
Accrued interest		110	139
Total		325,267	349,184

Notes:

(a) *The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business. As at the end of the reporting period, the Bank's statutory deposit reserve rates in Chinese Mainland were as follows:*

	30 June 2024	*31 December 2023*
Reserve ratio for RMB deposits	*6.50%*	*7.00%*
Reserve ratio for foreign currency deposits	*4.00%*	*4.00%*

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC. The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(b) *The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.*

(c) *The foreign-exchange risk reserve is the foreign-exchange risk reserve paid by the Group to the PBOC in accordance with the relevant provisions. As at 30 June 2024, the proportion of foreign-exchange risk reserve shall be 20% (31 December 2023: 20%).*

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2024	31 December 2023
Deposits in Chinese Mainland		
– Banks	24,205	28,412
– Other financial institutions	1,340	709
Deposits overseas		
– Banks	11,415	11,192
Subtotal	36,960	40,313
Accrued interest	122	64
Total	37,082	40,377
Less: Provision for impairment losses	(385)	(435)
Net balances	36,697	39,942

11 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2024	31 December 2023
Placements in Chinese Mainland		
– Banks	7,732	8,243
– Other financial institutions	115,933	111,172
Placements overseas		
– Banks	34,426	22,782
Subtotal	158,091	142,197
Accrued interest	368	371
Total	158,459	142,568
Less: Provision for impairment losses	(264)	(326)
Net balances	158,195	142,242

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Derivatives and hedge accounting

(a) Analysed by nature of contract

	30 June 2024		
	Notional amount	Fair value Assets	Fair value Liabilities
Interest rate derivatives			
– Interest rate swaps	763,952	5,623	(5,277)
– Treasury bond futures	81	0	(1)
Currency derivatives			
– Foreign exchange forwards	7,186	31	(28)
– Foreign exchange swaps and cross-currency interest rate swaps	1,732,343	12,841	(13,338)
– Foreign exchange options	2,524	13	(15)
Total	2,506,086	18,508	(18,659)

	31 December 2023		
	Notional amount	Fair value Assets	Fair value Liabilities
Interest rate derivatives			
– Interest rate swaps	911,287	4,856	(4,713)
– Treasury bond futures	97	–	(2)
Currency derivatives			
– Foreign exchange forwards	4,484	58	(49)
– Foreign exchange swaps and cross-currency interest rate swaps	931,148	8,383	(9,157)
– Foreign exchange options	2,443	27	(25)
Total	1,849,459	13,324	(13,946)

(1) The notional amounts of derivative financial instruments refer only to the amounts outstanding at the end of the reporting period and do not represent the amounts at risk.

(2) The above derivative financial instruments include hedging instruments designated by the Group.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Derivatives and hedge accounting (continued)

(b) Analysed by credit risk-weighted amount

	30 June 2024	31 December 2023
Counterparty default risk-weighted assets	2,910	1,893
Credit value adjustment risk-weighted assets	2,885	2,309
Total	5,795	4,202

As at 30 June 2024 and 31 December 2023, the risk-weighted assets for counterparty credit risk ("CCR") of derivatives of the Group were calculated in accordance with the "Regulation Governing Capital of Commercial Banks", the "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations under the advanced capital measurement approaches. For derivative transactions, risk-weighted assets for CCR include the risk-weighted assets for default risk, and the risk-weighted assets for credit valuation adjustment ("CVA").

(c) Hedging accounting

(1) Fair value hedge

The Group uses interest rate swaps to hedge fair value changes caused by interest rate changes, and the hedged items are fixed interest bonds. As at 30 June 2024, the notional amount of the derivative financial instruments used by the Group for the fair value hedging instrument in the hedge accounting was RMB13,753 million (31 December 2023: RMB12,617 million). In the above hedging instrument, derivative financial assets was RMB472million (31 December 2023: RMB345 million), derivative financial liabilities was RMB21 million (31 December 2023: RMB123 million).

For the six months ended 30 June 2024 and 30 June 2023, the fair value changes recognised in the profit or loss attributed to the ineffective hedging were not significant.

(2) Cash flow hedge

The Group uses cross-currency swaps to hedge cash flow fluctuations resulting from exchange rates, and the hedged items are fixed interest bonds. As at 30 June 2024, the nominal amount of derivative financial instruments used by the Group as cash flow hedging instruments in hedge accounting was RMB9,790 million (31 December 2023: RMB1,500 million), among which derivative financial assets amounted to RMB10 million (31 December 2023: RMB48 million), and derivative financial liabilities amounted to RMB47 million (31 December 2023: Nil).

For the six months ended 30 June 2024 and 30 June 2023, the profit or loss arising from the recognised invalidated portion of the cash flow hedge was not significant.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	30 June 2024	31 December 2023
In Chinese Mainland		
– Banks	–	2,317
– Other financial institutions	8,198	65,138
Subtotal	8,198	67,455
Accrued interest	2	51
Total	8,200	67,506
Less: Provision for impairment losses	(5)	(6)
Net balances	8,195	67,500

(b) Analysed by type of collateral held

	30 June 2024	31 December 2023
Bonds		
– Government bonds	–	6,433
– Other debt securities	8,198	61,022
Subtotal	8,198	67,455
Accrued interest	2	51
Total	8,200	67,506
Less: Provision for impairment losses	(5)	(6)
Net balances	8,195	67,500

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers

(a) Analysed by nature

	30 June 2024	31 December 2023
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	2,166,789	2,068,722
Discounted bills	553	636
Personal loans and advances		
– Personal housing mortgage loans	579,682	584,099
– Personal business loans	336,436	299,291
– Personal consumption loans	189,933	195,679
– Credit cards	386,154	433,547
Principal of loans and advances to customers measured at amortised cost	3,659,547	3,581,974
Accrued interest	11,637	11,342
Gross loans and advances to customers measured at amortised cost	3,671,184	3,593,316
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(83,780)	(85,371)
Net loans and advances to customers measured at amortised cost	3,587,404	3,507,945
Loans and advances to customers at fair value through other comprehensive income		
Forfaiting – domestic letter of credit	98,833	97,118
Discounted bills	135,064	107,862
Net loans and advances to customers at fair value through other comprehensive income	233,897	204,980
Net loans and advances to customers	3,821,301	3,712,925
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(324)	(690)

As at the end of the reporting period, part of the above loans and advances to customers was pledged for repurchase agreements. See Note III 23(a).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(b) Analysed by industry

	30 June 2024		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	507,612	13.06%	101,818
Leasing and commercial services	357,956	9.19%	95,571
Water, environment and public utility management	348,141	8.94%	128,839
Wholesale and retail trade	170,722	4.38%	37,906
Construction	167,176	4.29%	44,440
Real estate	166,404	4.27%	122,546
Transportation, storage and postal services	130,046	3.34%	44,697
Finance	103,617	2.66%	8,504
Production and supply of power, gas and water	98,001	2.52%	20,569
Agriculture, forestry, animal husbandry and fishery	57,305	1.47%	13,983
Others	158,642	4.07%	36,090
Subtotal of corporate loans and advances	2,265,622	58.19%	654,963
Personal loans and advances	1,492,205	38.33%	896,127
Discounted bills	135,617	3.48%	134,116
Total	3,893,444	100.00%	1,685,206
Accrued interest	11,637		
Gross loans and advances to customers	3,905,081		

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(b) Analysed by industry (continued)

	31 December 2023		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	444,913	11.74%	82,297
Water, environment and public utility management	337,316	8.91%	112,731
Leasing and commercial services	335,235	8.85%	68,882
Wholesale and retail trade	177,439	4.69%	36,271
Real estate	165,745	4.38%	108,194
Construction	165,227	4.36%	42,950
Transportation, storage and postal services	136,270	3.60%	41,333
Finance	105,414	2.78%	7,663
Production and supply of power, gas and water	84,276	2.23%	15,973
Agriculture, forestry, animal husbandry and fishery	59,157	1.56%	14,789
Others	154,848	4.09%	29,297
Subtotal of corporate loans and advances	2,165,840	57.19%	560,380
Personal loans and advances	1,512,616	39.94%	868,717
Discounted bills	108,498	2.87%	107,305
Total	3,786,954	100.00%	1,536,402
Accrued interest	11,342		
Gross loans and advances to customers	3,798,296		

(c) Analysed by type of collateral

	30 June 2024	31 December 2023
Unsecured loans	1,352,565	1,313,169
Guaranteed loans	855,673	937,383
Secured loans		
– Mortgage loans	1,416,483	1,210,545
– Pledged loans	268,723	325,857
Total	3,893,444	3,786,954
Accrued interest	11,637	11,342
Gross loans and advances to customers	3,905,081	3,798,296

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(d) Analysed by geographical distribution

	30 June 2024		
	Amount	Percentage	Loans and advances secured by collateral
Yangtze River Delta	954,346	24.51%	366,764
Central	682,830	17.54%	343,668
Pearl River Delta	619,267	15.91%	362,475
Bohai Rim	555,724	14.27%	283,025
Western	480,784	12.35%	236,062
Northeastern	97,194	2.50%	71,606
Head Office	387,099	9.94%	934
Overseas	116,200	2.98%	20,672
Total	3,893,444	100.00%	1,685,206
Accrued interest	11,637		
Gross loans and advances to customers	3,905,081		

	31 December 2023		
	Amount	Percentage	Loans and advances secured by collateral
Yangtze River Delta	903,353	23.86%	323,157
Central	650,965	17.19%	317,662
Pearl River Delta	574,249	15.16%	319,019
Bohai Rim	516,609	13.64%	256,554
Western	475,934	12.57%	223,808
Northeastern	105,734	2.79%	74,441
Head Office	434,359	11.47%	799
Overseas	125,751	3.32%	20,962
Total	3,786,954	100.00%	1,536,402
Accrued interest	11,342		
Gross loans and advances to customers	3,798,296		

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(d) Analysed by geographical distribution (continued)

As at the end of the reporting period, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers is as follows:

	30 June 2024			
	Impaired loans and advances	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)
Pearl River Delta	9,079	(3,692)	(2,927)	(5,640)
Central	6,579	(2,762)	(2,371)	(3,918)
Yangtze River Delta	6,701	(6,877)	(1,422)	(4,154)
Bohai Rim	5,500	(2,952)	(1,549)	(3,707)
Western	4,829	(2,644)	(4,286)	(2,704)
Total	32,688	(18,927)	(12,555)	(20,123)

	31 December 2023			
	Impaired loans and advances	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)
Pearl River Delta	8,431	(4,373)	(3,857)	(5,253)
Central	6,001	(3,541)	(3,413)	(2,989)
Yangtze River Delta	6,062	(7,075)	(1,956)	(3,674)
Bohai Rim	4,921	(3,211)	(1,943)	(3,408)
Western	3,818	(3,265)	(4,010)	(2,055)
Total	29,233	(21,465)	(15,179)	(17,379)

For the definition of regional divisions, see Note III 46(b).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(e) Overdue loans and advances analysed by overdue period

	30 June 2024				
	Overdue within three months or less (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	24,631	10,567	3,041	1,678	39,917
Guaranteed loans	3,552	2,924	1,658	576	8,710
Secured loans					
– Mortgage loans	11,631	12,193	8,870	2,508	35,202
– Pledged loans	1,979	5	1	10	1,995
Subtotal	41,793	25,689	13,570	4,772	85,824
Accrued interest	50	–	–	–	50
Total	41,843	25,689	13,570	4,772	85,874
As a percentage of gross loans and advances to customers	1.07%	0.66%	0.35%	0.12%	2.20%

	31 December 2023				
	Overdue within three months or less (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	20,408	13,380	1,607	928	36,323
Guaranteed loans	3,874	2,569	2,576	594	9,613
Secured loans					
– Mortgage loans	7,395	7,908	7,847	2,014	25,164
– Pledged loans	184	2,388	14	28	2,614
Subtotal	31,861	26,245	12,044	3,564	73,714
Accrued interest	83	–	–	–	83
Total	31,944	26,245	12,044	3,564	73,797
As a percentage of gross loans and advances to customers	0.84%	0.69%	0.32%	0.09%	1.94%

Overdue loans and advances represent loans and advances of which the whole or part of the principal or interest was overdue for one day or more.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(f) Loans and advances and provision for impairment losses

	30 June 2024				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total	Stage 3 loans and advances as a percentage of loans and advances
Principal of loans and advances to customers measured at amortised cost	3,457,109	151,225	51,213	3,659,547	1.32%
Accrued interest	7,041	4,206	390	11,637	
Gross loans and advances to customers measured at amortised cost	3,464,150	155,431	51,603	3,671,184	
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(28,076)	(23,112)	(32,592)	(83,780)	
Net loans and advances to customers measured at amortised cost	3,436,074	132,319	19,011	3,587,404	
Net loans and advances to customers at fair value through other comprehensive income	233,790	107	–	233,897	
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(323)	(1)	–	(324)	

	31 December 2023				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total	Stage 3 loans and advances as a percentage of loans and advances
Principal of loans and advances to customers measured at amortised cost	3,398,940	134,156	48,878	3,581,974	1.29%
Accrued interest	8,001	3,054	287	11,342	
Gross loans and advances to customers measured at amortised cost	3,406,941	137,210	49,165	3,593,316	
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(30,599)	(23,766)	(31,006)	(85,371)	
Net loans and advances to customers measured at amortised cost	3,376,342	113,444	18,159	3,507,945	
Net loans and advances to customers at fair value through other comprehensive income	201,865	3,115	–	204,980	
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(645)	(45)	–	(690)	

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(g) Reconciliation of provision for impairment losses

		For the six months ended 30 June 2024			
	Notes	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total
As at 1 January 2024		(30,599)	(23,766)	(31,006)	(85,371)
– Transfer to Stage 1		(3,987)	2,006	1,981	–
– Transfer to Stage 2		1,139	(2,647)	1,508	–
– Transfer to Stage 3		271	1,308	(1,579)	–
Net charge for the period	(i)	5,103	(13)	(24,594)	(19,504)
Write-off and disposal		–	–	26,632	26,632
Recovery of loans and advances written off		–	–	(5,880)	(5,880)
Interest income on impaired loans		–	–	377	377
Exchange fluctuation and others		(3)	–	(31)	(34)
As at 30 June 2024		(28,076)	(23,112)	(32,592)	(83,780)

		2023			
	Notes	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total
As at 1 January 2023		(36,726)	(17,680)	(28,774)	(83,180)
– Transfer to Stage 1		(2,610)	2,371	239	–
– Transfer to Stage 2		2,153	(2,495)	342	–
– Transfer to Stage 3		389	2,286	(2,675)	–
Net charge for the year	(i)	6,216	(8,247)	(43,210)	(45,241)
Write-off and disposal		–	–	51,573	51,573
Recovery of loans and advances written off		–	–	(9,437)	(9,437)
Interest income on impaired loans		–	–	961	961
Exchange fluctuation and others		(21)	(1)	(25)	(47)
As at 31 December 2023		(30,599)	(23,766)	(31,006)	(85,371)

Note:

(i) The net charge for the period/year includes the impact of provisions for impairment losses on the newly originated or purchased loans, reversal of provisions for impairment losses of the maturity of the repayment, provisions for impairment losses made/reversed in the event of updates to the impact of changes in PD, LGD, and EAD, changes in model assumptions and methodologies, and phase transfers.

(ii) The above reconciliation of provision for impairment losses only represents provision for impairment losses on loans and advances to customers measured at amortised cost. As at 30 June 2024, the balance of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income was RMB324 million (31 December 2023: RMB690 million).

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Loans and advances to customers (continued)

(h) Restructured loans and advances to customers

	30 June 2024	31 December 2023
Restructured loans and advance to customers	18,030	6,551
Of which: Restructured loans and advances to customers overdue more than 90 days	383	1,267

15 Finance lease receivables

	30 June 2024	31 December 2023
Finance lease receivables	104,888	115,776
Less: Unearned finance lease income	(11,235)	(12,943)
Present value of finance lease receivables	93,653	102,833
Accrued interest	666	837
Less: Provision for impairment losses	(4,582)	(4,512)
Net balance	89,737	99,158

The finance lease receivables under finance lease and hire purchase contracts and their present values are as follows:

	30 June 2024	31 December 2023
Less than 1 year (inclusive)	39,095	40,820
1 year to 2 years (inclusive)	27,047	31,071
2 years to 3 years (inclusive)	15,746	19,730
3 years to 4 years (inclusive)	8,836	10,156
4 years to 5 years (inclusive)	4,395	3,940
More than 5 years	9,769	10,059
Total	104,888	115,776

16 Financial investments

	Notes	30 June 2024	31 December 2023
Financial assets at fair value through profit or loss	(a)	460,224	432,896
Debt instruments at fair value through other comprehensive income	(b)	601,273	561,047
Equity instruments at fair value through other comprehensive income	(c)	1,133	1,132
Financial investments measured at amortised cost	(d)	1,147,317	1,246,387
Total		2,209,947	2,241,462

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial investments (continued)

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

	Notes	30 June 2024	31 December 2023
Debt instruments held for trading	(i)	143,617	106,408
Other financial assets at fair value through profit or loss	(ii)	316,607	326,488
Total		460,224	432,896

(i) Debt instruments held for trading

	Notes	30 June 2024	31 December 2023
Issued by the following governments or institutions:			
In Chinese Mainland			
– Government		29,532	28,605
– Banks and other financial institutions		53,436	45,887
– Other institutions	(1)	57,295	29,734
Overseas			
– Government		1,179	1,176
– Banks and other financial institutions		898	510
– Other institutions		1,277	496
Total	(2)	143,617	106,408
Listed	(3)	36,337	21,052
Of which: listed in Hong Kong		3,488	2,270
Unlisted		107,280	85,356
Total		143,617	106,408

Notes:

(1) Debt instruments issued by other institutions in Chinese Mainland mainly represented debt securities issued by state-owned enterprises and joint stock enterprises in Chinese Mainland.

(2) At the end of the reporting period, some of the debt instruments held for trading were pledged for repurchase agreements and time deposits. See Note III 23(a).

(3) Listed investments only include debt instruments traded on a stock exchange.

(ii) Other financial assets at fair value through profit or loss

	30 June 2024	31 December 2023
Fund investments	297,324	296,565
Equity instruments	4,267	4,341
Others	15,016	25,582
Total	316,607	326,488

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial investments (continued)

(b) Debt instruments at fair value through other comprehensive income

(i) Analysed by type and location of counterparty:

	Notes	30 June 2024	31 December 2023
In Chinese Mainland			
– Government		335,698	278,638
– Banks and other financial institutions	(1)	136,069	143,306
– Other institutions	(2)	86,004	88,524
Overseas			
– Government		1,302	1,911
– Banks and other financial institutions		12,829	21,121
– Other institutions		21,985	19,520
Subtotal		593,887	553,020
Accrued interest		7,386	8,027
Total	(3)	601,273	561,047
Listed	(4)	35,859	68,540
Of which: listed in Hong Kong		3,782	25,199
Unlisted		558,028	484,480
Subtotal		593,887	553,020
Accrued interest		7,386	8,027
Total		601,273	561,047

Notes:

(1) Debt instruments issued by banks and other financial institutions mainly represent debt securities issued by banks and other financial institutions in Chinese Mainland.

(2) Debt instruments issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in Chinese Mainland.

(3) At the end of the reporting period, part of the debt instruments at fair value through other comprehensive income were pledged for repurchase agreements and time deposits, see Note III 23(a).

(4) Listed investments only include debt instruments traded on a stock exchange.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial investments (continued)

(b) Debt instruments at fair value through other comprehensive income (continued)

(ii) Reconciliation of provision for impairment losses on debt instruments at fair value through other comprehensive income

	For the six months ended 30 June 2024			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2024	(433)	(107)	(753)	(1,293)
– Transfer to Stage 2	5	(5)	–	–
– Transfer to Stage 3	–	1	(1)	–
Net charge for the period	173	51	(129)	95
Exchange fluctuation and others	(4)	0	(11)	(15)
As at 30 June 2024	(259)	(60)	(894)	(1,213)

	2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2023	(470)	(158)	(590)	(1,218)
– Transfer to Stage 2	6	(6)	–	–
– Transfer to Stage 3	52	92	(144)	–
Net charge for the year	(39)	(40)	(55)	(134)
Exchange fluctuation and others	18	5	36	59
As at 31 December 2023	(433)	(107)	(753)	(1,293)

(c) Equity instruments at fair value through other comprehensive income

	Notes	30 June 2024	31 December 2023
Listed	(i)	31	30
Unlisted		1,102	1,102
Total	(ii)	1,133	1,132

Notes:

(i) Listed investments only include equity instruments traded on a stock exchange.

(ii) The Group designated the equity instruments not held for trading as measured at fair value through other comprehensive income. For the six months ended 30 June 2024, the Group has received RMB104,355.53 dividends from the above equity instruments (for the six months ended 30 June 2023: RMB198,315.86).

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial investments (continued)

(d) Financial investments measured at amortised cost

	Notes	30 June 2024	31 December 2023
Debt securities and asset-backed instruments	(i)	1,104,079	1,199,678
Others	(ii)	43,170	43,327
Subtotal		1,147,249	1,243,005
Accrued interest		14,868	18,679
Total		1,162,117	1,261,684
Less: Provision for impairment losses		(14,800)	(15,297)
Net balance		1,147,317	1,246,387
Listed	(iii)	168,187	205,136
Of which: listed in Hong Kong		9,219	25,104
Unlisted		964,262	1,022,572
Subtotal		1,132,449	1,227,708
Accrued interest		14,868	18,679
Net balance		1,147,317	1,246,387

(i) *Debt securities and asset-backed instruments measured at amortised cost were analysed by type and location of counterparty as follows:*

	Notes	30 June 2024	31 December 2023
In Chinese Mainland			
– Government		462,464	488,028
– Banks and other financial institutions		304,049	408,738
– Other institutions	(1)	296,799	236,545
Overseas			
– Government		5,272	13,987
– Banks and other financial institutions		20,468	41,167
– Other institutions		15,027	11,213
Subtotal		1,104,079	1,199,678
Accrued interest		14,797	18,637
Total	(2)	1,118,876	1,218,315
Less: Provision for impairment losses		(3,587)	(4,241)
Net balance		1,115,289	1,214,074
Fair value		1,128,099	1,241,475

Notes:

(1) *Debt securities and asset-backed instruments issued by other institutions mainly represent debt securities and asset-backed instruments issued by state-owned enterprises and joint stock enterprises in Chinese Mainland.*

(2) *As at the end of the year, part of the debt securities measured at amortised cost were pledged for repurchase agreements, time deposits and derivative transactions. See Note III 23(a).*

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial investments (continued)

(d) Financial investments measured at amortised cost (continued)

(ii) Other financial investments measured at amortised cost mainly include trusts and other rights to earnings.

(iii) Listed investments only include debt instruments traded on a stock exchange.

(iv) Reconciliation of provision for impairment losses on financial investments measured at amortised cost:

	For the six months ended 30 June 2024			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2024	(711)	(130)	(14,456)	(15,297)
– Transfer to Stage 2	21	(21)	–	–
Net charge for the period	191	(379)	(951)	(1,139)
Write-off and disposal	–	–	1,286	1,286
Interest income on impaired financial investments	–	–	401	401
Exchange fluctuation and others	(51)	–	–	(51)
As at 30 June 2024	(550)	(530)	(13,720)	(14,800)

	2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2023	(1,325)	(56)	(9,501)	(10,882)
– Transfer to Stage 2	(19)	19	–	–
– Transfer to Stage 3	22	(22)	–	–
Net charge for the year	751	(71)	(6,412)	(5,732)
Write-off and disposal	–	–	513	513
Interest income on impaired financial investments	–	–	944	944
Exchange fluctuation and others	(140)	–	–	(140)
As at 31 December 2023	(711)	(130)	(14,456)	(15,297)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024
(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Investments in subsidiaries and joint ventures

(a) Investments in subsidiaries

The Bank

	30 June 2024	31 December 2023
Everbright Financial Leasing Co., Ltd.	4,680	4,680
CEB International Investment Co., Ltd.	2,267	2,267
Shaoshan Everbright Rural Bank Co., Ltd.	105	105
Jiangsu Huai'an Everbright Rural Bank Co., Ltd.	70	70
China Everbright Bank (Europe) S.A.	156	156
Jiangxi Ruijin Everbright Rural Bank Co., Ltd.	105	105
Everbright Wealth Co., Ltd.	5,000	5,000
Beijing Sunshine Consumer Finance Co., Ltd.	600	600
Total	12,983	12,983

The details of the subsidiaries are presented as follows:

Corporate name	Registered address	Registered capital	Investment proportion	Voting proportion	Main business	Economic nature/type
Everbright Financial Leasing Co., Ltd. (Everbright Financial Leasing)	Wuhan, Hubei	5,900	90%	90%	Leasing transactions	Incorporated company
CEB International Investment Co., Ltd. (CEB International)	Hong Kong	2,267	100%	100%	Investment banking	Limited company
Shaoshan Everbright Rural Bank Co., Ltd (Shaoshan Everbright Bank)	Shaoshan, Hunan	150	70%	70%	Banking business	Incorporated company
Jiangsu Huai'an Everbright Rural Bank Co., Ltd. (Huai'an Everbright Bank)	Huai'an, Jiangsu	100	70%	70%	Banking business	Incorporated company
China Everbright Bank (Europe) S.A. (CEB Europe)	Luxembourg	156	100%	100%	Banking business	Incorporated company
Jiangxi Ruijin Everbright Rural Bank Co., Ltd. (Ruijin Everbright Bank)	Ruijin, Jiangxi	150	70%	70%	Banking business	Incorporated company
Everbright Wealth Co., Ltd. (Everbright Wealth)	Qingdao, Shandong	5,000	100%	100%	Asset management business	Limited company
Beijing Sunshine Consumer Finance Co., Ltd. (Sunshine Consumer)	Beijing	1,000	60%	60%	Consumer finance business	Incorporated company

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Investments in subsidiaries and joint ventures (continued)

(b) Investments in joint ventures

The Group

	For the six months ended 30 June 2024	2023
As at 1 January 2024/1 January 2023	204	165
Decrease capital	–	–
Investment gains under the equity method	10	36
Foreign currency conversion difference	6	3
As at 30 June 2024/31 December 2023	220	204

18 Property and equipment

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2024	16,450	11,510	1,603	10,226	5,001	44,790
Additions	100	237	872	266	113	1,588
Transfer out	–	–	(20)	–	–	(20)
Disposals	(17)	–	–	(788)	(103)	(908)
Foreign currency conversion difference	–	69	–	–	–	69
As at 30 June 2024	16,533	11,816	2,455	9,704	5,011	45,519
Accumulated depreciation						
As at 1 January 2024	(5,832)	(1,807)	–	(7,208)	(3,942)	(18,789)
Charge for the period	(261)	(218)	–	(610)	(108)	(1,197)
Disposals	9	–	–	765	82	856
Foreign currency conversion difference	–	(11)	–	–	–	(11)
As at 30 June 2024	(6,084)	(2,036)	–	(7,053)	(3,968)	(19,141)
Provision for impairment losses						
As at 1 January 2024	(163)	–	–	–	–	(163)
As at 30 June 2024	(163)	–	–	–	–	(163)
Net balances						
As at 30 June 2024	10,286	9,780	2,455	2,651	1,043	26,215

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Property and equipment (continued)

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2023	14,278	11,057	2,832	9,968	4,971	43,106
Additions	58	267	923	648	185	2,081
Transfers in/(out)	2,138	–	(2,152)	–	–	(14)
Disposals	(24)	–	–	(390)	(155)	(569)
Foreign currency conversion difference	–	186	–	–	–	186
As at 31 December 2023	16,450	11,510	1,603	10,226	5,001	44,790
Accumulated depreciation						
As at 1 January 2023	(5,337)	(1,370)	–	(6,269)	(3,793)	(16,769)
Charge for the period	(495)	(414)	–	(1,304)	(293)	(2,506)
Disposals	–	–	–	365	144	509
Foreign currency conversion difference	–	(23)	–	–	–	(23)
As at 31 December 2023	(5,832)	(1,807)	–	(7,208)	(3,942)	(18,789)
Provision for impairment losses						
As at 1 January 2023	(163)	–	–	–	–	(163)
As at 31 December 2023	(163)	–	–	–	–	(163)
Net balances						
As at 31 December 2023	10,455	9,703	1,603	3,018	1,059	25,838

Notes:

(i) As at 30 June 2024, title deeds were not yet finalised for the premises with a net balances of RMB2,205 million (31 December 2023: RMB2,278 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.

(ii) As at 30 June 2024, Everbright Financial Leasing, the Group's subsidiary leased aircraft to third parties under operating lease arrangements, with a net balances of RMB9,780 million (31 December 2023: RMB9,703 million). As at the end of the reporting period, part of the aircraft was pledged for borrowings from banks. See Note III 23(a).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Right-of-use assets

	Premises	Transportation and others	Total
Cost			
As at 1 January 2024	18,926	36	18,962
Charge for the period	1,026	3	1,029
Deductions	(967)	(3)	(970)
Foreign currency conversion difference	5	–	5
As at 30 June 2024	18,990	36	19,026
Accumulated depreciation			
As at 1 January 2024	(8,535)	(19)	(8,554)
Charge for the period	(1,393)	(4)	(1,397)
Reduction for the period	915	3	918
Foreign currency conversion difference	(2)	–	(2)
As at 30 June 2024	(9,015)	(20)	(9,035)
Net balances			
As at 30 June 2024	9,975	16	9,991

	Premises	Transportation and others	Total
Cost			
As at 1 January 2023	18,193	53	18,246
Charge for the period	3,574	9	3,583
Deductions	(2,854)	(26)	(2,880)
Foreign currency conversion difference	13	–	13
As at 31 December 2023	18,926	36	18,962
Accumulated depreciation			
As at 1 January 2023	(7,939)	(26)	(7,965)
Charge for the period	(2,820)	(10)	(2,830)
Reduction for the period	2,232	17	2,249
Foreign currency conversion difference	(8)	–	(8)
As at 31 December 2023	(8,535)	(19)	(8,554)
Net balances			
As at 31 December 2023	10,391	17	10,408

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Goodwill

	30 June 2024	31 December 2023
Gross amount	6,019	6,019
Less: Provision for impairment losses	(4,738)	(4,738)
Net balances	1,281	1,281

As approved by the PBOC, the Bank and China Development Bank ("CDB") jointly signed the "Agreement between China Development Bank and China Everbright Bank for the transfer of assets, liabilities and banking premises of China Investment Bank" (the "Agreement") on 18 March 1999. According to the Agreement, CDB transferred the assets, liabilities, equity and 137 outlets of 29 branches of the former China Investment Bank ("CIB") to the Bank. The Agreement became effective on 18 March 1999. The Bank assessed the fair value of the transferred assets and liabilities, and recognised the excess of the purchase cost over the sum of the fair value of the net assets transferred and deferred tax assets as goodwill.

The Bank regularly conducts impairment tests on goodwill. The Bank makes provision for impairment if necessary. The Bank calculates the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a five-year period. As at 30 June 2024, the discount rate used in the Bank's cash flow forecast is 10% (31 December 2023: 10%). The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment testing, no additional impairment losses on goodwill were recognised for the period/year.

21 Deferred tax assets and liabilities

Deferred income tax assets and deferred income tax liabilities that have not been offset:

	30 June 2024	31 December 2023
Deferred income tax assets	35,552	36,153
Deferred income tax liabilities	(3,856)	(2,179)
Total	31,696	33,974

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Deferred tax assets and liabilities (continued)

(a) Analysed by nature

	30 June 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
– Fair value changes	1,248	312	2,856	697
– Provision for impairment losses	116,364	29,091	118,220	29,550
– Accrued staff costs and others	24,596	6,149	23,623	5,906
Total	142,208	35,552	144,699	36,153
Deferred income tax liabilities				
– Fair value changes	(10,764)	(2,691)	(2,787)	(697)
– Others	(4,660)	(1,165)	(5,927)	(1,482)
Total	(15,424)	(3,856)	(8,714)	(2,179)

(b) Movements of deferred tax

	Provision for impairment losses Note (i)	Fair value changes of financial instruments Note (ii)	Accrued staff costs and others	Net balance of deferred tax assets/ (liabilities)
As at 1 January 2024	29,550	–	4,424	33,974
Recognised in profit or loss	(574)	(867)	560	(881)
Recognised in other comprehensive income	115	(1,512)	–	(1,397)
As at 30 June 2024	29,091	(2,379)	4,984	31,696

	Provision for impairment losses Note (i)	Fair value changes of financial instruments Note (ii)	Accrued staff costs and others	Net balance of deferred tax assets/ (liabilities)
As at 1 January 2023	28,445	856	3,402	32,703
Recognised in profit or loss	1,108	130	1,022	2,260
Recognised in other comprehensive income	(3)	(986)	–	(989)
As at 31 December 2023	29,550	–	4,424	33,974

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the period. Besides, the amounts deductible for income tax purposes which fulfil specific criteria as set out in the PRC tax rules are calculated at 1% of the gross carrying amount of qualifying assets at the end of the period, together with write-offs and are approved by the tax authorities.

(i) Fair value changes of financial instruments are subject to tax when realised.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Other assets

	Note	30 June 2024	31 December 2023
Other receivables	(a)	32,352	8,047
Interest receivables		8,965	8,331
Intangible assets		4,245	4,297
Property and equipment purchase prepayment		3,311	2,042
Refundable Deposits		2,083	1,641
Long-term deferred expense		850	916
Repossessed assets		85	147
Land use right		68	71
Others		953	2,946
Total		52,912	28,438

Note:

(a) *Other receivables mainly include items in the process of clearing and settlement. The amount of impairment allowance is not material.*

23 Pledged assets

(a) Assets pledged as collateral

The Group's assets as collateral for liabilities include discounted bills, debt securities and property and equipment, which are mainly used as collateral for repurchase agreements, time deposits, derivative contracts and borrowings from banks. The carrying amount of the assets pledged as securities as at 30 June 2024 was RMB223.658 billion (as at 31 December 2023: RMB195.465 billion)

(b) Collateral received

The Group accepted securities as collateral for those which are permitted to be sold or re-pledged in connection with reverse repurchase agreements with banks and other financial institutions in the six months ended 30 June 2024.

As at 30 June 2024, the Group had no collateral received from banks and other financial institutions (31 December 2023: Nil). As at 30 June 2024, the Group had no collateral that was sold or re-pledged but was obligated to return (31 December 2023: Nil). These transactions are conducted under standard terms in the normal course of business.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 Due to the central bank

	30 June 2024	31 December 2023
Due to the central bank	83,766	98,552
Accrued interest	1,197	1,081
Total	84,963	99,633

25 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2024	31 December 2023
Deposits in Chinese Mainland		
– Banks	174,523	153,897
– Other financial institutions	454,721	396,375
Deposits overseas		
– Banks	123	798
Subtotal	629,367	551,070
Accrued interest	2,079	1,256
Total	631,446	552,326

26 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2024	31 December 2023
Placements in Chinese Mainland		
– Banks	104,841	111,593
– Other financial institutions	10,662	5,495
Placements overseas		
– Banks	62,983	76,212
Subtotal	178,486	193,300
Accrued interest	870	905
Total	179,356	194,205

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	30 June 2024	31 December 2023
In Chinese Mainland		
– Banks	80,035	51,038
– Other financial institutions	1,800	–
Overseas		
– Banks	19,753	21,616
– Other financial institutions	856	274
Subtotal	102,444	72,928
Accrued interest	328	187
Total	102,772	73,115

(b) Analysed by collateral

	30 June 2024	31 December 2023
Debt securities	97,137	71,916
Bank acceptances	5,307	1,012
Subtotal	102,444	72,928
Accrued interest	328	187
Total	102,772	73,115

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 Deposits from customers

	30 June 2024	31 December 2023
Demand deposits		
– Corporate customers	808,167	965,167
– Individual customers	332,493	249,402
Subtotal	1,140,660	1,214,569
Time deposits		
– Corporate customers	1,394,559	1,451,942
– Individual customers	920,698	945,213
Subtotal	2,315,257	2,397,155
Pledged deposits	388,265	412,129
Other deposits	1,616	1,019
Subtotal deposits from customers	3,845,798	4,024,872
Accrued interest	73,966	69,656
Total	3,919,764	4,094,528

29 Accrued staff costs

	Notes	30 June 2024	31 December 2023
Salary and welfare payable		14,872	16,051
Pension and annuity payable	(a)	312	313
Supplementary retirement benefits payable	(b)	3,700	3,700
Total		18,884	20,064

Notes:

(a) *Pension and annuity payable*

Pursuant to the relevant laws and regulations in the PRC, the Group operates a defined contribution scheme for its employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages in the prior year, which are expensed to profit or loss when the contributions are made.

(b) *Supplementary retirement benefits ("SRB")*

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period.

Except for (a) and (b) above, the Group has no other major responsibilities for the payment of employee retirement benefits and other post-retirement benefits.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Taxes payable

	30 June 2024	31 December 2023
Income tax payable	490	4,334
Value added tax payable	2,775	2,554
Others	431	416
Total	3,696	7,304

31 Lease liabilities

	30 June 2024	31 December 2023
Within 1 year (inclusive)	2,717	2,691
1 year to 2 years (inclusive)	2,287	2,288
2 years to 3 years (inclusive)	1,825	1,914
3 years to 5 years (inclusive)	2,372	2,602
More than 5 years	1,932	2,080
Total undiscounted lease liabilities	11,133	11,575
Lease liabilities	9,982	10,349

32 Debt securities issued

	Notes	30 June 2024	31 December 2023
Financial bonds issued	(a)	246,405	233,363
Tier-two capital bonds issued	(b)	61,594	61,593
Interbank deposits issued	(c)	782,648	733,507
Certificates of deposit issued	(d)	47,431	35,705
Medium term notes issued	(e)	32,228	30,792
Subtotal		1,170,306	1,094,960
Accrued interest		4,468	4,366
Total		1,174,774	1,099,326

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Debt securities issued (continued)

(a) Financial bonds issued

	Note	30 June 2024	31 December 2023
Fixed rate financial bonds maturing in March 2024	(i)	–	39,998
Floating rate financial bonds maturing in May 2024	(ii)	–	1,453
Floating rate financial bonds maturing in August 2024	(iii)	969	969
Fixed rate financial bonds maturing in February 2025	(iv)	39,999	39,999
Floating rate financial bonds maturing in March 2025	(v)	436	436
Floating rate financial bonds maturing in March 2025	(vi)	799	799
Floating rate financial bonds maturing in April 2025	(vii)	548	547
Floating rate financial bonds maturing in May 2025	(viii)	291	291
Fixed rate financial bonds maturing in October 2025	(ix)	47,998	47,997
Floating rate financial bonds maturing in May 2026	(x)	485	484
Fixed rate financial bonds maturing in May 2026	(xi)	19,999	19,999
Fixed rate financial bonds maturing in June 2026	(xii)	19,999	19,999
Fixed rate financial bonds maturing in September 2026	(xiii)	29,999	29,999
Fixed rate financial bonds maturing in November 2026	(xiv)	27,999	27,999
Fixed rate financial bonds maturing in November 2026	(xv)	2,995	2,394
Fixed rate financial bonds maturing in March 2027	(xvi)	1,696	–
Fixed rate financial bonds maturing in March 2027	(xvii)	19,999	–
Fixed rate financial bonds maturing in April 2027	(xviii)	29,999	–
Fixed rate financial bonds maturing in May 2027	(xix)	2,195	–
Total		246,405	233,363

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Debt securities issued (continued)

(a) Financial bonds issued (continued)

Notes:

(i) *Fixed rate social bonds for Small and Micro Enterprises Loans of RMB40.00 billion with a term of three years were issued by the Bank on 22 March 2021. The coupon rate is 3.45% per annum.*

(ii) *Floating rate financial bonds of AUD 0.30 billion with a term of three years were issued by the Bank's Sydney branch on 18 May 2021. The coupon rate is 3MBBSW+68BPS per annum.*

(iii) *Floating rate financial bonds of AUD 0.20 billion with a term of 1.75 years were issued by the Bank's Sydney branch on 11 November 2022. The coupon rate is 3MBBSW+103BPS per annum.*

(iv) *Fixed rate social bonds for Small and Micro Enterprises Loans of RMB40.00 billion with a term of three years were issued by the Bank on 17 February 2022. The coupon rate is 2.73% per annum.*

(v) *Floating rate financial bonds of AUD90.00 million with a term of two years were issued by the Bank's Sydney branch on 24 February 2023. The coupon rate is 3MBBSW+93BPS per annum.*

(vi) *Floating rate financial bonds of AUD165.00 million with a term of two years were issued by the Bank's Sydney branch on 15 March 2023. The coupon rate is 3MBBSW+100BPS per annum.*

(vii) *Floating rate financial bonds of AUD113.00 million with a term of two years were issued by the Bank's Sydney branch on 19 April 2023. The coupon rate is 3MBBSW+90BPS per annum.*

(viii) *Floating rate financial bonds of AUD60.00 million with a term of two years were issued by the Bank's Sydney branch on 8 May 2023. The coupon rate is 3MBBSW+92BPS per annum.*

(ix) *Fixed rate financial bonds of RMB48.00 billion with a term of three years were issued by the Bank on 18 October 2022. The coupon rate is 2.47% per annum.*

(x) *Floating rate financial bonds of AUD100.00 million with a term of three years were issued by the Bank's Sydney branch on 5 May 2023. The coupon rate is 3MBBSW+105BPS per annum.*

(xi) *Fixed rate financial bonds (Phase I) of RMB20.00 billion with a term of three years were issued by the Bank on 16 May 2023. The coupon rate is 2.68% per annum.*

(xii) *Fixed rate green financial bonds (Phase I) of RMB20.00 billion with a term of three years were issued by the Bank on 19 June 2023. The coupon rate is 2.68% per annum.*

(xiii) *Fixed rate financial bonds (Phase II) of RMB30.00 billion with a term of three years were issued by the Bank on 21 September 2023. The coupon rate is 2.72% per annum.*

(xiv) *Fixed rate financial bonds (Phase III) of RMB28.00 billion with a term of three years were issued by the Bank on 7 November 2023. The coupon rate is 2.81% per annum.*

(xv) *Fixed rate financial bonds of RMB3.00 billion with a term of three years were issued by Everbright Financial Leasing on 8 November 2023. The coupon rate is 2.85% per annum.*

(xvi) *Fixed rate financial bonds (Phase I) of RMB2.00 billion with a term of three years were issued by Everbright Financial Leasing on 4 March 2024. The coupon rate is 2.45% per annum.*

(xvii) *Fixed rate financial bonds (Phase I) of RMB20.00 billion with a term of three years were issued by the Bank on 15 March 2024. The coupon rate is 2.43% per annum.*

(xviii) *Fixed rate social bonds for Small and Micro Enterprises Loans of RMB30.00 billion with a term of three years were issued by the Bank on 23 April 2024. The coupon rate is 2.15% per annum.*

(xix) *Fixed rate financial bonds (Phase II) of RMB2.50 billion with a term of three years were issued by Everbright Financial Leasing on 23 May 2024. The coupon rate is 2.20% per annum.*

(xx) *As at 30 June 2024, the total fair value of the financial bonds issued approximated to RMB248,697 million (31 December 2023: RMB233,714 million).*

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Debt securities issued (continued)

(b) Tier-two capital bonds issued

	Notes	30 June 2024	31 December 2023
Tier-two capital fixed rate bonds maturing in September 2030	(i)	1,597	1,596
Tier-two capital fixed rate bonds maturing in August 2032	(ii)	39,998	39,998
Tier-two capital fixed rate bonds maturing in April 2033	(iii)	9,999	9,999
Tier-two capital fixed rate bonds maturing in August 2037	(iv)	5,000	5,000
Tier-two capital fixed rate bonds maturing in April 2038	(v)	5,000	5,000
Total		61,594	61,593

Notes:

(i) Fixed rate tier-two capital bonds of RMB1.60 billion with a term of ten years were issued on 16 September 2020 by Everbright Financial Leasing. The coupon rate is 4.39% per annum. The Group has an option to redeem the debts on 18 September 2025 at the nominal amount.

(ii) Fixed rate tier-two capital bonds of RMB40.00 billion with a term of ten years were issued by the Bank on 25 August 2022. The coupon rate is 3.10% per annum. The Bank has an option to redeem the debts on 29 August 2027 at the nominal amount.

(iii) Fixed rate tier-two capital bonds of RMB10.00 billion with a term of ten years were issued by the Bank on 10 April 2023. The coupon rate is 3.55% per annum. The Bank has an option to redeem the debts on 12 April 2028 at the nominal amount.

(iv) Fixed rate tier-two capital bonds of RMB5.00 billion with a term of fifteen years were issued by the Bank on 25 August 2022. The coupon rate is 3.35% per annum. The Bank has an option to redeem the debts on 29 August 2032 at the nominal amount.

(v) Fixed rate tier-two capital bonds of RMB5.00 billion with a term of fifteen years were issued by the Bank on 10 April 2023. The coupon rate is 3.64% per annum. The Bank has an option to redeem the debts on 12 April 2033 at the nominal amount.

(vi) As at 30 June 2024, the fair value of the total tier-two capital bonds issued approximated to RMB65,826 million (31 December 2023: RMB62,243 million).

(c) Interbank deposits issued

As at 30 June 2024, the interbank deposits were issued by the Bank measured at amortised cost. The fair value of its outstanding interbank deposits issued was RMB774,366 million (31 December 2023: RMB726,139 million).

(d) Certificates of deposit issued

As at 30 June 2024, the certificates of deposit were issued by the Bank's Hong Kong Branch, Seoul Branch, Sydney Branch and Luxembourg Branch measured at amortised cost. The fair value of the certificates of deposit issued approximated to their carrying amount.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Debt securities issued (continued)

(e) Medium term notes

	Notes	30 June 2024	31 December 2023
Medium term notes with fixed rate maturing on 11 March 2024	(i)	–	3,900
Medium term notes with fixed rate maturing on 15 June 2024	(ii)	–	4,253
Medium term notes with fixed rate maturing on 14 September 2024	(iii)	3,633	3,544
Medium term notes with fixed rate maturing on 1 December 2024	(iv)	2,179	2,125
Medium term notes with fixed rate maturing on 15 December 2024	(v)	2,178	2,123
Medium term notes with fixed rate maturing on 12 September 2025	(vi)	1,499	1,498
Medium term notes with fixed rate maturing on 2 March 2026	(vii)	2,901	2,830
Medium term notes with fixed rate maturing on 14 May 2026	(viii)	1,499	–
Medium term notes with fixed rate maturing on 20 May 2026	(ix)	400	–
Medium term notes with fixed rate maturing on 22 May 2026	(x)	473	–
Medium term notes with floating rate maturing on 12 September 2026	(xi)	3,627	3,538
Medium term notes with floating rate maturing on 20 September 2026	(xii)	3,990	3,892
Medium term notes with fixed rate maturing on 18 December 2026	(xiii)	350	353
Medium term notes with fixed rate maturing on 18 December 2026	(xiv)	363	354
Medium term notes with fixed rate maturing on 18 December 2026	(xv)	996	995
Medium term notes with fixed rate maturing on 19 December 2026	(xvi)	389	392
Medium term notes with fixed rate maturing on 21 December 2026	(xvii)	995	995
Medium term notes with fixed rate maturing on 8 March 2027	(xviii)	450	–
Medium term notes with floating rate maturing on 7 April 2027	(xix)	726	–
Medium term notes with fixed rate maturing on 26 April 2027	(xx)	498	–
Medium term notes with floating rate maturing on 14 May 2027	(xxi)	3,992	–
Medium term notes with floating rate maturing on 3 June 2027	(xxii)	1,090	–
Total		32,228	30,792

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Debt securities issued (continued)

(e) Medium term notes (continued)

Notes:

(i) *Fixed rate medium term notes of USD550.00 million with a term of three years were issued by the Bank's Hong Kong branch on 11 March 2021. The coupon rate is 0.93% per annum.*

(ii) *Fixed rate medium term notes of USD600.00 million with a term of three years were issued by the Bank's Hong Kong branch on 15 June 2021. The coupon rate is 0.84% per annum.*

(iii) *Fixed rate medium term notes of USD500.00 million with a term of three years were issued by the Bank's Luxembourg branch on 14 September 2021. The coupon rate is 0.83% per annum.*

(iv) *Fixed rate medium term notes of USD300.00 million with a term of three years were issued by the Bank's Hong Kong branch on 1 December 2021. The coupon rate is 1.27% per annum.*

(v) *Fixed rate medium term notes of USD300.00 million with a term of three years were issued by the Bank's subsidiary CEB International on 15 December 2021. The coupon rate is 2.00% per annum.*

(vi) *Fixed rate medium term notes of RMB1.50 billion with a term of two years were issued by the Bank's Hong Kong branch on 12 September 2023. The coupon rate is 2.95% per annum.*

(vii) *Fixed rate medium term notes of USD400.00 million with a term of three years were issued by the Bank's Hong Kong branch on 2 March 2023. The coupon rate is 4.99% per annum.*

(viii) *Fixed rate medium term notes of RMB1.50 billion with a term of two years were issued by the Bank's Hong Kong branch on 14 May 2024. The coupon rate is 3.00% per annum.*

(ix) *Fixed rate medium term notes of RMB400.00 million with a term of two years were issued by the Bank's Sydney branch on 20 May 2024. The coupon rate is 3.00% per annum.*

(x) *Fixed rate medium term notes of RMB500.00 million with a term of two years were issued by the Bank's Sydney branch on 22 May 2024. The coupon rate is 0.00% per annum.*

(xi) *Floating rate medium term notes of USD500.00 million with a term of three years were issued by the Bank's Hong Kong branch on 12 September 2023. The coupon rate is SOFR Compounded Index+63BPS per annum.*

(xii) *Floating rate medium term notes of USD550.00 million with a term of three years were issued by the Bank's Sydney branch on 20 September 2023. The coupon rate is SOFR Compounded Index+63BPS per annum.*

(xiii) *Fixed rate medium term notes of EUR 45.00 million with a term of three years were issued by the Bank's Luxembourg branch on 18 December 2023. The coupon rate is 3.70% per annum.*

(xiv) *Fixed rate medium term notes of USD50.00 million with a term of three years were issued by the Bank's Luxembourg branch on 18 December 2023. The coupon rate is 5.00% per annum.*

(xv) *Fixed rate medium term notes of RMB1.00 billion with a term of three years were issued by the Bank's Luxembourg branch on 28 December 2023. The coupon rate is 3.00% per annum.*

(xvi) *Fixed rate medium term notes of EUR 50.00 million with a term of three years were issued by the Bank's Luxembourg branch on 19 December 2023. The coupon rate is 3.66% per annum.*

(xvii) *Fixed rate medium term notes of RMB1.00 billion with a term of three years were issued by the Bank's Luxembourg branch on 29 December 2023. The coupon rate is 3.10% per annum.*

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Debt securities issued (continued)

(e) Medium term notes (continued)

Notes: (continued)

(xviii) *Fixed rate medium term notes of RMB450.00 million with a term of three years were issued by the Bank's Luxembourg branch on 6 March 2024. The coupon rate is 3.00% per annum.*

(xix) *Floating rate medium term notes of USD100.00 million with a term of three years were issued by the Bank's Sydney branch on 28 March 2024. The coupon rate is SOFR Compounded Index+59BPS per annum.*

(xx) *Fixed rate medium term notes of RMB500.00 million with a term of three years were issued by the Bank's Sydney branch on 26 April 2024. The coupon rate is 2.80% per annum.*

(xxi) *Floating rate medium term notes of USD550.00 million with a term of three years were issued by the Bank's Hong Kong branch on 14 May 2024. The coupon rate is SOFR Compounded Index+52BPS per annum.*

(xxii) *Floating rate medium term notes of USD150.00 million with a term of three years were issued by the Bank's Sydney branch on 3 June 2024. The coupon rate is SOFR Compounded Index+54BPS per annum.*

(xxiii) *As at 30 June 2024, the fair value of the medium term notes approximated to RMB32,229 million (31 December 2023: RMB30,476 million).*

33 Other liabilities

	Notes	30 June 2024	31 December 2023
Bank loans	(a)	18,937	24,936
Dividend payables		10,269	23
Payment and collection clearance accounts		8,642	9,616
Deposit payable of finance leases		6,542	6,510
Provisions	(b)	2,160	2,068
Dormant accounts		745	729
Others		34,238	9,333
Total		81,533	53,215

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Other liabilities (continued)

Notes:

(a) *The Group's subsidiary, Everbright Financial Leasing, borrowed long-term loans with terms of 1 to 10 years. Everbright Financial Leasing should repay the loan with quarterly interest payment or interest paid off with principal.*

(b) *Provisions*

	30 June 2024	31 December 2023
Expected credit losses on credit commitments	1,970	1,845
Litigation losses	93	133
Others	97	90
Total	2,160	2,068

The reconciliation of the expected credit losses on credit commitments was as follows:

	For the six months ended 30 June 2024	2023
As at 1 January 2024/1 January 2023	1,845	1,598
Net charge for the period/year	125	247
As at 30 June 2024/31 December 2023	1,970	1,845

34 Share capital

The Bank's shareholding structure as at the end of the reporting period is as follows:

	30 June 2024	31 December 2023
Ordinary shares listed in Chinese Mainland (A share, RMB1 per share)	46,407	46,407
Ordinary shares listed in Hong Kong (H share, RMB1 per share)	12,679	12,679
Total	59,086	59,086

The H shares rank pari passu in all respects with the A shares including the right to all dividend distributions declared, paid or made.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Other equity instruments

	Note	30 June 2024	31 December 2023
Preference shares	(a), (b), (c), (e)	64,906	64,906
Perpetual bonds	(d), (e)	39,993	39,993
Total		104,899	104,899

(a) Preference shares at the end of the period

	Issue date	Dividend rate (RMB/share)	Issue price (million)	Issue price (RMBmillion)	Issue amount	Conversion condition
Everbright P1	2015-6-19	4.45%	100	200	20,000	Mandatory conversion triggering events
Everbright P2	2016-8-8	4.01%	100	100	10,000	Mandatory conversion triggering events
Everbright P3	2019-7-15	4.80%	100	350	35,000	Mandatory conversion triggering events
Subtotal					65,000	
Less: Issuing costs					(94)	
Book value					64,906	

(b) Main clauses of preference shares

(i) Dividend

Fixed rate for the first 5 years after issuance;

Dividend is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread;

The fixed spread equals to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the preference shares.

(ii) Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general reserve, and the Group's capital adequacy ratio meets regulatory requirements. The Group may elect to cancel any dividend, but such cancellation requires a shareholder's resolution to be passed.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Other equity instruments (continued)

(b) Main clauses of preference shares (continued)

(iii) Dividend blocker

If the Group cancels all or part of the dividends to the preference shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend year to the preference shareholders in full.

(iv) Order of distribution and liquidation method

The preference shareholders are subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of Tier-two capital bonds, holders of convertible bonds and holders of perpetual bonds but have a higher priority in shares' distribution than the ordinary shareholders.

(v) Mandatory conversion triggering events

Upon the occurrence of an Additional Tier-one Capital Triggering Event (adequacy ratio of common equity tier-one capital of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the preference shares into A shares, in order to restore the adequacy ratio of common equity tier-one capital of the Group to above 5.125%; If preference shares were converted to A shares, they cannot be converted to preference shares again.

Upon the occurrence of a non-viability triggering event (the earlier of the two situations: (1) NFRA has determined that the Group would become non-viable if there is no conversion or write-down of capital; and (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all preference shares into A shares;

(vi) Redemption

Subject to the prior approval of the NFRA and the satisfaction of the relevant requirements, the Group shall have the right to redeem all or part of the preference shares on any redeemable day (annual dividend of the preference shares payment day) after the fifth year following the completion date of the issuance of the preference shares. The specific commencement date of the redemption period shall be determined by the board directors in line with market conditions, subject to authorisation at a shareholders' general meeting (the authorisation can be further delegated). The redemption period for the preference shares shall commence on such commencement date of the redemption period and end on the completion date of the redemption or conversion of all the preference shares. Where redemption is in part, the preference shares shall be redeemed based on the same proportion and conditions. Preference shares shall be redeemed in cash. The redemption price shall be the par value plus the dividend declared but unpaid for the relevant period.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Other equity instruments (continued)

(c) Changes in preference shares outstanding

	1 January 2024		Additions for the period		30 June 2024	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference shares	650	64,906	–	–	650	64,906

	1 January 2023		Additions for the year		31 December 2023	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference shares	650	64,906	–	–	650	64,906

(d) Main clauses of perpetual bonds

With the approvals by the relevant regulatory authorities in China, the Bank issued RMB40 billion of non-dated capital bonds (the "Bonds") with write-down clauses in the domestic interbank bond market on 18 September 2020, and completed the issuance on 22 September 2020. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 4.60%, which is reset every 5 years.

The duration of the Bonds is the same as the period of continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the NFRA, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for the write-downs, with the consent of the NFRA and without the consent of the bondholders, the Bank has the right to write down all or part of the Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid with non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilise the proceeds from the cancelled distributions to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

Capital raised from the issuance of the Bonds, after deduction of transaction costs, was wholly used to replenish the Bank's additional tier one capital and to increase its capital adequacy ratio.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Other equity instruments (continued)

(e) Interests attributable to equity instruments' holders

Items	30 June 2024	31 December 2023
Total equity attributable to equity shareholders of the Bank	568,391	552,391
– Equity attributable to ordinary shareholders of the Bank	463,492	447,492
– Equity attributable to preference shareholders of the Bank	64,906	64,906
– Equity attributable to Perpetual bonds holders of the Bank	39,993	39,993
Total equity attributable to non- controlling interests	2,474	2,394
– Equity attributable to non-controlling interests of ordinary shares	2,474	2,394

36 Capital reserve

	30 June 2024	31 December 2023
Share premium	74,473	74,473

37 Other comprehensive income

	30 June 2024	31 December 2023
Items that will not be reclassified to profit or loss		
Fair value changes on equity instruments at fair value through other comprehensive income	21	20
Remeasurement of a defined benefit plan	(895)	(895)
Subtotal	(874)	(875)
Items that will be reclassified to profit or loss		
Debt instruments at fair value through other comprehensive income	7,298	3,051
– Change in fair value	6,102	1,522
– Change in provision for impairment losses	1,196	1,529
Change in cash flow hedge	23	4
Exchange differences on translation of foreign operations	103	65
Subtotal	7,424	3,120
Total	6,550	2,245

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Other comprehensive income (continued)

Other comprehensive income attributable to equity holders of the Bank in the condensed consolidated statement of financial position:

	Fair value change on debt instruments at fair value through other comprehensive income	Change in provision for impairment losses on debt instruments at fair value through other comprehensive income	Fair value change on equity instruments at fair value through other comprehensive income	Change in Cash flow hedge	Exchange differences on translation of foreign operations	Remeasurement of a defined benefit plan	Total
As at 1 January 2023	(1,463)	1,544	16	–	16	(703)	(590)
Changes in amount for the previous year	2,985	(15)	4	4	49	(192)	2,835
As at 1 January 2024	1,522	1,529	20	4	65	(895)	2,245
Changes in amount for the period	4,580	(333)	1	19	38	–	4,305
As at 30 June 2024	6,102	1,196	21	23	103	(895)	6,550

38 Surplus reserve and general reserve

(a) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund. The Bank is required to allocate 10% of its net profit, after making good prior year's accumulated losses, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance, 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 the general reserve through profit net of tax should not be less than 1.5% of the period-end balance of risk-bearing assets.

The Bank's subsidiaries appropriated their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB149 million of profits to the general reserve for the six months ended 30 June 2024 (2023: RMB4,760 million). The Bank did not appropriate general reserve for the six months ended 30 June 2024 (2023: RMB4,397 million).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Appropriation of profits

(a) At the Annual General Meeting of Shareholders held on 27 June 2024, the Shareholders approved the following profit appropriations for the year ended 31 December 2023:

- Under the Company Law of the PRC, the Bank's statutory surplus reserve has reached 50% of its registered capital, so no further statutory surplus reserve shall be withdrawn for this profit distribution;
- Appropriated RMB4,397 million to general reserve;
- Declared cash dividends of RMB10,222 million to all ordinary shareholders, representing RMB1.73 per 10 shares before tax.

(b) At the Board Meeting held on 27 May 2024, the dividend distribution of the Everbright P1 for the year ended 2023 was approved by the Board of Directors:

- Declared cash dividends to preference shareholders of RMB890 million before tax, representing RMB4.45 per share before tax, accruing from 25 June 2023, and are calculated using the 4.45% of dividend yield ratio for the Everbright P1;

(c) At the Board Meeting held on 27 March 2024, the dividend distribution of the Everbright P3 for the year ended 2023 was approved by the Board of Directors:

- Declared cash dividends to preference shareholders of RMB1,680 million before tax, representing RMB4.80 per share before tax, accruing from 1 January 2023, and are calculated using the 4.80% of dividend yield ratio for the Everbright P3;

(d) The Bank distributed the interest on the non-dated Capital Bonds amounting to RMB1,840 million on 22 September 2023.

(e) At the Annual General Meeting of Shareholders held on 21 June 2023, the Shareholders approved the following profit appropriations for the year ended 31 December 2022:

- Under the Company Law of the PRC, the Bank's statutory surplus reserve has reached 50% of its registered capital, so no further statutory surplus reserve shall be withdrawn for this profit distribution;
- Appropriated RMB4,608 million to general reserve;
- Declared cash dividends of RMB11,226 million to all ordinary shareholders, representing RMB1.90 per 10 shares before tax.

(f) At the Board Meeting held on 2 June 2023, the dividend distribution of the Everbright P1 for the year ended 2023 was approved by the Board of Directors:

- Declared cash dividends to preference shareholders of RMB890 million before tax, representing RMB4.45 per share before tax, accruing from 25 June 2022, and are calculated using the 4.45% of dividend yield ratio for the Everbright P1;

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Appropriation of profits (continued)

(g) At the Board Meeting held on 2 June 2023, the dividend distribution of the Everbright P2 for the year ended 2023 was approved by the Board of Directors:

– Declared cash dividends to preference shareholders of RMB401 million before tax, representing RMB4.01 per share before tax, accruing from 11 August 2022, and are calculated using the 4.01% of dividend yield ratio for the Everbright P2;

(h) At the Board Meeting held on 24 March 2023, the dividend distribution of the Everbright P3 for the year ended 2022 was approved by the Board of Directors:

– Declared cash dividends to preference shareholders of RMB1,680 million before tax, representing RMB4.80 per share before tax, accruing from 1 January 2022, and are calculated using the 4.80% of dividend yield ratio for the Everbright P3.

40 Involvement with structured entities

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

In order to make better use of the funds to obtain income, the Group has an interest in the structured entities initiated and established by third-party institutions through direct holding of investments. Structured entities that the Group does not consolidate but in which it holds interests for better investment return, which include fund investments and asset management plans at fair value through profit or loss, asset management plans and asset-backed securities at amortised cost.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in unconsolidated structured entities sponsored by third party institutions as at the end of the reporting period:

	30 June 2024		31 December 2023	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial assets at fair value through profit or loss				
– Fund investments	297,324	297,324	296,565	296,565
– Asset management plans	4,328	4,328	8,137	8,137
Financial investments measured at amortised cost				
– Asset management plans	35,816	35,816	32,313	32,313
– Asset-backed securities	87,416	87,416	115,552	115,552
Total	424,884	424,884	452,567	452,567

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Involvement with structured entities (continued)

(b) Structured entities sponsored by the Group which the Group does not consolidate but hold interests in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2024, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognised were not material in the statement of financial positions.

As at 30 June 2024, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products which are sponsored by the Group was RMB1,490,168 million (31 December 2023: RMB1,312,263 million). The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2024 but matured before 30 June 2024 was RMB12,248 million (Six months ended 30 June 2023: RMB4,723 million).

For the six months ended 30 June 2024, the amount of fee and commission income received from the unconsolidated structured entities by the Group was RMB1,674 million (Six months ended 30 June 2023: RMB1,869 million).

For the purpose of asset-liability management, wealth management products may cause short-term financing needs to the Group. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into lending transactions with these wealth management products in accordance with market principles. As at 30 June 2024, the balance related to these products was Nil (31 December 2023: Nil). For the six months ended 30 June 2024, the amount of interest income from the above financing transactions was Nil (Six months ended 30 June 2023: Nil).

In addition, please refer to Note III 41 for the interests in the unconsolidated structured entities of asset securitisation transactions held by the Group as at 30 June 2024. For the six months ended 30 June 2024, the Group's income from these structured entities was not material.

(c) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products issued by the Group, single asset management plans and special purpose trust plans issued by third parties. The Group provides a principal guarantee commitment for the principal guaranteed financial products issued and managed by them. And investments made by these products and the corresponding liabilities to the investors of these products are presented in the respective financial asset and financial liability items based on the nature of the assets and liabilities. The Group have power over the single asset management plans and special purpose trust plans issued by third parties and has the ability to use its power over these entities to affect the amount of the Group's returns. Then Group have the controls power over these entities.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41 Transferred financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases, these transfers may give rise to full or partial de-recognition of the financial assets concerned in accordance with IFRSs. In other cases where the transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Credit assets backed securitisation

The Group enters into credit assets transfers in the normal course of business during which it transfers credit assets to structured entities which in turn issue asset-backed securities to investors. The Group may acquire some asset-backed securities at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for de-recognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions amounted to RMB42 million as at 30 June 2024 (31 December 2023: RMB29 million).

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. As at 30 June 2024, the Group has no continuing involvement in credit asset-backed securities (31 December 2023: Nil).

Transfer of right to earnings

The Group enters into transactions of transfer of right to earnings of credit assets in the normal course of business by which it transfers the right to earnings to structured entities which sell share of trust to investors.

With respect to the credit assets that were transferred and qualified for de-recognition, the Group derecognised the transferred credit assets in their entirety. As at 30 June 2024, the Group held no share in corresponding transaction.

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets and it has retained control on them, these financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets. As at 30 June 2024, loans with an original carrying amount of RM 1,998 million (31 December 2023: RMB1,998 million) had been transferred by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches, which were accounted for in other assets and other liabilities. As at 30 June 2024, the carrying amount of assets that the Group continues to recognise amounted to RMB251 million (31 December 2023: RMB251 million).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by NFRA. The capital of the Group is categorised into common equity tier-one capital, additional tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading global banks with reference to the Group's own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio. The required information is filed with the NFRA by the Group and the Bank quarterly.

With effect from 1 January 2024, the Group has started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks" and other relevant regulations.

According to the Regulation Governing Capital of Commercial Banks, the capital adequacy ratio of commercial banks at all levels shall not be lower than the following minimum requirements: common equity tier-one capital adequacy ratio shall not be less than 5%, tier-one capital adequacy ratio shall not be less than 6%, and capital adequacy ratio shall not be less than 8%. Commercial banks should set aside reserve capital on the basis of minimum capital requirements which is 2.5% of risk-weighted assets and is met by common equity tier-one capital. In certain circumstances, commercial banks should provide counter-cyclical capital above the minimum capital requirements and reserve capital requirements, which is 0-2.5% of risk-weighted assets and is met by common equity tier-one capital. According to the requirements of the Additional Regulatory Provisions on Systemically Important Banks (Provisional), systemically important banks should meet certain additional capital requirements which are met by common equity tier-one capital, on the basis of meeting the minimum capital requirements, reserve capital and counter-cyclical capital requirements. The Group is in the first group on the list of systemically important banks, and need to meet the additional capital requirement of 0.25%, which is implemented from 1 January 2023. In addition, subsidiaries or branches of the bank incorporated overseas are also directly regulated and supervised by their respective local banking supervisors, respectively. There are differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets for over-the-counter (OTC) derivatives are the summation of default risk-weighted assets and credit value adjustment (CVA). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using the standardised approach.

The Group has computed its capital adequacy ratios and related data in accordance with "Regulation Governing Capital of Commercial Banks". During the reporting period, the Group complied with the capital requirements imposed by the regulatory authorities.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Capital management (continued)

As at 30 June 2024 and 31 December 2023.The Group has computed its capital adequacy ratios and related data in accordance with the "Regulation Governing Capital of Commercial Banks", the "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations are as follows:

	30 June 2024	31 December 2023
Total common equity tier-one capital	464,589	448,686
Share capital	59,086	59,086
Qualifying portions of capital reserve, other equity instruments and other comprehensive income	81,029	76,722
Surplus reserve	26,245	26,245
General reserve	86,310	86,161
Retained earnings	210,820	199,276
Qualifying portions of non-controlling interests	1,099	1,196
Common equity tier-one capital deductions	(5,557)	(5,586)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use rights	(4,244)	(4,295)
Net deferred tax assets arising from operating losses that depend on future profits	(7)	(10)
Reserve formed by cash flow hedging not measured at fair value	(25)	–
Net common equity tier-one capital	459,032	443,100
Additional tier-one capital	105,045	105,059
Additional tier-one capital instruments	104,899	104,899
Qualifying portions of non-controlling interests	146	160
Tier-one capital net	564,077	548,159
Tier-two capital	99,715	103,223
Qualifying portions of tier-two capital instruments issued and share premium	59,997	59,997
Excess loan loss provisions	38,531	41,899
Qualifying portions of non-controlling interests	1,187	1,327
Net capital base	663,792	651,382
Total risk-weighted assets	4,784,104	4,824,278
Common equity tier-one capital adequacy ratio	9.59%	9.18%
Tier-one capital adequacy ratio	11.79%	11.36%
Capital adequacy ratio	13.87%	13.50%

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 Notes to consolidated cash flow statements

(a) Net change in cash and cash equivalents

	For the six months ended 30 June 2024	2023
Cash and cash equivalents as at 30 June	143,456	122,023
Less: Cash and cash equivalents as at 1 January	123,902	136,664
Net increase/(decrease) in cash and cash equivalents	19,554	(14,641)

(b) Cash and cash equivalents

	30 June 2024	30 June 2023
Cash on hand	8,086	8,229
Surplus deposit reserves	76,112	40,679
Deposits with banks and other financial institutions due within three months when acquired	32,807	42,380
Placements with banks and other financial institutions due within three months when acquired	26,451	30,735
Total	143,456	122,023

(c) Reconciliation of liabilities arising from financing activities

	Debt securities issued	Lease liabilities	Dividend payables	Total
As at 1 January 2024	1,099,326	10,349	23	1,109,698
Financing cash flows	60,658	(1,541)	(2,591)	56,526
Non-cash changes				
– Interest expense	14,790	194	–	14,984
– Net increase in leases	–	980	–	980
– Appropriation of profits	–	–	12,837	12,837
As at 30 June 2024	1,174,774	9,982	10,269	1,195,025

	Debt securities issued	Lease liabilities	Dividend payables	Total
As at 1 January 2023	875,971	10,151	23	886,145
Financing cash flows	43,778	(1,570)	(2,570)	39,638
Non-cash changes				
– Interest expense	11,833	192	–	12,025
– Net increase in leases	–	646	–	646
– Convertible corporate bonds to increase share capital and capital reserve	(16,930)	–	–	(16,930)
– Appropriation of profits	–	–	13,796	13,796
– Exchange fluctuation	97	–	–	97
As at 30 June 2023	914,749	9,419	11,249	935,417

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 Notes to consolidated cash flow statements (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Debt securities issued	Lease liabilities	Dividend payables	Total
As at 1 January 2023	875,971	10,151	23	886,145
Financing cash flows	215,245	(3,156)	(16,070)	196,019
Non-cash changes				
– Interest expense	25,040	397	–	25,437
– Net increase in leases	–	2,957	–	2,957
– Convertible corporate bonds to increase share capital and capital reserve	(16,930)	–	–	(16,930)
– Appropriation of profits	–	–	16,070	16,070
As at 31 December 2023	1,099,326	10,349	23	1,109,698

44 Related party relationships and transactions

(a) Related parity relationships

(i) The ultimate parent company and its subsidiaries

The ultimate parent of the Group is China Investment Corporation ("CIC") set up in China.

Approved by the State Council of the PRC, CIC was established on 29 September 2007 with registered capital of USD200 billion. Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of CIC and exercises its rights and obligations as an investor on behalf of CIC to ultimately control the Bank through the China Everbright Group.

Huijin was established as a wholly state-owned investment company on 16 December 2003. It was registered in Beijing with registered capital of RMB828,209 million. Apart from holding equity investments as authorised by the State Council of the PRC, it does not engage in any other commercial operations.

The Group's transactions with CIC, Huijin and its affiliates mainly include deposit taking, purchases and sales of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts, financial bonds, interbank deposits and certificates of deposit which are tradable bearer bonds in the secondary market. Accordingly, the Group has no information in respect of the amount of the debts held by these banks and other financial institutions as at the end of the reporting date. The amounts and balances with related parties and transactions between the Group and the ultimate parent company and its subsidiaries are listed in Note III 44(b).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Related party relationships and transactions (continued)

(a) Related parity relationships (continued)

(ii) Affiliated companies

The immediate parent of the Group is China Everbright Group Ltd. ("China Everbright Group"). The uniform social credit code of China Everbright Group is 91100000102063897J. The affiliated companies refer to China Everbright Group and its affiliated companies. The transactions and balances with China Everbright Group and its affiliates are listed in Note III 44(b).

The affiliated companies that have related party transactions with the Group are mainly as follows:

Related parties

- Everbright Securities Asset Management Co., Ltd.
- Everbright Xinglong Trust Co., Ltd.
- Everbright Securities Co., Ltd.
- Sun Life Everbright Asset Management Co., Ltd.
- Everbright Jin'ou Asset Management Co., Ltd.
- Everbright Financial Holdings Asset Management Co., Ltd.
- Shanghai CEL JIAXIN Equity Investment Management Co., Ltd.
- Sun Life Everbright Life Insurance Co., Ltd.
- Yixing Huankeyuan Optical Control Industry Investment Partnership (Limited Partnership)
- Everbright Futures Co., Ltd.
- Guokai Jinzhan Economic and Trade Co., Ltd
- Kunshan Development Zone Optical Control Digital Industry Master Fund Partnership (Limited Partnership)
- Everbright Environmental Protection (China) Co., Ltd.
- China Everbright Industry (Group) Co., Ltd.
- Everbright Real Estate Co., Ltd.
- Qingdao Guangkong Low Carbon New Energy Equity Investment Co., Ltd.
- Everbright Prudential Fund Management Co., Ltd.
- Shanghai Jiashi Jiayi Medical Equipment Co., Ltd.
- Anhui Jiashi Yicheng Medical Technology Co., Ltd.
- Everbright Development Investment Co., Ltd.
- Everbright Financial Holding(Tianjin)Venture Capital Co.,Ltd.
- Chongqing Guangda Bailingbang Health Industry Group Co., Ltd.
- CYTS New Area (Beijing) Travel Service Co., Ltd.
- Hunan Guangkong Xingsheng Equity Investment Partnership Enterprise (Limited Partnership).
- CYTS Holdings Co., Ltd.
- Jiashitang Pharmaceutical Co., Ltd.
- Jia Shi Guo Run (Shanghai) Medical Technology Co.,Ltd.
- Guangcai Tendering (Shenzhen) Co., Ltd.
- Everbright Financial Holding Investment Holdings Co., Ltd.
- Everbright Green Environmental Management (Shenzhen) Co.,Ltd.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Related party relationships and transactions (continued)

(a) Related parity relationships (continued)

(iii) Other related parties

Other related parties include key management personnel (directors, supervisors, senior management personnel of the head office) and their close family members, enterprises controlled, jointly controlled or exerted significant influence by key management personnel or their close family members, shareholders holding more than 5% shares of the Group and the key management personnel in direct control party.

The other related parties that have related party transactions with the Group are as follows:

Other related parties

– COSCO SHIPPING Finance Co., Ltd.
– CITIC Financial Asset Management Corporation Limited
– China UnionPay Co., Ltd.
– Shenzhen Overseas Chinese Town Holdings Co., Ltd.
– Overseas Chinese Town Group Co., Ltd.
– Beijing Huaheng Xingye Real Estate Development Co., Ltd.
– COSCO SHIPPING Logistics Supply Chain Co., Ltd.
– China Cinda Asset Management Co., Ltd.
– Jiangsu Hengrui Medicine Co., Ltd.
– Zhongfei Rental Finance and Leasing Co., Ltd.
– Sheneng Group Finance Co., Ltd.
– COSCO SHIPPING Development (Hong Kong) Limited
– COSCO SHIPPING Investment & Holding Co., Ltd.
– Halo Jiangdong Environmental Protection and Energy (Ma'anshan) Co., Ltd.
– Rinnai Corporation Shanghai
– Konka Group Co., Ltd.
– Orient Securities Co., Ltd.
– Haifa Baocheng Finance Leasing Co., Ltd.
– Zhongfei Baoqing Leasing (Tianjin) Co., Ltd.
– Wuhan Qingshan Ancient Town Real Estate Development Co., Ltd.
– Zhonglong Aircraft Recycling and Remanufacturing Co., Ltd.
– Jinhua Future Real Estate Development Co., Ltd.
– China Merchants Securities Co., Ltd.
– Da Cheng Fund Management Co., Ltd.
– Zhangjiakou Guanghexiangda Property Service Co., Ltd.
– Hunan Maixin Equity Investment Fund Partnership Enterprise (Limited Partnership)
– Hunan OCT Cultural Tourism Investment Co., Ltd.
– Shandong Expressway Guangkong Beijing Investment Fund Management Center (Limited Partnership)
– COSCO SHIPPING Development Co., Ltd.
– Zhongji Yongle Leasing (Tianjin) Co., Ltd.

The amounts and balances of transactions between the Group and other related parties are shown in Note III 44(b).

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Related party relationships and transactions (continued)

(b) Related party transactions

(i) The ultimate parent company and its subsidiaries

The Group's material transactions with CIC, Huijin and its affiliates during the reporting period are summarised as follows:

	For the six months ended 30 June	
	2024	2023
Interest income	639	629
Interest expense	(4,346)	(4,428)

The Group's material balances with CIC, Huijin and its affiliates at the end of the reporting period are summarised as follows:

	30 June 2024	31 December 2023
Deposits with banks and other financial institutions	5,056	4,616
Precious metals	3,731	2,557
Placements with banks and other financial institutions	27,721	22,055
Derivative financial assets	5,257	2,697
Financial assets held under resale agreements	–	10,878
Loans and advances to customers	14,057	20
Financial investments	207,422	335,428
– Financial assets at fair value through profit or loss	22,353	103,533
– Debt instruments at fair value through other comprehensive income	58,895	72,259
– Financial investments measured at amortised cost	126,174	159,636
Other assets	704	740
Total	263,948	378,991
Deposits from banks and other financial institutions	153,005	104,479
Placements from banks and other financial institutions	65,193	60,985
Derivative financial liabilities	4,880	2,959
Financial assets sold under repurchase agreements	51,909	–
Deposits from customers	102,677	88,215
Other liabilities	984	1,209
Total	378,648	257,847

(ii) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations ("state-owned entities"). Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether or not the customers are state-owned entities. Having considered the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

(iii) Affiliated companies and other related parties

The Group's material transactions and balances with China Everbright Group and the above related parties during and at the end of the reporting period are summarised as follows:

	China Everbright Group	Other affiliated companies	Others	Total
Transactions with related parties for the six months ended 30 June 2024:				
Interest income	–	113	736	849
Interest expense	(127)	(254)	(567)	(948)
Balances with related parties as at 30 June 2024:				
Precious metals	–	483	–	483
Placements with banks and other financial institutions	–	488	14,709	15,197
Derivative financial assets	–	–	30	30
Loans and advances to customers	–	2,921	14,232	17,153
Financial investments	580	22,786	4,016	27,382
– Financial assets at fair value through profit or loss	580	16,060	1,910	18,550
– Debt instruments at fair value through other comprehensive income	–	–	848	848
– Financial investments at amortised cost	–	6,726	1,258	7,984
Other assets	–	189	1,824	2,013
Total	580	26,867	34,811	62,258
Deposits from banks and other financial institutions	–	11,958	17,779	29,737
Derivative financial liabilities	–	–	17	17
Deposits from customers	3,685	8,994	15,321	28,000
Other liabilities	–	78	393	471
Total	3,685	21,030	33,510	58,225
Other significant off-balance sheet items with related parties as at 30 June 2024:				
Guarantee granted (Note)	180	–	–	180

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

(iii) Affiliated companies and other related parties (continued)

	China Everbright Group	Other affiliated companies	Others	Total
Transactions with related parties for the six months ended 30 June 2023:				
Interest income	–	1,023	411	1,434
Interest expense	(86)	(259)	(359)	(704)
Balances with related parties as at 31 December 2023:				
Precious metals	–	451	412	863
Placements with banks and other financial institutions	–	1,454	16,505	17,959
Derivative financial assets	–	–	23	23
Loans and advances to customers	–	3,588	15,558	19,146
Financial investments	222	23,169	8,056	31,447
– Financial assets at fair value through profit or loss	222	23,003	2,243	25,468
– Debt instruments at fair value through other comprehensive income	–	–	2,990	2,990
– Financial investments at amortised cost	–	166	2,823	2,989
Other assets	–	106	1,608	1,714
Total	222	28,768	42,162	71,152
Deposits from banks and other financial institutions	–	15,120	11,888	27,008
Derivative financial liabilities	–	–	18	18
Deposits from customers	14,304	11,656	5,573	31,533
Other liabilities	–	189	1,957	2,146
Total	14,304	26,965	19,436	60,705
Significant other off-balance sheet with related parties as at 31 December 2023:				
Guarantee granted (Note)	180	–	–	180

Note: As at 30 June 2024, the Bank has guarantee obligations relating to China Everbright Group's outstanding interest obligation of RMB180 million (31 December 2023: RMB180 million) due to one of the state-owned commercial banks.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

(iv) Remuneration of directors, supervisors and senior management

	For the six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Remuneration	7,086	9,335
– Retirement benefits	725	536
– Basic social pension insurance	244	306

(v) Loans to related natural persons

The aggregate amount of relevant loans outstanding as at 30 June 2024 to related natural persons amounted to RMB6 million (As at 31 December 2023: RMB7 million).

Of which the aggregate amount of relevant loans outstanding to directors, supervisors and senior management, are as follows:

The aggregate amount of relevant outstanding loans to directors, supervisors, senior management or their associates of the Group disclosed pursuant to section 78 of Schedule 11 to the revised Hong Kong Companies Ordinance, with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Aggregate amount of relevant loans outstanding as at the end of period/year	3,603	4,581
Maximum aggregate amount of relevant loans outstanding during the period/year	3,700	4,956

The banking transactions between the group and its related parties are conducted on normal commercial terms.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Statement of financial position of the Bank

	Note III	30 June 2024	31 December 2023
Assets			
Cash and deposits with central banks		324,676	348,606
Deposits with banks and other financial institutions		25,994	22,823
Precious metals		6,532	6,916
Placements with banks and other financial institutions		167,333	153,835
Derivative financial assets		18,506	13,324
Financial assets held under resale agreements		455	56,127
Loans and advances to customers		3,812,624	3,704,549
Financial investments		2,188,245	2,214,355
– Financial assets at fair value through profit or loss		452,853	449,847
– Debt instruments at fair value through other comprehensive income		593,416	555,215
– Equity instruments at fair value through other comprehensive income		1,128	1,127
– Financial investments measured at amortised cost		1,140,848	1,208,166
Investments in subsidiaries	17(a)	12,983	12,983
Property and equipment		16,359	16,066
Right-of-use assets		9,803	10,318
Goodwill		1,281	1,281
Deferred tax assets		30,180	32,562
Other assets		48,007	25,186
Total assets		6,662,978	6,618,931

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Statement of financial position of the Bank (continued)

	30 June 2024	31 December 2023
Liabilities and equity		
Liabilities		
Due to the central bank	84,884	99,488
Deposits from banks and other financial institutions	635,333	554,964
Placements from banks and other financial institutions	106,671	115,644
Derivative financial liabilities	18,658	13,943
Financial assets sold under repurchase agreements	93,004	52,227
Deposits from customers	3,920,071	4,094,098
Accrued staff costs	18,338	19,412
Taxes payable	3,066	6,518
Lease liabilities	9,795	10,259
Debt securities issued	1,163,984	1,093,182
Other liabilities	55,593	19,865
Total liabilities	6,109,397	6,079,600
Equity		
Share capital	59,086	59,086
Other equity instruments	104,899	104,899
of which: Preference shares	64,906	64,906
Perpetual bonds	39,993	39,993
Capital reserve	74,473	74,473
Other comprehensive income	6,550	2,322
Surplus reserve	26,245	26,245
General reserve	81,826	81,826
Retained earnings	200,502	190,480
Total equity	553,581	539,331
Total liabilities and equity	6,662,978	6,618,931

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Segment reporting

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

Corporate banking

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

Retail banking

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

Financial market business

This segment covers the Group's financial market business. The financial market business enters into inter-bank money market transactions, repurchase transactions and inter-bank investments. It also trades in debt securities, derivatives and foreign currency trading for its own accounts. The financial market business segment also covers customer-driven derivatives and foreign currency trading, as well as management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent equity investments and related income.

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

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

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

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Segment reporting (continued)

(a) Segment results, assets and liabilities

	For the six months ended 30 June 2024				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income	13,151	24,906	10,054	–	48,111
Internal net interest income/(expense)	7,896	(3,005)	(4,891)	–	–
Net interest income	21,047	21,901	5,163	–	48,111
Net fee and commission income	3,602	6,589	342	–	10,533
Net trading gains	–	–	1,685	–	1,685
Dividend income	–	–	–	0	0
Net gains/(losses) arising from investment securities	147	–	8,458	(117)	8,488
Net gains on derecognition of financial assets measured at amortised cost	–	–	140	–	140
Foreign exchange gains/(losses)	106	28	(140)	–	(6)
Other net operating income	807	48	4	56	915
Operating income	25,709	28,566	15,652	(61)	69,866
Operating expenses	(8,225)	(10,609)	(860)	(69)	(19,763)
Credit impairment losses	497	(19,819)	(933)	–	(20,255)
Other impairment losses	(40)	(2)	(1)	–	(43)
Gains on investments in joint ventures	–	–	–	10	10
Profit/(Losses) before tax	17,941	(1,864)	13,858	(120)	29,815
Other segment information					
– Depreciation and amortisation	1,540	1,717	140	–	3,397
– Capital expenditure	1,513	2,096	144	–	3,753

	30 June 2024				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	2,769,334	1,651,556	2,338,372	4,455	6,763,717
Segment liabilities	2,845,537	1,400,950	1,965,582	3,491	6,215,560

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	For the six months ended 30 June 2023				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income	11,189	30,842	12,702	–	54,733
Internal net interest income/ (expense)	12,234	(5,596)	(6,638)	–	–
Net interest income	23,423	25,246	6,064	–	54,733
Net fee and commission income	3,787	8,968	690	–	13,445
Net trading gains	–	–	2,028	–	2,028
Dividend income	–	–	–	1	1
Net gains/(losses) arising from investment securities	188	–	5,100	(60)	5,228
Net losses on derecognition of financial assets measured at amortised cost	–	–	(376)	–	(376)
Foreign exchange gains	104	29	581	–	714
Other net operating income	721	15	1	21	758
Operating income	28,223	34,258	14,088	(38)	76,531
Operating expenses	(8,439)	(10,997)	(1,055)	(52)	(20,543)
Credit impairment losses	(9,531)	(14,737)	(2,327)	–	(26,595)
Other impairment losses	2	(1)	(3)	–	(2)
Gains on investments in joint ventures	–	–	–	22	22
Profit/(Losses) before tax	10,255	8,523	10,703	(68)	29,413
Other segment information					
– Depreciation and amortisation	1,487	1,611	166	–	3,264
– Capital expenditure	643	892	78	–	1,613

	31 December 2023				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	2,637,211	1,676,631	2,418,605	5,094	6,737,541
Segment liabilities	3,050,710	1,338,226	1,826,215	2,837	6,217,988

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note III	30 June 2024	31 December 2023
Segment assets		6,763,717	6,737,541
Goodwill	20	1,281	1,281
Deferred tax assets	21	31,696	33,974
Total assets		6,796,694	6,772,796
Segment liabilities		6,215,560	6,217,988
Dividend payables	33	10,269	23
Total liabilities		6,225,829	6,218,011

(b) Geographical information

The Group operates principally in China with branches located in main provinces, autonomous regions and municipalities directly under the central government. Also, the Group has set up branches in Hong Kong, Macao, Luxembourg, Seoul, and Sydney, with subsidiaries located in Beijing, Wuhan city of Hubei Province, Shaoshan city of Hunan Province, Huai'an city of Jiangsu Province, Ruijin city of Jiangxi Province, Qingdao city of Shandong Province, Hong Kong and Luxembourg.

Non-current assets include property and equipment, right-of-use assets, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical locations of the underlying assets. Operating income is allocated based on the locations of the branches which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

– "Yangtze River Delta" refers to the following areas serviced by the following branches of the Bank and Huai'an Everbright Bank: Shanghai, Nanjing, Hangzhou, Suzhou, Ningbo and Wuxi;

– "Pearl River Delta" refers to the areas serviced by the following branches of the Bank: Guangzhou, Shenzhen, Fuzhou, Xiamen and Haikou;

– "Bohai Rim" refers to the areas serviced by the following branches of the Bank, Everbright Wealth and Sunshine Consumer: Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao and Yantai;

– "Central" refers to the areas serviced by the following subsidiaries and branches of the Bank, Everbright Financial Leasing, Shaoshan Everbright Bank and Ruijin Everbright Bank: Zhengzhou, Taiyuan, Changsha, Wuhan, Hefei and Nanchang;

– "Western" refers to the areas serviced by the following branches of the Bank: Xi'an, Chengdu, Chongqing, Kunming, Nanning, Hohhot, Urumchi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Segment reporting (continued)

(b) Geographical information (continued)

– "Northeastern" refers to the areas serviced by the following branches of the Bank: Heilongjiang, Changchun, Shenyang and Dalian;

– "Overseas" refers to the areas serviced by the Bank and the following branches, CEB International, CEB Europe: Hong Kong, Seoul, Luxembourg, Sydney, Macao; and

– "Head Office" refers to the head office of the Bank.

	Operating Income								
	Bohai Rim	Yangtze River Delta	Central	Pearl River Delta	Western	North eastern	Head Office	Overseas	Total
For the six months ended 30 June 2024	13,355	11,997	10,931	8,833	7,717	2,110	13,492	1,431	69,866
For the six months ended 30 June 2023	13,815	13,480	13,117	10,876	9,362	3,148	10,893	1,840	78,531

	Non-current Asset (Note (i))								
	Bohai Rim	Yangtze River Delta	Central	Pearl River Delta	Western	North eastern	Head Office	Overseas	Total
30 June 2024	3,350	3,520	12,970	3,926	3,029	1,087	12,274	363	40,519
31 December 2023	3,277	3,618	12,970	3,506	3,009	1,138	12,744	352	40,614

Note:

(i) Including property and equipment, right-of-use assets and other assets.

47 Risk Management

The goal of the Group's financial risk management is to optimize capital allocation and achieve value creation within an acceptable range of risks, while meeting the requirements of regulatory authorities, depositors, and other stakeholders for the stable operation of banks. The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

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

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(a) Credit risk

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

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. Senior management is responsible for the implementation of the development strategy, risk strategy and risk management policies set by the board of directors. Senior management is responsible for the improvement of the risk management system and establishment of risk management policies and rules. Senior management is responsible for establishment of procedures and standards to identify, measure, evaluate, monitor and control credit risks. And senior management is responsible for the management of all types of risks and ensure that the business activities of the Bank are consistent with the risk strategy, risk appetite and risk policies adopted by the board of directors.

The business lines of the Group are directly responsible for the management of credit risk. The Risk Management Department is responsible for the development of risk management policies and procedures, and the monitoring and management of credit risks. The Internal Audit Department is responsible for auditing the performance of duties of business lines and the Risk Management Department, specifically as follows:

– The Corporate Finance Department/Strategic Account Department, Investment Banking Department, Inclusive Finance Department/Rural Revitalization Finance Department, Credit Card Centre, Retail Credit Department, Digital Finance Department/E-cloud Banking Services Department and other business lines carry out corporate and retail business in accordance with the risk management policies and procedures of the Bank. The business lines are directly responsible for the management of credit risk, and they are the first line of defence of internal control. The business lines independently monitor the customer relationship and the whole process of specific business in its duration, and they are firstly responsible for the compliance and security of the business.

– The Bank's main responsible departments for credit risk management are the Risk Management Department, Credit Approval Department, Risk Monitoring Department, and Special Asset Management Department/Asset Management Department. They are the second line of defence of the internal control in credit risk management, and they are responsible for the overall execution of credit risk management. The functional departments of credit risk management determine their functional positioning in accordance with the basic procedures of "Policy and technology – Investigation and approval – During and post-lending monitoring – Collection and Resolution".

– The Internal Audit Department is the third line of defence of credit risk management, and undertakes the responsibility of execution and performance evaluation.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(a) Credit risk (continued)

***Credit business** (continued)*

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate businesses, the Group has established industry-specific limits for credit and investment approval. It has put in place dynamic monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending client due diligence, independent credit assessment and credit approval, loan payment and post-lending monitoring. With respect to pre-lending client due diligence, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit assessment and approval phase, the Group has stablished standardized system and procedures for credit evaluation and approval in accordance with the principle of separation of duties for assessment and approval as well as the hierarchical approval principle. All credit applications are approved by designated credit officers. In the loan payment phase, an independent responsible department has been established to manage and monitor the payment of the loan, ensuring that the payment conforms with the intended use of the loan approved. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, the Group implemented control processes of "separation of review and approval, separation of approval and lending, separation of approval and mortgage registration, and separation of loan management and archival keeping" to effectively control the operational risk. During the pre-lending process, relatively managers are required to assess the income level, credit history, and repayment ability of the applicant to strengthen the credit evaluation of the applicant. During the review and approval process, the relatively managers forward the application and their recommendations to the loan-approval departments for further approval, and a standardized review and approval policies and process in accordance with the principle of "separation of review and approval" and "hierarchical approval" have been established for this process. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process in accordance with its standardized loan recovery procedures.

The Group adopts a risk-based loan classification system to manage its loan portfolio. Loans and advances are generally classified into normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. The Group measures and manages the quality of the Group's credit assets in accordance with the Rules on Risk Classification of Financial Assets of China Everbright Bank.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(a) Credit risk (continued)

Credit business *(continued)*

The core definitions of the five categories of loans and advances are set out below:

Normal: Debtors can perform the contract and there is no objective evidence that the principal, interest or proceeds cannot be paid in full and on time.

Special mention: Although there are currently a number of factors that may adversely affect the performance of the contract, the debtors are currently able to pay the principal, interest or proceeds.

Substandard: Debtors are unable to pay the principal, interest or income in full, or the financial assets have suffered credit impairment.

Doubtful: Debtors have been unable to pay the principal, interest or income in full, and the financial assets have suffered significant credit impairment.

Loss: After all possible measures taken, only a very small part of the financial assets can be recovered, or all of the financial assets can be lost.

The Bank implemented a customer credit rating system based on the PD model. The PD model predicts the PD for customers in the coming year. The risk ratings of the customers is obtained through mapping relationship. The Group conducts recheck and optimization testing of the model according to the customer's actual default of the year to better identify the credit risk.

The customer credit ratings in the internal rating model are based on four categories of A, B, C and D which are further classified into twenty four grades as AAA+, AAA, AAA-, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C and D. Credit grading D equates to defaulted customers while the others are assigned to performing customers.

Management periodically reviews various elements of the Group's credit risk management process, in the context of loan portfolio growth, the changing portfolio mix and concentration of assets, and the evolving risk profile of the credit portfolio. From time to time, in this regard, refinements are made to the Group's credit risk management processes to ensure an effective management mechanism of the Group's credit risk exposures is always in place. These refinements include, among other things, adjustments to portfolio level controls, such as revisions to lists of approved borrowers, industry limits and underwriting criteria. Where circumstances related to specific loans or a group of loans increase the Bank's credit risk exposure, actions are taken, to the extent possible, to strengthen the Group's security position.

Financial market business

The Group will incorporate the financial market business that bears credit risk into its unified credit management system, and ensure that the credit risk level borne by the financial market business meets the Group's risk appetite through differentiated access standards. Relevant standards will be dynamically adjusted.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(a) Credit risk (continued)

Credit risk measurement

Measurement of ECL

The Expected credit losses is a weighted average of credit losses on financial instruments weighted at the probability of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e., the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the 12-month ECL;

- Stage 2: Financial instruments with significantly increased credit risk since initial recognition but are not credit-impaired are included in Stage 2, with their impairment allowance measured at an amount equivalent to the lifetime ECLs.

- Stage 3: Financial assets that are credit-impaired at the end of the reporting year are included in Stage 3, with their impairment allowance measured at the amount equivalent to the lifetime ECLs.

For the previous accounting year, the impairment allowance was measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the end of the reporting period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group measures the impairment allowance of the financial instruments at the end of the reporting period according to the ECL in the next 12 months.

For purchased or originated credit-impaired financial assets, the Group only recognises the cumulative change in lifetime ECL after initial recognition at the end of the reporting period as impairment allowance. At the end of each reporting period, the Group recognises the amount of the changes in ECL as an impairment allowance in profit or loss.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money;

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(a) Credit risk (continued)

Credit risk measurement *(continued)*

Measurement of ECL (continued)
When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired assets
- Parameters for measuring ECL
- Forward-looking information
- Modification of contract cash flows

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each reporting period. When determining whether credit risk has increased significantly since initial recognition, the Group considers that it can obtain reasonable and reliable information without paying unnecessary additional costs or efforts, including qualitative and quantitative analysis based on the Group's historical data, external credit risk rating and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

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

Quantitative criteria

- Credit risk is deemed to increase significantly when the forward-looking lifetime PD of an exposure increases by certain predetermined thresholds since its initial recognition. Specifically, such thresholds are met when the PD increases by a certain absolute level as well as by a relative percentage

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(a) Credit risk (continued)

Credit risk measurement *(continued)*

Measurement of ECL (continued)
Qualitative criteria

- Significant adverse change in debtors' operation or financial status
- Be classified into Special Mention category within five-tier loan classification

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due

The Group continued to make judgments based on substantive risk assessment and comprehensively considered the operations and repayment capacity of borrowers, and to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition.

Definition of credit-impaired assets

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

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Group overdue for more than 90 days.

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

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(a) Credit risk (continued)

Credit risk measurement *(continued)*

Measurement of ECL (continued)
Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether the assets are credit-impaired, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). According to the requirements of IFRS 9, the Group takes into account the historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral and repayments) and forward-looking information in order to establish the model of PD, LGD and ECL.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the result of the credit risk rating of customers, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment.

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the difference of credit products, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure after the time of default, based on historical statistics, the loss rate may be different in various economic environments.

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(a) Credit risk (continued)

Credit risk measurement *(continued)*

Measurement of ECL (continued)
Forward-looking information

The calculation of ECL involves forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP, CPI, investment in property and equipment.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group combined statistic model and experts' judgement in this process, according to the result of model and experts' judgement, the Group predicts these economic indicators at least every half year basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

As at 30 June 2024, the key assumptions the Group has taken include the GDP growth rate, the CPI growth rate, the investment in property and equipment growth rate. The GDP growth rate: the predicted value under the base economic scenario during the year of 2025 is 4.71%, the optimistic predicted value is 5.00%, the pessimistic predicted value is 4.28%.

In addition to providing a baseline economic scenario, the Group combines statistic model with experts' judgement to determine the weight of the other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage 1) or life time (Stage 2 and Stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the de-recognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in de-recognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(a) Credit risk (continued)

Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets, including derivative financial instruments. The maximum exposure to credit risk in respect of the statement of financial position items as at the end of the reporting period is disclosed in Note III 50(a).

	30 June 2024				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Deposits with central banks	317,181	–	–	–	317,181
Deposits with banks and other financial institutions	36,697	–	–	–	36,697
Placements with banks and other financial institutions	158,106	–	89	–	158,195
Financial assets held under resale agreements	8,195	–	–	–	8,195
Loans and advances to customers	3,669,864	132,426	19,011	–	3,821,301
Finance lease receivables	88,123	1,200	414	–	89,737
Financial investments	1,730,747	7,942	9,901	461,357	2,209,947
Others (Note)	34,435	8,332	–	18,508	61,275
Total	6,043,348	149,900	29,415	479,865	6,702,528
Credit commitments	1,355,415	5,656	45	–	1,361,116
Maximum credit risk exposure	7,398,763	155,556	29,460	479,865	8,063,644

	31 December 2023				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Deposits with central banks	344,823	–	–	–	344,823
Deposits with banks and other financial institutions	39,942	–	–	–	39,942
Placements with banks and other financial institutions	142,138	–	104	–	142,242
Financial assets held under resale agreements	67,500	–	–	–	67,500
Loans and advances to customers	3,578,207	116,559	18,159	–	3,712,925
Finance lease receivables	92,478	6,164	516	–	99,158
Financial investments	1,792,844	3,028	11,562	434,028	2,241,462
Others (Note)	11,625	8,332	–	13,324	33,281
Total	6,069,557	134,083	30,341	447,352	6,681,333
Credit commitments	1,330,624	7,537	20	–	1,338,181
Maximum credit risk exposure	7,400,181	141,620	30,361	447,352	8,019,514

Note: Others comprise derivative financial assets and interests receivable, deposit margin, and other receivables recorded in other assets.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(a) Credit risk (continued)

Credit rating

The distribution according to the credit quality of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2024	31 December 2023
Impaired		
Gross amount	299	300
Provision for impairment losses	(210)	(196)
Subtotal	89	104
Neither overdue nor impaired		
– grade A to AAA	198,394	244,580
– grade B to BBB	529	285
– unrated (Note)	4,169	4,936
Provision for impairment losses	(94)	(221)
Subtotal	202,998	249,580
Total	203,087	249,684

Note: Mainly represent deposits with banks and other financial institutions.

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	30 June 2024	31 December 2023
Impaired		
Gross amount	24,515	26,018
Provision for impairment losses	(14,614)	(14,456)
Subtotal	9,901	11,562
Neither overdue nor impaired		
Bloomberg Composite		
– grade AAA	2,148	2,598
– grade AA- to AA+	11,362	11,146
– grade A- to A+	36,259	31,186
– grade lower than A–	36,949	35,923
Provision for impairment losses	(264)	(312)
Subtotal	86,454	80,541
Other agency ratings		
– grade AAA	1,485,486	1,534,306
– grade AA- to AA+	228,791	226,978
– grade A- to A+	2,629	14,588
– grade lower than A–	5,252	8,559
– unrated	77,629	51,038
Provision for impairment losses	(1,136)	(1,375)
Subtotal	1,798,651	1,834,094
Total	1,895,006	1,926,197

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured, monitored and controlled all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures as well as the market risk tolerance level recommended by senior management. The Group is primarily exposed to market risk in its treasury business. The Financial Market Department, Investment Banking Department and overseas institution are responsible for the Group's investments and proprietary trading business. The Assets and Liability Management Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis under the banking book. The Risk Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk, and the daily monitoring and management of interest rate risk and exchange rate risk in the Bank's trading book.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the main tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, effective duration analysis and scenario simulation analysis are the main tools used by the Group to measure and monitor the market risk of its non-trading businesses.

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

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration the probabilities of various scenarios.

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

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

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(b) Market risk (continued)

Scenario simulation analysis is an important technique for assessing interest rate risk. It simulates and calculates the changes in net interest income (NII) and economic value (EVE) indicators in the following year through multiple conventional scenarios and stress scenarios, including interest rate standard shocks, yield curve shifts and shape changes, historical extreme interest rate changes, customers' execution of embedded options for deposits and loans, etc. The Bank regularly re-examines important customer behavior models such as loan prepayment and deposits from early withdrawals used in scenario simulation analysis.

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

Interest rate risk

The Group is primarily exposed to interest rate risk arising from gap risk and basis risk. The Assets and Liability Management Department and Risk Management Department are responsible for identifying, measuring and monitoring. In terms of measuring and monitoring risks, the Group regularly evaluates the interest rate sensitivity repricing gap of each period and the impact of interest rate changes on the Group's net interest income and economic value. The main purpose of interest rate risk management is to reduce the potential negative impact of interest rate changes on net interest income and economic value.

Gap risk

Gap risk refers to the risk caused by different repricing periods of different financial instruments when interest rates change. Changes in interest rates include both a parallel upward or downward shift of the yield curve and a change in the shape of the yield curve. Due to the different repricing periods of financial instruments, when the interest rate rises when the interest rate on liabilities is repriced earlier than the interest rate on assets, or when the interest rate falls when the interest rate on assets is repriced earlier than the interest rate on liabilities, the Bank faces a reduction in interest rate spreads or even negative interest rate differentials for a certain period of time, resulting in losses.

Basis risk

Basis risk, is caused by interest rates on different pricing basis on the on-and off- balance sheet business of banking books. The risk could be different because the basis risk changes no matter the term is the same or similar.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk *(continued)*

Basis risk (continued)

The following tables indicate the average interest rates for the respective periods, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period:

	30 June 2024						
	Average interest rate (Note)	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with central banks	1.47%	325,267	14,691	310,576	–	–	–
Deposits with banks and other financial institutions	0.69%	36,697	122	33,417	735	2,423	–
Placements with banks and other financial institutions	3.35%	158,195	457	62,539	95,199	–	–
Financial assets held under resale agreements	1.68%	8,195	2	8,193	–	–	–
Loans and advances to customers	4.36%	3,821,301	11,639	2,830,507	864,023	110,672	4,460
Finance lease receivables	5.05%	89,737	666	1,283	70,351	13,706	3,731
Financial investments	3.21%	2,209,947	373,400	74,772	274,684	1,161,697	325,394
Others	N/A	147,355	145,272	2,083	–	–	–
Total assets	N/A	6,796,694	546,249	3,323,370	1,304,992	1,288,498	333,585

	30 June 2024						
	Average interest rate (Note)	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities							
Due to the central bank	2.55%	84,963	1,197	5,234	78,532	–	–
Deposits from banks and other financial institutions	2.20%	631,446	2,079	490,878	138,489	–	–
Placements from banks and other financial institutions	3.86%	179,356	876	131,352	47,128	–	–
Financial assets sold under repurchase agreements	2.43%	102,772	328	91,879	10,080	485	–
Deposits from customers	2.26%	3,919,764	78,735	1,927,658	867,368	1,045,915	88
Debt securities issued	2.56%	1,174,774	4,468	416,750	476,821	215,141	61,594
Others	N/A	132,754	103,835	654	1,782	21,753	4,730
Total liabilities	N/A	6,225,829	191,518	3,064,405	1,620,200	1,283,294	66,412
Asset-liability gap	N/A	570,865	354,731	258,965	(315,208)	5,204	267,173

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk *(continued)*

Basis risk (continued)

The following tables indicate the average interest rates for the respective periods, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period: (continued)

	31 December 2023						
	Average interest rate (Note)	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with central banks	1.50%	349,184	12,868	336,316	–	–	–
Deposits with banks and other financial institutions	0.65%	39,942	64	36,916	614	2,348	–
Placements with banks and other financial institutions	3.32%	142,242	475	53,598	88,169	–	–
Financial assets held under resale agreements	1.85%	67,500	51	67,449	–	–	–
Loans and advances to customers	4.75%	3,712,925	11,342	2,781,823	840,342	76,552	2,866
Finance lease receivables	5.12%	99,158	837	19,567	54,075	19,795	4,884
Financial investments	3.32%	2,241,462	342,584	95,378	203,955	1,230,409	369,136
Others	N/A	120,383	117,232	1,213	–	–	1,938
Total assets	N/A	6,772,796	485,453	3,392,260	1,187,155	1,329,104	378,824

	31 December 2023						
	Average interest rate (Note)	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities							
Due to the central bank	2.63%	99,633	1,081	35,115	63,437	–	–
Deposits from banks and other financial institutions	2.12%	552,326	1,256	458,150	92,920	–	–
Placements from banks and other financial institutions	3.85%	194,205	911	137,193	56,101	–	–
Financial assets sold under repurchase agreements	1.91%	73,115	187	63,150	9,294	484	–
Deposits from customers	2.32%	4,094,528	71,197	2,133,378	832,260	1,057,655	38
Debt securities issued	2.59%	1,099,326	4,366	182,999	654,566	195,802	61,593
Others	N/A	104,878	69,593	21,841	4,380	7,501	1,563
Total liabilities	N/A	6,218,011	148,591	3,031,826	1,712,958	1,261,442	63,194
Asset-liability gap	N/A	554,785	336,862	360,434	(525,803)	67,662	315,630

Note: The average interest rate represents the ratio of interest income/expense to the average interest-bearing assets/liabilities.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk *(continued)*

Interest rate sensitivity analysis
The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 30 June 2024, assuming other variables remain unchanged, an increase in the estimated interest rate of one hundred basis points will cause the Group's net profit to decrease by RMB2,050 million (31 December 2023: decrease by RMB2,241 million), and equity to decrease by RMB8,363 million (31 December 2023: decrease by RMB14,041 million); a decrease in the estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB2,050 million (31 December 2023: increase by RMB2,404 million), and equity to increase by RMB8,363 million (31 December 2023: increase by RMB14,844 million).

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

– Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;

– An interest rate movement is one hundred basis points based on the assumption of interest rate movement over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the portfolio of asset and liability;

– Other variables (including exchange rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by management.

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

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(b) Market risk (continued)

Foreign currency risk

The Group's foreign currency risk mainly arises from the foreign currency portfolio within the treasury's proprietary investments, and other foreign currency exposures. The Group manages foreign currency risk by spot and forward foreign exchange transactions, swap transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

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

	30 June 2024			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central banks	316,821	3,669	4,777	325,267
Deposits with banks and other financial institutions	21,906	10,788	4,003	36,697
Placements with banks and other financial institutions	128,616	24,885	4,694	158,195
Financial assets held under resale agreements	8,195	–	–	8,195
Loans and advances to customers	3,671,765	71,946	77,590	3,821,301
Finance lease receivables	87,015	2,722	–	89,737
Financial investments	2,089,600	87,525	32,822	2,209,947
Others	136,191	9,068	2,096	147,355
Total assets	6,460,109	210,603	125,982	6,796,694
Liabilities				
Due to the central bank	84,963	–	–	84,963
Deposits from banks and other financial institutions	627,433	3,951	62	631,446
Placements from banks and other financial institutions	81,791	71,551	26,014	179,356
Financial assets sold under repurchase agreements	81,281	14,214	7,277	102,772
Deposits from customers	3,786,007	97,595	36,162	3,919,764
Debt securities issued	1,124,307	41,329	9,138	1,174,774
Others	121,281	9,208	2,265	132,754
Total liabilities	5,907,063	237,848	80,918	6,225,829
Net position	553,046	(27,245)	45,064	570,865
Credit commitments	1,314,686	28,292	18,138	1,361,116
Derivative financial instruments (Note)	8,191	1,108	(12,680)	(3,381)

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(b) Market risk (continued)

Foreign currency risk *(continued)*

The Group's currency exposures as at the end of the period are as follows: (continued)

	31 December 2023			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central banks	336,903	4,039	8,242	349,184
Deposits with banks and other financial institutions	24,287	12,334	3,321	39,942
Placements with banks and other financial institutions	123,706	13,713	4,823	142,242
Financial assets held under resale agreements	67,500	–	–	67,500
Loans and advances to customers	3,562,808	76,324	73,793	3,712,925
Finance lease receivables	95,658	3,500	–	99,158
Financial investments	2,104,119	94,282	43,061	2,241,462
Others	99,085	19,163	2,135	120,383
Total assets	6,414,066	223,355	135,375	6,772,796
Liabilities				
Due to the central bank	99,633	–	–	99,633
Deposits from banks and other financial institutions	550,469	1,194	663	552,326
Placements from banks and other financial institutions	93,855	72,675	27,675	194,205
Financial assets sold under repurchase agreements	50,493	12,638	9,984	73,115
Deposits from customers	3,946,331	110,553	37,644	4,094,528
Debt securities issued	1,044,469	40,643	14,214	1,099,326
Others	91,055	10,589	3,234	104,878
Total liabilities	5,876,305	248,292	93,414	6,218,011
Net position	537,761	(24,937)	41,961	554,785
Credit commitments	1,294,400	29,802	13,979	1,338,181
Derivative financial instruments (Note)	16,923	25,298	4,458	46,679

Note: Derivative financial instruments reflect the net notional amounts of derivatives.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(b) Market risk (continued)

Foreign currency risk *(continued)*

The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD and, to a much lesser extent, other currencies. As at the financial reporting date, the exchange rate changes of the currencies to which the Group had significant exposure are as follows:

	30 June 2024	31 December 2023
Exchange rates against RMB for the USD	7.2673	7.0919
Exchange rates against RMB for the HKD	0.9307	0.9079

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 30 June 2024, assuming other variables remain unchanged, an appreciation of one hundred basis points in the USD against the RMB would increase both the Group's net profit and equity by RMB84 million (31 December 2023: increase by RMB49 million); a depreciation of one hundred basis points in the USD against the RMB would decrease both the Group's net profit and equity by RMB84 million (31 December 2023: decrease by RMB49 million).

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

– The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points' fluctuation in the foreign currency exchange rates (central parity) against RMB;

– At the end of the reporting period, the fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rate movement over the next 12 months;

– Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;

– The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;

– Other variables (including interest rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by management.

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

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(b) Market risk (continued)

Price risk

Price risk mainly comes from equity investments held by the Group and the trading precious metal investments. The Group's risk of commodity or shares price from investment is not significant.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. In accordance with liquidity policies, the Group monitors the future cash flows and maintains liquid assets of high quality.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC, chaired by the President of the Bank, is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

– Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting of liquidity requirements on a timely basis and the payments to various businesses, whether under a normal operating environment or a state of stress; and

– Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Asset and Liability Management Department is responsible for executing liquidity risk management policies. It is also responsible for identifying, measuring, monitoring and managing medium and long-term working capital on a regular basis, and for formulating liquidity management strategies. The Asset and Liability Management Department is responsible for monitoring working capital on a daily basis and ensuring the liquidity. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

The Group mainly applies liquidity gap analysis to measure liquidity risk. The Group will continue to focus on limit monitoring and dynamic control, and apply different scenario stress tests to assess the impacts from liquidity risks and develop effective contingency plans to respond to various possible liquidity risks.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(c) Liquidity risk (continued)

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

	30 June 2024							
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	240,959	84,308	–	–	–	–	–	325,267
Deposits with banks and other financial institutions	–	32,309	266	703	700	2,423	296	36,697
Placements with banks and other financial institutions	89	–	34,719	27,958	95,429	–	–	158,195
Financial assets held under resale agreements	–	–	8,195	–	–	–	–	8,195
Loans and advances to customers	41,294	349,148	155,844	281,325	1,148,714	923,539	921,437	3,821,301
Finance lease receivables	802	–	3,135	5,156	24,354	47,932	8,358	89,737
Financial investments	15,332	342,707	30,126	50,496	298,398	1,165,254	307,634	2,209,947
Others	84,496	44,353	1,847	2,593	8,998	4,762	306	147,355
Total assets	382,972	852,825	234,132	368,231	1,576,593	2,143,910	1,238,031	6,796,694

	30 June 2024							
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Liabilities								
Due to the central bank	–	–	–	5,338	79,625	–	–	84,963
Deposits from banks and other financial institutions	–	352,113	52,209	87,854	139,270	–	–	631,446
Placements from banks and other financial institutions	–	6	89,662	42,252	47,436	–	–	179,356
Financial assets sold under repurchase agreements	–	–	87,778	4,396	10,113	485	–	102,772
Deposits from customers	–	1,299,666	302,341	368,461	848,522	1,100,684	90	3,919,764
Debt securities issued	–	–	132,585	272,648	478,895	229,052	61,594	1,174,774
Others	–	84,459	2,177	3,309	11,253	26,729	4,827	132,754
Total liabilities	–	1,736,244	666,752	784,258	1,615,114	1,356,950	66,511	6,225,829
Net position	382,972	(883,419)	(432,620)	(416,027)	(38,521)	786,960	1,171,520	570,865
Notional amount of derivative financial instruments	–	72	254,207	274,043	1,496,262	475,636	5,866	2,506,086

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group by maturity grouping based on the remaining periods to repayment at the end of the reporting period: (continued)

	31 December 2023							
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	280,256	68,928	–	–	–	–	–	349,184
Deposits with banks and other financial institutions	–	36,037	319	450	614	2,348	174	39,942
Placements with banks and other financial institutions	104	–	33,883	19,965	88,290	–	–	142,242
Financial assets held under resale agreements	–	–	67,500	–	–	–	–	67,500
Loans and advances to customers	39,762	396,811	154,641	248,115	1,060,240	944,464	868,892	3,712,925
Finance lease receivables	162	128	3,263	6,171	25,185	56,191	8,058	99,158
Financial investments	18,447	306,948	43,247	56,486	203,673	1,241,735	370,926	2,241,462
Others	86,094	19,027	1,529	3,211	4,422	3,957	2,143	120,383
Total assets	424,825	827,879	304,382	334,398	1,382,424	2,248,695	1,250,193	6,772,796

	31 December 2023							
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Liabilities								
Due to the central bank	–	–	–	35,905	63,728	–	–	99,633
Deposits from banks and other financial institutions	–	333,243	45,042	80,762	93,279	–	–	552,326
Placements from banks and other financial institutions	–	8	97,753	40,064	56,380	–	–	194,205
Financial assets sold under repurchase agreements	–	–	62,702	568	9,361	484	–	73,115
Deposits from customers	–	1,470,859	337,149	361,246	803,504	1,121,731	39	4,094,528
Debt securities issued	–	–	12,038	159,232	659,110	207,353	61,593	1,099,326
Others	–	49,141	2,366	4,979	21,631	22,697	4,064	104,878
Total liabilities	–	1,853,251	557,050	682,756	1,706,993	1,352,265	65,696	6,218,011
Net position	424,825	(1,025,372)	(252,668)	(348,358)	(324,569)	896,430	1,184,497	554,785
Notional amount of derivative financial instruments	–	–	214,180	219,449	817,324	592,781	5,725	1,849,459

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flows of the financial liabilities at the end of the reporting period:

	30 June 2024							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central bank	84,963	85,888	–	–	5,365	80,523	–	–
Deposits from banks and other financial institutions	631,446	633,936	352,554	52,250	88,189	140,943	–	–
Placements from banks and other financial institutions	179,356	181,699	6	90,153	43,027	48,513	–	–
Financial assets sold under repurchase agreements	102,772	103,059	–	87,829	4,425	10,285	520	–
Deposits from customers	3,919,764	3,999,651	1,299,756	302,619	369,747	861,296	1,166,140	93
Debt securities issued	1,174,774	1,217,695	–	130,503	277,237	495,372	244,655	69,928
Other financial liabilities	132,754	133,906	84,459	2,178	3,385	11,458	27,399	5,027
Total non-derivative financial liabilities	6,225,829	6,355,834	1,736,775	665,532	791,375	1,648,390	1,438,714	75,048
Derivative financial liabilities								
Derivative financial instruments settled on net basis		(498)	–	(235)	(4)	(257)	(2)	–
Derivative financial instruments settled on gross basis								
– Cash inflow		855,717	–	191,169	112,550	543,180	8,818	–
– Cash outflow		(698,867)	–	(84,542)	(88,011)	(517,989)	(8,325)	–
Total derivative financial liabilities		156,850	–	106,627	24,539	25,191	493	–

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flows of the financial liabilities at the end of the reporting period: (continued)

	31 December 2023							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central bank	99,633	101,085	–	–	36,043	65,042	–	–
Deposits from banks and other financial institutions	552,326	553,439	333,338	45,073	81,039	93,989	–	–
Placements from banks and other financial institutions	194,205	195,946	8	97,976	40,394	57,568	–	–
Financial assets sold under repurchase agreements	73,115	73,427	–	62,735	572	9,587	533	–
Deposits from customers	4,094,528	4,170,249	1,470,859	342,224	368,489	829,163	1,159,474	40
Debt securities issued	1,099,326	1,143,760	–	12,185	162,688	674,799	223,110	70,978
Other financial liabilities	61,496	66,078	19,705	358	1,856	17,638	20,740	5,781
Total non-derivative financial liabilities	6,174,629	6,303,984	1,823,910	560,551	691,081	1,747,786	1,403,857	76,799
Derivative financial liabilities								
Derivative financial instruments settled on net basis		194	–	(1)	–	74	3	118
Derivative financial instruments settled on gross basis								
– Cash inflow		935,633	–	202,641	161,113	559,855	12,024	–
– Cash outflow		(766,976)	–	(94,206)	(117,104)	(543,869)	(11,797)	–
Total derivative financial liabilities		168,657	–	108,435	44,009	15,986	227	–

This analysis of the financial instruments by contractual undiscounted cash flows might diverge from actual results.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(c) Liquidity risk (continued)

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

	30 June 2024			
	Within one year	Between one year and five years	More than five years	Total
Loan and credit card commitments	361,269	33,656	78,349	473,274
Guarantees, acceptances and other credit commitments	843,149	35,961	8,732	887,842
Total	1,204,418	69,617	87,081	1,361,116

	31 December 2023			
	Within one year	Between one year and five years	More than five years	Total
Loan and credit card commitments	376,524	525	2,261	379,310
Guarantees, acceptances and other credit commitments	914,859	42,911	1,101	958,871
Total	1,291,383	43,436	3,362	1,338,181

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Risk Management (continued)

(d) Operational risk

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

The Group establishes a framework of an operational risk management system to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as follows:

– A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;

– A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;

– A set of standard operational procedures covering all products and services, which is practical, traceable and can be re-performed, investigated and remedied;

– A series of operational risk management tools, including Risk Control Self-Assessment (RCSA), Key Risk Index (KRI), Loss Event Collection and IT system monitoring;

– An operational risk management culture, the core values of the culture is that effective risk management could create value. It is supported with a team of operational risk management professionals across all branches, businesses and functions;

– An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and

– An independent risk assessment framework based on the internal audit and the compliance review.

48 Fair value

(a) Methods and assumptions for measurement of fair value

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

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. The fair values of unlisted equity investments are estimated using comparable firm approach, after adjustment for the specific circumstances of the issuers.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Fair value (continued)

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

(ii) Receivables and other non-derivative financial assets

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

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

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

(iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts are determined by the difference between the present values of the forward prices and the contractual prices at the end of the reporting period, or are based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Thomson Reuters' quoted price. The fair value of option contracts are determined by option pricing models.

(b) Fair value measurement

(i) Financial assets

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

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

Loans and advances to customers measured at amortised cost, finance lease receivables and financial investments measured at amortised cost, except for bond investments and asset-backed securities, are mostly priced at floating interest rates close to the LPR. Accordingly, the carrying amounts approximate the fair values.

Financial assets at fair value through profit or loss, debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, and derivative financial assets presented at fair value.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Fair value (continued)

(b) Fair value measurement (continued)

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers, due to the central bank and debt securities issued. Except the debt securities issued, the carrying amounts of other financial liabilities approximate their fair values.

Financial liabilities at fair value through profit or loss and derivative financial liabilities presented at fair value.

The tables below summarise the carrying amounts and fair values of "debt securities and asset-backed instruments measured at amortised cost", and "debt securities issued" not presented at fair value at the end of the period:

	Carrying value		Fair value	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	1,115,289	1,214,074	1,128,099	1,241,475
Financial liabilities				
Debt securities issued	1,174,774	1,099,326	1,168,548	1,088,390

Except for the items shown in the tables above, the maturity dates of aforesaid financial assets and liabilities are within a year or are mainly floating interest rates, as a result, their carrying amounts are approximately equal to their fair value.

Debt securities and asset-backed instruments measured at amortised cost are based on broker/dealer price quotations. Where this information is not available, the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd..

The fair values of debt securities issued are calculated by using discounted cash flow model which is based on the current yield curve that is appropriate for the remaining term to maturity.

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Fair value (continued)

(c) Fair value hierarchy

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The definitions of three levels are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e., prices) or indirectly. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves and SOFR are sourced from ChinaBond, Thomson Reuters and Shanghai Clearing House.

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes complicated unlisted equity with one or more than one significant unobservable component.

Fair value measurement requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is with reference to that of another instrument that is substantially the same.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value

The table below summaries the carrying values in three levels of assets and liabilities measured at fair value at the end of the period:

	30 June 2024			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– Currency derivatives	–	12,885	–	12,885
– Interest rate derivatives	–	5,623	–	5,623
Loans and advances to customers	–	233,897	–	233,897
Financial assets at fair value through profit or loss				
– Debt instruments held for trading	–	143,502	115	143,617
– Other financial assets at fair value through profit or loss	255,015	52,942	8,650	316,607
Debt instruments at fair value through other comprehensive income	–	600,875	398	601,273
Equity instruments at fair value through other comprehensive income	31	–	1,102	1,133
Total	255,046	1,049,724	10,265	1,315,035
Liabilities				
Derivative financial liabilities				
– Currency derivatives	–	13,381	–	13,381
– Interest rate derivatives	–	5,278	–	5,278
Total	–	18,659	–	18,659

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Fair value (continued)

(c) Fair value hierarchy (continued)

***Assets and liabilities measured at fair value** (continued)*

The table below summaries the carrying values in three levels of assets and liabilities measured at fair value at the end of the period: (continued)

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– Currency derivatives	–	8,468	–	8,468
– Interest rate derivatives	–	4,856	–	4,856
Loans and advances to customers	–	204,980	–	204,980
Financial assets at fair value through profit or loss				
– Debt instruments held for trading	–	106,290	118	106,408
– Other financial assets at fair value through profit or loss	237,057	79,327	10,104	326,488
Debt instruments at fair value through other comprehensive income	–	561,027	20	561,047
Equity instruments at fair value through other comprehensive income	30	–	1,102	1,132
Total	237,087	964,948	11,344	1,213,379
Liabilities				
Derivative financial liabilities				
– Currency derivatives	–	9,231	–	9,231
– Interest rate derivatives	2	4,713	–	4,715
Total	2	13,944	–	13,946

The Group takes the date of the event that caused the transfer between levels as the date of the transfer. There is no transfer between the first and second levels for the period/year.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value *(continued)*

The movements during the period ended 30 June 2024 in the balance of Level 3 fair value measurements are as follows:

	Derivative financial assets	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Total assets	Derivative financial liabilities	Total liabilities
As at 1 January 2024	–	10,222	1,102	20	11,344	–	–
Transferred to level 3	–	–	–	378	378	–	–
Total gains or losses:							
– Recognised in profit or loss	–	(1,463)	–	–	(1,463)	–	–
Purchases	–	9	–	–	9	–	–
Settlements	–	(3)	–	–	(3)	–	–
As at 30 June 2024	–	8,765	1,102	398	10,265	–	–
Impact on net loss	–	(1,463)	–	–	(1,463)	–	–

The movements during the year ended 31 December 2023 in the balance of Level 3 fair value measurements are as follows:

	Derivative financial assets	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Total assets	Derivative financial liabilities	Total liabilities
As at 1 January 2023	–	7,951	1,102	64	9,117	–	–
Transferred to level 3	–	12	–	20	32	–	–
Total gains or losses:							
– Recognised in profit or loss	–	1,586	–	–	1,586	–	–
Purchases	–	1,045	–	–	1,045	–	–
Settlements	–	(372)	–	(64)	(436)	–	–
31 December 2023	–	10,222	1,102	20	11,344	–	–
Impact on net income	–	1,586	–	–	1,586	–	–

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Fair value (continued)

(c) Fair value hierarchy (continued)

Financial assets and liabilities not measured at fair value

The tables below summarise the fair values in three levels of "debt securities and asset-backed instruments measured at amortised cost" and "debt securities issued", which are not presented at fair value on the statement of financial position:

	30 June 2024			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	–	1,125,727	2,372	1,128,099
Financial liabilities				
Debt securities issued	–	1,168,548	–	1,168,548

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	–	1,241,463	12	1,241,475
Financial liabilities				
Debt securities issued	–	1,088,390	–	1,088,390

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily unlisted equity. These financial instruments are valued using cash flow discount model and market method. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2024, the carrying amounts of financial instruments valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also not material.

(Expressed in millions of Renminbi, unless otherwise stated)

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustors and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position.

	30 June 2024	31 December 2023
Entrusted loans	89,721	89,823
Entrusted funds	89,721	89,823

50 Commitments and contingent liabilities

(a) Credit commitments

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

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. 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.

	30 June 2024	31 December 2023
Loan commitments		
– Original contractual maturity within one year	29,703	23,826
– Original contractual maturity more than one year (inclusive)	112,005	7,908
Credit card commitments	331,566	347,576
Subtotal	473,274	379,310
Acceptances	609,744	669,058
Letters of guarantee	119,117	128,239
Letters of credit	158,801	161,394
Guarantees	180	180
Total	1,361,116	1,338,181

The Group may be exposed to credit risk in all the credit businesses above. Group management periodically assesses the estimated credit risk and makes provision for any expected credit losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Credit risk-weighted amount of credit commitments

	30 June 2024	31 December 2023
Credit risk-weighted amount of credit commitments	446,570	402,069

III NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Commitments and contingent liabilities (continued)

(b) Credit risk-weighted amount of credit commitments (continued)

As at 30 June 2024 and 31 December 2023, the credit risk-weighted amount of credit commitments represents the amount calculated with reference to the "Regulation Governing Capital of Commercial Banks" and the "Regulation Governing Capital of Commercial Banks (provisional)". The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The credit conversion coefficient ranged from 0% to 100% for credit commitments.

(c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments are as follows:

	30 June 2024	31 December 2023
Contracted but not paid – Purchase of property and equipment	3,257	2,330
Approved but not contracted for – Purchase of property and equipment	6,213	6,286
Total	9,470	8,616

(d) Underwriting and redemption commitments

The Group has no unexpired commitments for underwriting bonds as at the end of the reporting period.

As an underwriting agent of the PRC government bonds, the Group has the responsibility for buying back those bonds it previously sold should the holders decide to make an early redemption of the bonds held. The redemption price for a bond at any time before its maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with the relevant MOF and PBOC rules. The redemption price may be different from the fair value of similar financial instruments traded at the redemption date.

As at the end of the reporting period, the underwritten, sold and immature national bonds' redemption commitments at nominal value are as follows:

	30 June 2024	31 December 2023
Redemption commitments	3,902	4,022

(e) Outstanding litigations and disputes

As at 30 June 2024, the Group was the defendant or the third party in certain pending litigation and disputes with gross claims of RMB356 million (31 December 2023: RMB665 million). Provisions have been made for the estimated losses from such litigations based upon the opinions of the Group's internal and external legal counsels (Note III 33). The Group considers that the provisions made are reasonable and adequate.

51 Subsequent Events

The Group has no significant subsequent events.

52 Comparative Figures

Certain comparative figures in the notes have been adjusted to conform with changes in disclosures in current period.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

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

1 LIQUIDITY COVERAGE RATIO, LIQUIDITY RATIO AND NET STABLE FUNDING RATIO

Liquidity Coverage Ratio

As stipulated by the Rules on Liquidity Risk Management of Commercial Banks, commercial banks' liquidity coverage ratio ("LCR") should reach 100% by the end of 2018. During the transition period, the LCR should be no lower than 90%. During the transition period, eligible commercial banks are encouraged to fulfil the requirements in advance, and banks with LCR already reaching 100% are encouraged to continuously maintain it at 100% or above.

	30 June 2024	31 December 2023
Liquidity coverage ratio	131.61%	149.17%
High Quality Liquid Assets	1,082,952	1,068,057
Net cash outflows in 30 days from the end of the reporting period	822,849	716,013

Liquidity Ratio*

	As at 30 June 2024	Average for the six months ended 30 June 2024	As at 31 December 2023	Average for the year ended 31 December 2023
RMB current assets to RMB current liabilities	79.61%	75.63%	76.71%	67.23%
Foreign current assets to foreign current liabilities	83.30%	78.10%	77.51%	91.29%

* *Liquidity ratio is calculated in accordance with the banking level.*

The above liquidity coverage ratio are calculated in accordance with the formula promulgated by the NFRA and based on the financial information prepared in accordance with PRC GAAP.

Net Stable Funding Ratio

The net stable fund ratio is designed to ensure that commercial banks have sufficient sources of stable funding to meet the demand for stable funds for various assets and off-balance sheet exposures. The Measures for the Administration of Liquidity Risk of Commercial Banks stipulate that since 1 July 2018, the minimum regulatory standard for the net stable fund ratio is no less than 100%.

The calculation formula of net stable funding ratio is as follows:

Net stable funding ratio = available and stable funds/required stable funds*100%

As at 30 June 2024, the Group met the supervision requirement with the net stable funding ratio standing at 108.74%.

Indicators	30 June 2024
Available and stable funds	3,896,530
Required stable funds	3,583,293
Net stable funding ratio	108.74%

2 CURRENCY CONCENTRATIONS

	30 June 2024			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	210,603	70,880	55,102	336,585
Spot liabilities	(237,848)	(34,164)	(46,754)	(318,766)
Forward purchases	861,149	3,722	18,843	883,714
Forward sales	(860,041)	(5,812)	(29,433)	(895,286)
Net (short)/long position	(26,137)	34,626	(2,242)	6,247
Net structural position	–	383	14	397

	31 December 2023			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	223,355	54,577	80,798	358,730
Spot liabilities	(248,292)	(45,595)	(47,819)	(341,706)
Forward purchases	468,139	3,717	16,446	488,302
Forward sales	(442,841)	(4,862)	(10,843)	(458,546)
Net (short)/long position	361	7,837	38,582	46,780
Net structural position	–	344	197	541

The net structural position of the Group includes the structural positions, denominated in foreign currency, of the Bank's Hong Kong, Seoul, Luxembourg, Sydney and Macao branches. Structural assets mainly include property and equipment.

3 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

(a) By geographical segment

	30 June 2024	31 December 2023
Head Office	9,348	9,923
Pearl River Delta	8,401	7,268
Yangtze River Delta	6,418	5,020
Central	5,986	4,786
Western	3,904	2,820
Northeastern	3,777	3,559
Bohai Rim	3,662	4,363
Overseas	2,535	4,114
Total	44,031	41,853

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

(Expressed in millions of Renminbi, unless otherwise stated)

3 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES (CONTINUED)

(b) By overdue day

	30 June 2024	31 December 2023
Loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	15,411	13,899
– between 6 months and 1 year (inclusive)	10,278	12,346
– over 1 year	18,342	15,608
Total	44,031	41,853
As a percentage of loans and advances		
– between 3 and 6 months (inclusive)	0.40%	0.36%
– between 6 months and 1 year (inclusive)	0.26%	0.33%
– over 1 year	0.47%	0.41%
Total	1.13%	1.10%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

(c) Collateral of loans and advances past due but not impaired

	30 June 2024	31 December 2023
Covered portion of loans and advances past due but not impaired	13,612	6,426
Uncovered portion of loans and advances past due but not impaired	27,222	24,031
Total loans and advances past due but not impaired	40,834	30,457
Current market value of collateral	23,204	16,114

4 NON-BANK CHINESE MAINLAND EXPOSURE

The Bank is a commercial bank incorporated in the PRC with its banking business conducted in Chinese Mainland. As at 30 June 2024, substantial amounts of the Group's exposures arose from businesses with Chinese Mainland entities or individuals.

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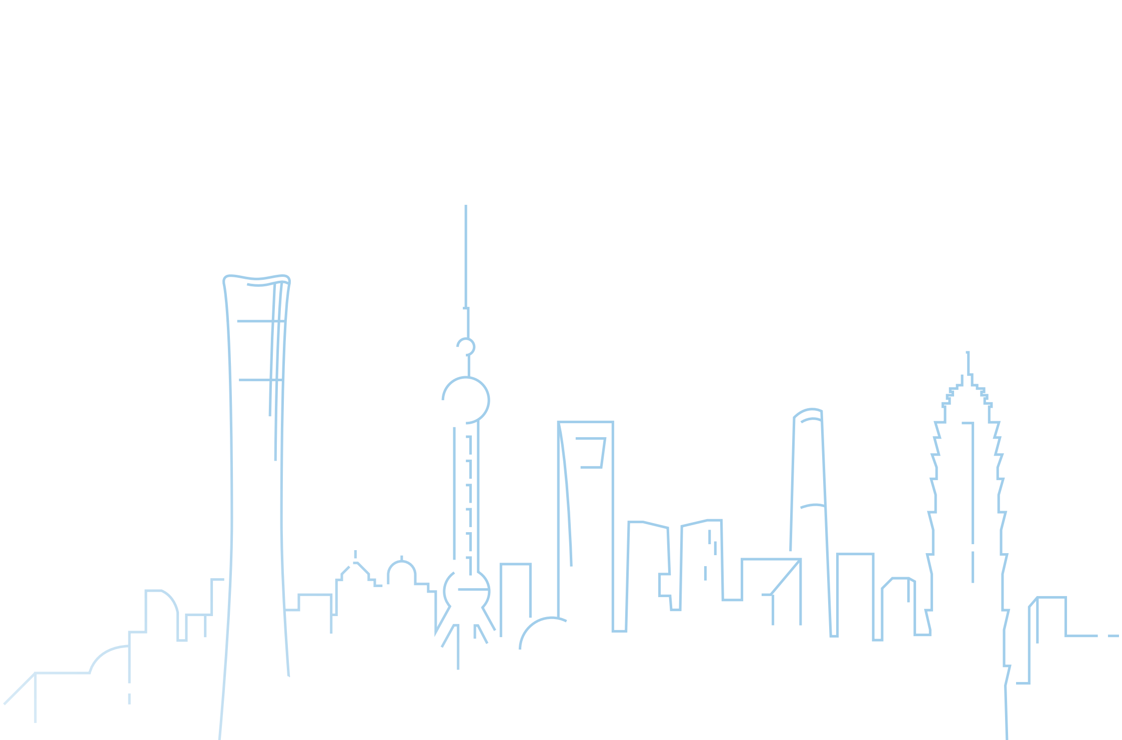

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