中国光大银行
CHINA EVERBRIGHT BANK

BUILD A FIRST-CLASS WEALTH MANAGEMENT BANK

Stock Code: 6818

Partner with Everbright
Pursue Steady Growth

Manage Wealth for a Prosperous Future

2023 中期報告 INTERIM REPORT

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)

Contents

Important Notice, Definitions and List of Documents for Reference

I. IMPORTANT NOTICE

i. 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.

ii. The 9th Meeting of the Ninth Session of the Board of Directors of the Bank was convened in Beijing on 24 August 2023, at which the *2023 Interim Report* of the Bank was deliberated and approved. 13 out of 13 Directors attended the meeting. 7 Supervisors were present at the meeting as non-voting attendees.

iii. The financial statements of the Bank for the first half of 2023 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 Ernst & Young Hua Ming LLP and Ernst & Young in accordance with Chinese and international standards on review engagements, respectively.

iv. Mr. Wang Jiang, Chairman of the Bank, Mr. Wang Zhiheng, President of the Bank, and Mr. Sun Xinhong, General Manager of Finance and Accounting Department, hereby warrant the authenticity, accuracy and completeness of the financial statements in this Report. President Mr. Wang Zhiheng is in charge of finance and accounting work.

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

vi. The Bank did not implement any profit distribution or capitalization of capital reserves for the first half of 2023.

vii. 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.

viii. The Bank has disclosed herein the major risks involved in its operations and proposed risk management measures accordingly. Please refer to "Management Discussion and Analysis" for details.

ix. 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.

II. 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
NAFR	:	National Administration of Financial Regulation
Former CBIRC	:	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
EY Hua Ming	:	Ernst & Young Hua Ming LLP
EY	:	Ernst & Young
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 10 to the Hong Kong Listing Rules – The Model Code for Securities Transactions by Directors of Listed Issuers

III. LIST OF DOCUMENTS FOR REFERENCE

i. Financial statements bearing the signatures and seals of Chairman, President (in charge of finance and accounting work) and General Manager of Finance and Accounting Department of the Bank.

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

iii. The originals of all 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 at SSE 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: Wang Jiang
Authorized Representatives: Wang Zhiheng, 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: 86-10-63636713
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: Taking deposits from the public; granting short-term, medium-term and long-term loans; handling domestic and overseas settlement; handling bill acceptance and discount; issuing financial bonds; issuing, honoring and underwriting government bonds as an agent; trading of government bonds and financial bonds; interbank borrowing and lending; trading and agency trading of foreign exchange; bank card business; providing L/C services and guarantee; agency collection and payment and insurance service; safe deposit box services; 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

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 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)
Abbreviated Name of Convertible Corporate Bond: Everbright Convertible Bonds; Code: 113011 (On 17 March 2023, Everbright Convertible Bonds were delisted at SSE.)
H Shares: The Stock Exchange of Hong Kong Limited (SEHK)
Abbreviated Name: CEB Bank; Code: 6818

VIII. AUDITORS DURING THE REPORTING PERIOD

Domestic Auditor: Ernst & Young Hua Ming LLP
Office Address: 19/F, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Beijing
Certificated Public Accountants for Signature: Xu Xuming, Hong Xiaodong
Overseas Auditor: Ernst & Young
Office Address: 27/F, 1 Building, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Certificated Public Accountant for Signature: Ng Chi Keung

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: 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

Summary of Accounting Data and Financial Indicators

I. KEY FINANCIAL DATA AND INDICATORS

Item	January-June 2023	January-June 2022	Change (%)	January-June 2021 (restated)[8]
Operating performance (RMB million)				
Net interest income	54,733	56,675	(3.43)	55,897
Net fee and commission income	13,445	14,835	(9.37)	15,059
Operating income	76,531	78,531	(2.55)	77,205
Operating expenses	20,543	20,257	1.41	21,280
Impairment losses on assets	26,597	29,025	(8.37)	28,713
Profit before tax	29,413	29,217	0.67	27,205
Net profit	24,219	23,446	3.30	22,523
Net profit attributable to shareholders of the Bank	24,072	23,299	3.32	22,445
Per share (in RMB)				
Basic earnings per share[1]	0.38	0.38	0.00	0.37
Diluted earnings per share[2]	0.36	0.35	2.86	0.34

Item	30 June 2023	31 December 2022	Change (%)	31 December 2021
Net assets per share attributable to ordinary shareholders of the Bank[3]	7.34	7.46	(1.61)	6.99
Scale indicators (RMB million)				
Total assets	6,757,928	6,300,510	7.26	5,902,069
Total loans and advances to customers	3,743,747	3,572,276	4.80	3,307,304
Provision for impairment of loans[4]	90,643	83,180	8.97	76,889
Total liabilities	6,217,251	5,790,497	7.37	5,417,703
Deposits from customers	4,156,940	3,917,168	6.12	3,675,743
Total equity	540,677	510,013	6.01	484,366
Total equity attributable to shareholders of the Bank	538,398	507,883	6.01	482,489
Share capital	59,086	54,032	9.35	54,032

Item	January-June 2023	January-June 2022	Change	January-June 2021 (restated)[8]
Profitability indicators (%)				
Return on average total assets	0.74	0.77	-0.03 percentage point	0.81
Return on weighted average equity[5]	10.14	10.75	-0.61 percentage point	11.07
Net interest spread	1.75	1.99	-0.24 percentage point	2.11
Net interest margin	1.82	2.06	-0.24 percentage point	2.20
Proportion of fee and commission income in operating income	17.57	18.89	-1.32 percentage points	19.51
Cost-to-income ratio	25.65	24.63	+1.02 percentage points	26.50

Item	30 June 2023	31 December 2022	Change	31 December 2021
Asset quality indicators (%)				
NPL ratio	1.30	1.25	+0.05 percentage point	1.25
Provision coverage ratio[6]	188.56	187.93	+0.63 percentage point	187.02
Provision-to-loan ratio[7]	2.46	2.35	+0.11 percentage point	2.34

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 distributed during the period and interest of non-fixed-term capital bonds distributed during the period.

   The Bank distributed dividends of RMB2,570 million (before tax) on the preference shares in the first half of 2023.

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 dilutive potential 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 and non-fixed-term capital bonds through other equity instruments)/total number of ordinary shares at the end of the 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, annualized.

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 (NPLs).

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.

8. There was a business combination under common control of the Group in September 2021. The Group made retrospective adjustments to relevant items in the comparative financial statements, adding a "restated" note to the items after retrospective adjustments.

   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 2023	31 December 2022	31 December 2021
Liquidity ratio[Note]	RMB	≥25	60.40	74.44	75.58
	Foreign currency	≥25	94.11	123.89	125.41
Percentage of loans to single largest customer		≤10	1.76	1.63	1.17
Percentage of loans to top ten customers		≤50	9.01	8.11	7.74

Note: Liquidity ratio 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 (Provisional)* (Decree No.1 of CBRC in 2012) are as follows:

Unit: RMB million, %

Item	30 June 2023		31 December 2022	
	Consolidated[1]	Non-Consolidated	Consolidated[1]	Non-Consolidated
Net capital[2]	642,266	612,256	593,218	564,700
Common equity tier-1 capital	434,660	422,090	404,205	393,475
Common equity tier-1 capital deductions	(4,864)	(17,688)	(4,809)	(17,650)
Net common equity tier-1 capital[2]	429,796	404,402	399,396	375,825
Additional tier-1 capital	105,055	104,899	105,063	104,899
Additional tier-1 capital deductions	–	–	–	–
Net tier-1 capital[2]	534,851	509,301	504,459	480,724
Tier-2 capital	107,415	102,955	88,759	83,976
Tier-2 capital deductions	–	–	–	–
Credit risk-weighted assets	4,399,090	4,274,720	4,238,225	4,111,100
Market risk-weighted assets	77,413	78,879	63,211	63,390
Operational risk-weighted assets	278,336	267,594	278,336	267,594
Total risk-weighted assets	4,754,839	4,621,193	4,579,772	4,442,084
Common equity tier-1 CAR	9.04	8.75	8.72	8.46
Tier-1 CAR	11.25	11.02	11.01	10.82
CAR	13.51	13.25	12.95	12.71

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 (Provisional)*, 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.

IV. LEVERAGE RATIO

The leverage ratios calculated in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks* (Decree No.1 of CBRC in 2015) are as follows:

Unit: RMB million, %

Item	30 June 2023	31 March 2023	31 December 2022	30 September 2022
Leverage ratio	6.90	6.90	6.81	6.73
Net tier-1 capital	534,851	532,701	504,459	498,955
Adjusted balance of on- and off-balance-sheet assets	7,751,119	7,725,161	7,402,349	7,412,046

Note: The Group's leverage ratio met the regulatory requirements for systemically important banks.

Please refer to "Unaudited Supplementary Financial Information" for more details on leverage ratio.

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 2023	31 March 2023	31 December 2022	30 September 2022
Liquidity coverage ratio	116.48	120.72	130.24	112.05
High quality liquid assets	889,540	865,139	972,725	962,265
Net cash outflow in the next 30 days	763,701	716,673	746,886	858,788

Note: All indicators of liquidity risk of the Group met regulatory requirements. There was no other additional regulatory requirement for the Group's liquidity 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 2023	31 March 2023	31 December 2022	30 September 2022
Net stable funding ratio	106.34	104.81	105.63	104.44
Available stable funding	3,804,914	3,779,586	3,632,315	3,543,369
Required stable funding	3,577,939	3,606,220	3,438,630	3,392,784

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

Management Discussion and Analysis

I. REVIEW OF MAIN WORK

i. Doing solid work and taking targeted measures to serve the real economy and national strategies

The Bank prioritized serving the real economy, adopted forward-looking policies to increase credit scale and optimize credit structure, and promoted steady and higher credit growth. As at the end of the reporting period, the Bank's total loans reached RMB3.74 trillion, an increase of 4.80% over the end of the previous year; loans to the manufacturing industry increased by 13.90% over the end of the previous year; loans to strategic emerging industries increased by 24.74% over the end of the previous year; loans to sci-tech enterprises increased by 21.07% over the end of the previous year, supporting the construction of modern industrial system at a faster pace; green loans increased by 31.04% over the end of the previous year, with green credit operation capacity further improved; inclusive loans to SMEs increased by 13.58%; and loans to agriculture-related enterprises increased by 7.12% over the previous year, facilitating rural revitalization in an all-round manner.

ii. Maintaining strategic focus on building a wealth management bank, and ensuring stability while seeking progress

The Bank focused on key business areas to provide customers with integrated financial services and enhance value-creation capabilities. The Bank's FPA (Finance Product Aggregate) totaled RMB4.80 trillion, accelerating flow transformation and structural optimization, and the flow scale of M&A financing and structured financing grew rapidly. The Bank landed the first Huawei OEM (Original Equipment Manufacturer) Cooperation Project and won the bid to become one of the strategic cooperation banks of ByteDance. Retail AUM (Assets Under Management) totaled RMB2.59 trillion, an increase of 6.97% over the end of the previous year. The number of retail customers exceeded 150 million, and that of wealth and private banking customers exceeded 1.3 million. The Bank's Gross Merchandise Volume (GMV) for interbank businesses totaled RMB2.38 trillion, an increase of 42.85% year on year. The "Integrated Digital Service Platform for Interbank Institutions" was put into operation to build an interbank ecosystem and create new value growth points. The Bank heightened collaboration with CEG and strengthened customer introduction within CEG, pushing for the landing of key collaborative projects.

iii. Laying a solid foundation and empowering business on all fronts to improve digital operation capacity

The Bank promoted integration between business and technology by proactively pushing forward with the digital transformation plan with "business-driven transformation" at its core and the implementation of the sci-tech strategic plan with "technological capability enhancement" at its core. In terms of corporate ecological construction, the Bank put efforts in the building of industrial digitalization and digital government, made whole-process services available online, upgraded corporate mobile banking, and launched "Transaction Banking Products 2.0". Furthermore, the Bank innovatively launched "SRDI (Specialized, Refined, Differential and Innovative) Enterprise Loan", an automated online product. The Bank won the bids for the qualifications to monitor and manage off-campus training funds and prepaid pension funds. In terms of retail ecological construction, the "Wealth +" open platform and integrated operation system were built, and the monthly active users (MAU) of CEB Mobile Banking, Sunshine Life and Cloud Fee Payment increased by 26.58% compared with the same period last year. The Bank worked to integrate risk control and marketing for Sunshine Fast Loan (Guang Su Dai) business to improve the operating capacity of proprietary online lending. In terms of interbank ecological construction, the Bank focused on the integrated digital service platform to provide a package of comprehensive financial services covering agency sales, matchmaking & dealing, and tech output.

iv. Upholding the risk bottom line strictly and strengthening management to underpin high-quality development

The overall asset quality of the Bank remained good. The provision coverage ratio increased by 0.63 percentage point over the end of the previous year, showing improvement in risk-resisting abilities. The Bank established a category-specific management mechanism against assets with hidden risks and launched a campaign targeted at “four major risk assets” including real estate, financing platforms, unrealized written-off assets, and credit cards, which helped accelerate the resolution of existing risks and strengthen risk management and control in key areas. The Bank persisted in the early warning and mandatory response mechanism and strengthened credit termination management for corporate customers as a way to prevent incremental risks, implement new regulatory rules, and improve the efficiency of asset quality control.

II. DEVELOPMENT STRATEGY OF THE BANK

i. Strategic overview

1. Strategic vision

Building a first-class wealth management bank

2. Strategy connotations

Ensuring that the financial work is politically oriented and can better represent the people, the Bank, as a resolute implementer of national strategies, regards “building a first-class wealth management bank” as strategic vision, proactively serves and integrates into China’s new development pattern. Leveraging China Everbright Group’s advantages including a complete range of financial licenses, collaboration between finance and industry, and coordination between Chinese mainland and Hong Kong SAR, the Bank upholds a customer-centered business philosophy and shifts focus from managing its own balance sheet to helping customers improve their financial statements based on customers’ changing needs, promotes the building of a comprehensive financial ecosystem featuring “one customer, one Everbright, and one package of comprehensive services”, so as to build competitive advantages in wealth management, achieve high-quality development and create greater value for the society, shareholders, customers and employees.

ii. Strategy implementation

During the reporting period, the Bank adhered to the strategic vision of “building a first-class wealth management bank”, focused on serving the real economy, serving national strategies, and promoting digital operation as the main tasks of development, and determined three North Star Metrics (NSM) — FPA (Finance Product Aggregate), AUM (Assets Under Management) and GMV (Gross Merchandise Volume) to expand key business areas and sustain high-quality development, contributing CEB’s strengths to Chinese modernization.

1. The Bank actively supported the real economy and enhanced the sustainability of development. The Bank gave priority to the real economy in economic development. The Bank actively implemented incentive and restrictive measures such as devising separate credit plans for key areas, making preferential policies for differentiated internal funds transfer pricing, and strengthening balanced scorecard evaluation. The Bank continued to increase targeted support for key areas and weak links in the national economy, such as manufacturing, green credit, sci-tech innovation, private enterprises, and strategic emerging industries. Over the end of the previous year, the Bank’s RMB corporate loans increased by 9.16%; the loans to manufacturing and strategic emerging industries increased by 13.90% and 24.74%, respectively; and the loans to sci-tech enterprises and green credit increased by 21.07% and 31.04%, respectively. By responding to the complex and fast-changing external environment, the Bank, rooted in the real economy, improved profitability steadily registering a net profit of RMB24,219 million, up 3.30% year on year.

2. The Bank promoted business structural adjustment and strengthened wealth management features. In corporate banking, the Bank, with FPA as the engine for transformation, launched a toolkit of full-range full-life-cycle financing products to serve customers, and accelerated the integrated development of commercial banking, investment banking, and private banking, giving full play to the function of corporate banking as the "ballast stone" of business. The total FPA was RMB4.80 trillion. In retail banking, the Bank took AUM as its North Star Metric, highlighted two features — "wealth management" and "fintech", focused on four core businesses — "wealth management, retail deposit, retail credit and credit card", strengthened capacity building in "customer management, dual-curve mode, scenario empowerment, technological empowerment and multi-party collaboration", and built a mega wealth management eco-chain with "wealth management, asset management and asset custody" at the core. The total AUM reached RMB2.59 trillion, an increase of 6.97% over the end of the previous year. In financial market business, guided by GMV, a North Star Metric, the Bank built the "Integrated Digital Service Platform for Interbank Institutions" to provide interbank customers with four main services including agency sales, matchmaking & quoting, tech output and information sharing, and promoted the construction of interbank business ecosystem. The total GMV reached RMB2.38 trillion, an increase of 42.85% year on year.

3. The Bank improved risk governance system and heightened risk resistibility. The Bank adhered to a sound and prudent risk management strategy, implemented various regulatory requirements, improved risk management system, and enhanced the ability to cope with various risks. The Bank established a "1+4" credit policy system integrating investment, industry, region, product and portfolio to strengthen the commercialization of industry research achievements and optimize asset structure. The Bank implemented the pre-review and consultation mechanism, strengthened customer concentration management, enhanced penetration risk monitoring and compulsory risk response for large-value credit customers, and intensified risk-cost evaluation. The Bank implemented the *Measures for the Risk Classification of Financial Assets of Commercial Banks*, and formulated an implementation plan for the transition period of the new rule on risk classification to optimize the risk classification management system of financial assets. The Bank expanded the channels for the disposal of non-performing assets, stepped up efforts to dispose and recover non-performing assets, and promoted prompt and precise identification for responsibility and accountability with respect to non-performing assets.

4. The Bank continuously pushed for technological empowerment and accelerated digital transformation. The Bank deepened the integration of business and technology, advanced the implementation of new strategic plans for technological development, and concentrated on the building of business middle office, data middle office and technology middle office. The Bank made all-out efforts to launch Transaction Banking Products "Yi" Series 2.0, build a comprehensive intelligent marketing system for retail banking, increase service items and output channels for the Cloud Fee Payment platform, and accelerate the expansion of key business scenarios such as logistics industry, housing transactions, off-campus education, flexible employment, and medical healthcare. The Bank formulated digital transformation plans to build an open digital ecosystem.

III. CORE COMPETITIVENESS OF THE BANK

First, the Bank has a distinguished shareholder. The Bank's controlling shareholder China Everbright Group (CEG) is a large financial holding conglomerate sponsored by the Ministry of Finance of the People's Republic of China and Central Huijin Investment Ltd., and has been one of the Fortune Global 500 companies for eight consecutive years from 2015 to 2022. CEG's business scope encompasses financial services with a full range of financial licenses and featured real industry businesses such as environmental protection, tourism and healthcare. CEG's advantages in comprehensive finance, collaboration between finance and industry, and coordination between Chinese mainland and Hong Kong SAR, provide the Bank with a solid platform for offering comprehensive finance and implementing industry-finance collaboration.

Second, the Bank has an outstanding innovative gene. The Bank was established during the period of China's reform and opening-up and rapid economic development, and grew stronger through years of financial innovations, thus possessing strong innovation awareness. It became the first bank that launched the RMB wealth management products, the first one to be fully-licensed for running the national treasury business on an agency basis, and one of the first banks that obtained dual qualifications as both custodian and account manager of enterprise annuity fund in China. Besides that, the Bank forged China's largest open-ended payment platform called Cloud Fee Payment. All these demonstrate that the Bank has a strong innovation-driven development philosophy.

Third, the Bank's strategic transformation in wealth management has produced positive results. The Bank has seized development opportunities in a precise manner by staying at the forefront in initiating strategic transformation in wealth management, which has led to continuous market share expansion, well-received wealth management capabilities, and strong advantages in wealth management and asset management. The fee-based businesses not occupying the Bank's risk assets have gained growth momentum with its proportion growing continuously, becoming a key driver of the Bank's operating income.

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 operation measures. The Bank's comprehensive risk management methods and techniques have become increasingly diversified to ensure effective control of asset quality. The Bank's operation management system has been continuously improved to make risk management more proactive, forward-looking and predictable, laying a solid foundation for long-term and sustainable development.

Fifth, the Bank possesses a strong foundation for technological development. The Bank has constantly advanced deep integration between business and technology, and strove hard to build a technology-led and data-driven technology development system with Everbright characteristics, to accelerate tech empowerment and promote bank-wide digital transformation. The "Wealth +" open platform with CEB Mobile Banking and Cloud Fee Payment apps at the core has attracted more users, and the scale of traffic, customer conversion and value contribution have all been on continuous improvement. The Bank's hit products such as Sunshine Inclusive Finance Cloud, Sunshine E-financing Chain, Sunshine Receivables Express (Guang Xin Tong), Sunshine Logistics Express (Wu Liu Tong), Sunshine Fast Loan (Guang Su Dai), Sunshine Housing Express (An Ju Tong) and Sunshine Flexible Employment Express (Ling Gong Tong) have gained good market recognition. As the investment in technology increases, the technology governance system has been further optimized, and the technology foundation and the ability to empower business development have been consolidated.

IV. OVERALL OPERATIONS OF THE BANK

i. The scale of assets realized relatively fast growth as the ability to serve the real economy enhanced.

The Group took multi-pronged measures to support economic and social development. Specifically, the Group continued to increase credit granting for the real economy to optimize loan structure. The Group achieved rapid growth in loans in key areas such as inclusive finance, manufacturing, strategic emerging industries, private enterprises, agriculture-related industry, and green finance.

As at the end of the reporting period, total assets of the Group posted RMB6,757,928 million, representing an increase of RMB457,418 million or 7.26% as compared with the end of the previous year. Total loans and advances to customers stood at RMB3,743,747 million, representing an increase of RMB171,471 million or 4.80% as compared with the end of the previous year. The balance of deposits reached RMB4,156,940 million, representing an increase of RMB239,772 million or 6.12% as compared with the end of the previous year.

Management Discussion and Analysis

ii. Profitability improved persistently with business structure optimized.

The Group adhered to high-quality development in "building a first-class wealth management bank". The Group strengthened the optimization of assets and liabilities structure to strengthen fine management of loans, and attracted more source funds and low-cost deposits to improve both the quality and efficiency of liability management of the Bank and effectively alleviate the downward pressure on interest margin. The Group regarded three North Star Metrics (FPA, AUM and GMV) as indicators, insisted in asset-light transformation and development, and strengthened the development of fee-based businesses not occupying the Bank's risk assets in a bid to optimize revenue structure and improve profitability.

During the reporting period, the Group achieved operating income of RMB76,531 million, representing a year-on-year decrease of 2.55%. Specifically, net interest income posted RMB54,733 million, down 3.43% year on year, net fee and commission income posted RMB13,445 million, down 9.37% year on year, and other income posted RMB8,353 million, up 18.97% year on year. The Group recorded a net profit of RMB24,219 million, up 3.30% year on year, indicating profitability improvement.

iii. Overall asset quality remained controllable with higher risk resilience.

As at the end of the reporting period, the balance of the Group's NPLs amounted to RMB48,821 million, an increase of RMB4,147 million as compared with the end of the previous year. The NPL ratio was 1.30%, up 0.05 percentage point over the end of the previous year. The ratio of special mention loans was 1.86%, an increase of 0.02 percentage point over the end of the previous year. The ratio of overdue loans stood at 1.93%, a decrease of 0.03 percentage point over the end of the previous year. Provision coverage ratio reached 188.56%, up 0.63 percentage point over the end of the previous year.

iv. Capital strength grew further, meeting regulatory requirements continuously.

During the reporting period, the Group completed the conversion of convertible bonds of RMB16,900 million and issued tier-2 capital bonds of RMB15,000 million to replenish capital. As at the end of the reporting period, the Group's net capital registered RMB642,266 million, an increase of RMB49,048 million as compared with the end of the previous year. The CAR, tier-1 CAR and common equity tier-1 CAR were 13.51%, 11.25% and 9.04%, respectively, all of which rose from the end of the previous year and met the regulatory requirements.

V. INCOME STATEMENT

i. Changes in items of income statement

Unit: RMB million

Item	January-June 2023	January-June 2022	Change
Net interest income	54,733	56,675	(1,942)
Net fee and commission income	13,445	14,835	(1,390)
Net trading gains	2,028	1,319	709
Dividend income	1	2	(1)
Net gains arising from investment securities	5,228	4,808	420
Gains/(losses) on derecognition of financial assets measured at amortized cost	(376)	768	(1,144)
Net foreign exchange gains/(losses)	714	(297)	1,011
Other net operating gains	758	421	337
Gains/(losses) on investments in joint ventures	22	(32)	54
Operating expenses	20,543	20,257	286
Impairment losses on credit assets	26,595	29,024	(2,429)
Impairment losses on other assets	2	1	1
Profit before tax	29,413	29,217	196
Income tax	5,194	5,771	(577)
Net profit	24,219	23,446	773
Net profit attributable to shareholders of the Bank	**24,072**	**23,299**	**773**

ii. Operating income

During the reporting period, the Group realized an operating income of RMB76,531 million, a year-on-year decrease of RMB2 billion or 2.55%. Net interest income accounted for 71.52%, down 0.65 percentage point year on year. Net fee and commission income accounted for 17.57%, down 1.32 percentage points year on year.

Unit: %

Item	January-June 2023	January-June 2022
Proportion of net interest income	71.52	72.17
Proportion of net fee and commission income	17.57	18.89
Proportion of other income	10.91	8.94
Total operating income	**100.00**	**100.00**

iii. Net interest income

During the reporting period, the Group realized net interest income of RMB54,733 million, a year-on-year decrease of RMB1,942 million or 3.43%.

The Group's net interest spread was 1.75%, a year-on-year decrease of 24 bps. Net interest margin was 1.82%, down 24 bps year on year. Mainly due to the downward adjustments of LPR and the implementation of the interest concession policy to reduce financing cost of the real economy, the average yield of interest-earning assets decreased by 15 bps year on year.

Management Discussion and Analysis

Unit: RMB million, %

Item	January-June 2023 Average balance	January-June 2023 Interest income/ expense	January-June 2023 Average yield/ cost	January-June 2022 Average balance	January-June 2022 Interest income/ expense	January-June 2022 Average yield/ cost
Interest-earning assets						
Loans and advances to customers	3,652,602	88,211	4.87	3,415,568	84,986	5.02
Finance lease receivables	109,554	2,802	5.16	110,221	3,035	5.55
Investments	1,672,290	27,727	3.34	1,478,464	26,034	3.55
Deposits with the central bank	314,960	2,326	1.49	317,549	2,253	1.43
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	324,860	3,950	2.45	232,262	2,088	1.81
Total interest-earning assets	6,074,266	125,016	4.15	5,554,064	118,396	4.30
Interest income		**125,016**			**118,396**	
Interest-bearing liabilities						
Deposits from customers	3,972,917	46,242	2.35	3,678,463	41,172	2.26
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	1,003,712	12,208	2.45	826,999	8,889	2.17
Debt securities issued	919,710	11,833	2.59	882,843	11,660	2.66
Total interest-bearing liabilities	5,896,339	70,283	2.40	5,388,305	61,721	2.31
Interest expenses		**70,283**			**61,721**	
Net interest income		**54,733**			**56,675**	
Net interest spread[1]			**1.75**			**1.99**
Net interest margin[2]			**1.82**			**2.06**

Notes:

1. Net interest spread is the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.

2. Net interest margin is the net interest income divided by the average balance of total interest-earning assets, expressed 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	5,898	(2,673)	3,225
Finance lease receivables	(18)	(215)	(233)
Investments	3,413	(1,720)	1,693
Deposits with the central bank	(18)	91	73
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	832	1,030	1,862
Changes in interest income	**10,107**	**(3,487)**	**6,620**
Deposits from customers	3,296	1,774	5,070
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	1,899	1,420	3,319
Debt securities issued	487	(314)	173
Changes in interest expenses	**5,682**	**2,880**	**8,562**
Net interest income	**4,425**	**(6,367)**	**(1,942)**

iv. Interest income

During the reporting period, the Group realized an interest income of RMB125,016 million, a year-on-year increase of RMB6,620 million or 5.59%. Such increase was mainly attributed to the growing interest income from loans and expanding investment scale.

1. Interest income from loans and advances to customers

During the reporting period, the Group's interest income from loans and advances to customers amounted to RMB88,211 million, a year-on-year increase of RMB3,225 million or 3.79%. Such increase was mainly due to the expanding scale of loans.

Unit: RMB million, %

Item	January-June 2023			January-June 2022		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	2,023,121	42,800	4.27	1,852,519	39,904	4.34
Personal loans	1,516,746	44,474	5.91	1,446,849	43,755	6.10
Discounted bills	112,735	937	1.68	116,200	1,327	2.30
Loans and advances to customers	**3,652,602**	**88,211**	**4.87**	**3,415,568**	**84,986**	**5.02**

2. Interest income from investments

During the reporting period, the Group's interest income from investments amounted to RMB27,727 million, a year-on-year increase of RMB1,693 million or 6.50%. 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 RMB3,950 million, a year-on-year increase of RMB1,862 million or 89.18%. Such increase was mainly due to the increase in both the scale and yield of placements, deposits with banks and other financial institutions as well as financial assets held under resale agreements.

v. Interest expenses

During the reporting period, the Group's interest expenses amounted to RMB70,283 million, representing a year-on-year increase of RMB8,562 million or 13.87%. Such increase was mainly due to the growing interest expenses on deposits from customers.

1. Interest expenses on deposits from customers

During the reporting period, the Group's interest expenses on deposits from customers amounted to RMB46,242 million, a year-on-year increase of RMB5,070 million or 12.31%. Such increase was mainly due to the increase in both scale and interest rate of deposits from customers.

Unit: RMB million, %

Item	January-June 2023			January-June 2022		
	Average balance	Interest expenses	Average cost	Average balance	Interest expenses	Average cost
Corporate deposits	2,833,092	32,659	2.32	2,793,982	30,463	2.20
Demand deposits	916,896	5,560	1.22	862,517	4,026	0.94
Time deposits	1,916,196	27,099	2.85	1,931,465	26,437	2.76
Personal deposits	1,139,825	13,583	2.40	884,481	10,709	2.44
Demand deposits	244,821	441	0.36	234,683	501	0.43
Time deposits	895,004	13,142	2.96	649,798	10,208	3.17
Total deposits from customers	**3,972,917**	**46,242**	**2.35**	**3,678,463**	**41,172**	**2.26**

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 RMB12,208 million, representing a year-on-year increase of RMB3,319 million or 37.34%. Such increase was mainly due to the increase in the scale and interest rates of placements and deposits from banks and other financial institutions.

3. Interest expenses on debt securities issued

During the reporting period, the Group's interest expenses on debt securities issued totaled RMB11,833 million, a year-on-year increase of RMB173 million or 1.48%. Such increase was mainly due to the increasing scale of debt securities issued.

vi. Net fee and commission income

During the reporting period, net fee and commission income of the Group was RMB13,445 million, a year-on-year decrease of RMB1,390 million or 9.37%. Such decrease was mainly due to a year-on-year decrease of RMB468 million in fee income from bank card services.

Unit: RMB million

Item	January-June 2023	January-June 2022
Fee and commission income	**14,886**	**16,255**
Bank card service fees	6,102	6,570
Settlement and clearing fees	2,161	2,484
Wealth management service fees	2,038	2,260
Agency services fees	1,948	2,061
Custody and other fiduciary business fees	1,149	1,167
Acceptance and guarantee fees	780	911
Underwriting and advisory fees	699	775
Others	9	27
Fee and commission expenses	**(1,441)**	**(1,420)**
Net fee and commission income	**13,445**	**14,835**

Column 1: Persisting in asset-light transformation with constant development of the fee-based businesses not occupying the Bank's risk assets

Guided by the strategy of "building a first-class wealth management bank", the Bank placed customers at the center and accelerated business structure adjustments to enhance digital operation capacity. Meanwhile, the Bank persisted in asset-light transformation to develop the fee-based businesses not occupying the Bank's risk assets, contributing to the goal of building a wealth management bank.

I. Steadily advancing the fee-based businesses not occupying the Bank's risk assets

During the reporting period, bucking the headwinds imposed by capital market fluctuations and low investment willingness of customers, the Bank strengthened market research and analysis and proactively adjusted its business development strategy and product mix, which effectively relieved the pressure on the operation of wealth management business. During the reporting period, the Bank's fee-based businesses not occupying the Bank's risk assets including wealth management, agency service, custody and settlement developed steadily, realizing RMB5,823 million of income. In addition, seizing the opportunity of growing customers' needs for wealth safety and security, the Bank intensified efforts to develop agency insurance business, with relevant fee-based income increased by 81.03% year on year.

II. Continuously consolidating customer base

In adherence to the customer-centered operation philosophy, the Bank heightened the customer-centered awareness and continuously created value for customers according to customers' needs, which consolidated the customer base for developing the fee-based businesses not occupying the Bank's risk assets. As at the end of the reporting period, the Bank had 151.9757 million retail customers (including both debit card and credit card customers), an increase of 3.34% over the end of the previous year; and the number of cumulative users of the three apps — CEB Mobile Banking, Sunshine Life and Cloud Fee Payment was 278.4748 million, up 26.07% year on year. Among them, there were 47.0926 million monthly active users, an increase of 26.58% year on year.

III. Effectively promoting business scale growth

The Bank persisted in taking AUM as a North Star Metric to build an open wealth management ecosystem, enriched product spectrum to meet diversified needs of customers, and continued to grow and improve the scale of AUM, custody and wealth management. As at the end of the reporting period, the Bank's AUM totaled RMB2,593.042 billion, an increase of 6.97% over the end of the previous year; the scale of custody business amounted to RMB7,908.657 billion, up 3.91% from the end of the previous year; and the scale of wealth management business reached RMB1,223.648 billion, representing an increase of 3.24% compared with the end of the previous year.

Looking into the second half of 2023, the Bank will persist in the direction of developing wealth management business, take North Star Metrics as indicators, accelerate asset-light transformation, further promote the development of fee-based businesses not occupying the Bank's risk assets, and optimize the Bank's income structure. First, the Bank will strengthen strategic implementation with AUM as a North Star Metric, enhance market research and analysis, improve investment, research and advisory capabilities, reinforce major asset allocation, and adjust strategies relating to products, customer base and channels in a timely manner. Second, the Bank will heighten the customer-centered awareness and continue to implement the customer management strategy featuring "stratified and grouped management, data-driven operation, channel coordination and conversion from transaction to contribution", enhance intra-CEG coordination and corporate-private banking collaboration, and diversify ways to acquire new customers. Third, the Bank will stay committed to digital transformation by integrating it into the whole process covering "customer acquisition, marketing and operation", to build a digital customer management system that covers all products, channels and links, so as to deepen the integration of technology and business to create new opportunities for the development of fee-based businesses not occupying the Bank's risk assets.

vii. Other income

During the reporting period, the Group's other income stood at RMB8,353 million, representing a year-on-year increase of RMB1,332 million or 18.97%. Such increase was mainly due to the increase in net foreign exchange gains.

Unit: RMB million

Item	January-June 2023	January-June 2022
Net trading gains	2,028	1,319
Dividend income	1	2
Net gains arising from investment securities	5,228	4,808
Gains/(losses) on derecognition of financial assets measured at amortized cost	(376)	768
Net foreign exchange gains/(losses)	714	(297)
Other operating income	758	421
Total	**8,353**	**7,021**

viii. Operating expenses

During the reporting period, the Group incurred operating expenses of RMB20,543 million, a year-on-year increase of RMB286 million or 1.41%. Cost-to-income ratio stood at 25.65%, up 1.02 percentage points year on year.

Unit: RMB million

Item	January-June 2023	January-June 2022
Staff remuneration costs	11,025	11,708
Premises and equipment expenses	3,684	3,542
Tax and surcharges	912	912
Others	4,922	4,095
Total operating expenses	**20,543**	**20,257**

ix. Impairment losses on assets

During the reporting period, the Group insisted in an objective and prudent provisioning policy, continued to consolidate provision foundation and increased risk-resisting capabilities. The Bank sustained impairment losses on assets totaling RMB26,597 million, representing a year-on-year decrease of RMB2,428 million or 8.37%.

Unit: RMB million

Item	January-June 2023	January-June 2022
Impairment losses on loans and advances to customers	23,595	25,097
Loans and advances to customers measured at amortized cost	22,957	24,989
Loans and advances to customers at fair value through other comprehensive income	638	108
Impairment losses on debt instruments at fair value through other comprehensive income	(79)	307
Impairment losses on financial investments measured at amortized cost	2,327	2,682
Impairment losses on finance lease receivables	390	392
Others	364	547
Total impairment losses on assets	**26,597**	**29,025**

x. Income tax

During the reporting period, the Group incurred income tax of RMB5,194 million, a year-on-year decrease of RMB577 million or 10.00%. Such decrease was mainly due to the year-on-year increase in tax-exempt income and the decrease in the non-deductible losses of credit assets during the first half of the year.

VI. BALANCE SHEET

i. Assets

As at the end of the reporting period, the Group's total assets reached RMB6,757,928 million, an increase of RMB457,418 million or 7.26% as compared with the end of the previous year, mainly due to the increase in loans and advances to customers as well as investment in securities and other financial assets.

Unit: RMB million, %

Item	30 June 2023		31 December 2022	
	Balance	Percentage	Balance	Percentage
Total loans and advances to customers	3,743,747		3,572,276	
Accrued loan interest	10,826		10,255	
Provision for impairment of loans[Note]	(90,643)		(83,180)	
Net loans and advances to customers	3,663,930	54.22	3,499,351	55.55
Finance lease receivables	102,598	1.52	108,012	1.71
Deposits with banks and other financial institutions	42,888	0.63	32,073	0.51
Cash and deposits with the central bank	338,544	5.01	356,426	5.66
Investment in securities and other financial assets	2,221,251	32.87	2,062,342	32.73
Precious metals	6,817	0.10	7,187	0.11
Placements with banks and other financial institutions, and financial assets held under resale agreements	240,824	3.56	130,007	2.06
Long-term equity investment	194	0.00	165	0.00
Premises and equipment	26,161	0.39	26,174	0.42
Right-of-use assets	9,555	0.14	10,281	0.16
Goodwill	1,281	0.02	1,281	0.02
Deferred tax assets	33,735	0.50	32,703	0.52
Other assets	70,150	1.04	34,508	0.55
Total assets	**6,757,928**	**100.00**	**6,300,510**	**100.00**

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

Management Discussion and Analysis

1. Loans and advances to customers

As at the end of the reporting period, the Group's total loans and advances to customers were RMB3,743,747 million, an increase of RMB171,471 million or 4.80% as compared with the end of the previous year. The proportion of net loans and advances to customers in total assets was 54.22%, a decrease of 1.33 percentage points as compared with the end of the previous year.

Unit: RMB million, %

Item	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Corporate loans	2,108,396	56.32	1,931,450	54.07
Personal loans	1,517,897	40.54	1,519,119	42.53
Discounted bills	117,454	3.14	121,707	3.40
Total loans and advances to customers	**3,743,747**	**100.00**	**3,572,276**	**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 stood at RMB2,221,251 million, an increase of RMB158,909 million or 7.71 percentage points as compared with the end of the previous year. The amount accounted for 32.87% of total assets, up 0.14 percentage point as compared with the end of the previous year.

Unit: RMB million, %

Item	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Financial assets at fair value through profit or loss	488,594	22.00	403,617	19.57
Derivative financial assets	18,826	0.85	15,730	0.76
Debt instruments at fair value through other comprehensive income	493,417	22.21	449,596	21.81
Financial investments measured at amortized cost	1,219,284	54.89	1,192,273	57.81
Equity instruments at fair value through other comprehensive income	1,130	0.05	1,126	0.05
Total investments in securities and other financial assets	**2,221,251**	**100.00**	**2,062,342**	**100.00**

3. Type and amount of financial bonds held

As at the end of the reporting period, the financial bonds held by the Group amounted to RMB657,209 million, down RMB20,872 million over the end of the previous year. Of these, the financial bonds measured at amortized cost occupied a proportion of 66.17% in the total.

Unit: RMB million, %

Item	30 June 2023		31 December 2022	
	Balance	Percentage	Balance	Percentage
Financial bonds at fair value through profit or loss	68,957	10.49	100,233	14.78
Financial bonds measured at amortized cost	434,856	66.17	416,943	61.49
Financial bonds at fair value through other comprehensive income	153,396	23.34	160,905	23.73
Total financial bonds held	**657,209**	**100.00**	**678,081**	**100.00**

4. Top 10 financial bonds held in nominal value

Unit: RMB million, %

Name of bond	Nominal value	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	18,150	3.05	2026-08-25	–
Bond 4	14,930	4.39	2027-09-08	–
Bond 5	13,530	3.18	2026-04-05	–
Bond 6	12,480	3.86	2029-05-20	–
Bond 7	12,420	4.04	2028-07-06	–
Bond 8	12,140	4.65	2028-05-11	–
Bond 9	11,550	4.73	2025-04-02	–
Bond 10	10,670	3.63	2026-07-19	–

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 reported RMB4,738 million, and the book value of goodwill registered RMB1,281 million, the same as the value at the end of the previous year.

Management Discussion and Analysis

ii. Liabilities

As at the end of the reporting period, the Group's total liabilities reached RMB6,217,251 million, an increase of RMB426,754 million or 7.37% as compared with the end of the previous year, mainly due to the increase in deposits from customers.

Unit: RMB million, %

Item	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Due to the central bank	99,281	1.60	63,386	1.09
Deposits from customers	4,156,940	66.86	3,917,168	67.65
Deposits from banks and other financial institutions	547,445	8.81	540,668	9.34
Placements from banks and other financial institutions	179,712	2.89	188,601	3.26
Financial liabilities at fair value through profit or loss	–	–	27	0.00
Derivative financial liabilities	19,440	0.31	14,261	0.25
Financial assets sold under repurchase agreements	206,231	3.32	92,980	1.61
Accrued staff costs	18,127	0.29	19,006	0.33
Taxes payable	6,831	0.11	11,141	0.19
Lease liabilities	9,419	0.15	10,151	0.17
Debt securities payable	914,749	14.71	875,971	15.13
Other liabilities	59,076	0.95	57,137	0.98
Total liabilities	**6,217,251**	**100.00**	**5,790,497**	**100.00**

As at the end of the reporting period, the balance of the Group's deposits from customers reached RMB4,156,940 million, representing an increase of RMB239,772 million or 6.12% as compared with the end of the previous year.

Unit: RMB million, %

Item	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Corporate deposits	2,497,835	60.09	2,375,469	60.64
Demand deposits	1,040,966	25.04	823,302	21.02
Time deposits	1,456,869	35.05	1,552,167	39.62
Personal deposits	1,197,027	28.79	1,061,369	27.09
Demand deposits	267,766	6.44	254,332	6.49
Time deposits	929,261	22.35	807,037	20.60
Margin deposits	395,972	9.52	409,978	10.47
Corporate	389,711	9.37	404,888	10.34
Personal	6,261	0.15	5,090	0.13
Others deposits	1,194	0.03	1,078	0.03
Accrued interest	64,912	1.57	69,274	1.77
Total deposits from customers	**4,156,940**	**100.00**	**3,917,168**	**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 RMB538,398 million, representing a net increase of RMB30,515 million as compared with the end of the previous year. Such increase was mainly due to the increase in profits realized in the current period and the equity capital increase through conversion of convertible bonds.

Unit: RMB million

Item	30 June 2023	31 December 2022
Share capital	59,086	54,032
Other equity instruments	104,899	109,062
Capital reserve	74,473	58,434
Other comprehensive income	2,719	(590)
Surplus reserve	26,245	26,245
General risk reserve	81,554	81,401
Retained earnings	189,422	179,299
Total equity attributable to shareholders of the Bank	538,398	507,883
Non-controlling interests	2,279	2,130
Total equity	**540,677**	**510,013**

iv. Off-balance-sheet items

The Group's off-balance-sheet items were 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 RMB1,332,778 million, a decrease of RMB46,646 million as compared with the end of the previous year.

Unit: RMB million

Item	30 June 2023	31 December 2022
Loan and credit card commitments	378,378	367,128
Bank's acceptance bills	652,423	724,330
Letters of guarantee	123,867	116,297
Letters of credit	177,925	171,484
Guarantees	185	185
Total credit commitments	**1,332,778**	**1,379,424**

VII. CASH FLOWS

The Group's net cash inflows from operating activities amounted to RMB70,765 million, of which cash outflows arising from changes in operating assets stood at RMB331,098 million, and cash inflows generated from changes in operating liabilities stood at RMB366,108 million.

The Group's net cash outflows from investing activities amounted to RMB126,280 million, of which cash inflows generated from disposal and redemption of investments stood at RMB507,515 million and cash outflows arising from acquisition of investments stood at RMB665,199 million.

The Group's net cash inflows from financing activities amounted to RMB39,638 million, of which net proceeds received from bond issuance stood at RMB620,219 million and cash outflows generated from principal repayment of debt securities stood at RMB564,641 million.

VIII. LOAN QUALITY

i. Concentration of loans by industry

Unit: RMB million, %

Industry	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Manufacturing	420,988	19.97	379,002	19.62
Water, environment and public utility management	336,209	15.95	320,176	16.58
Leasing and commercial services	318,284	15.10	268,954	13.92
Wholesale and retail trade	186,269	8.83	160,716	8.32
Real estate	172,414	8.18	178,649	9.25
Construction	157,090	7.45	151,748	7.86
Transportation, storage and postal services	123,522	5.86	110,579	5.73
Finance	92,288	4.38	85,008	4.40
Production and supply of power, gas and water	80,852	3.83	72,531	3.76
Agriculture, forestry, animal husbandry and fishery	66,911	3.17	65,622	3.40
Others[Note]	153,569	7.28	138,465	7.16
Subtotal of corporate loans	**2,108,396**	**100.00**	**1,931,450**	**100.00**
Personal loans	**1,517,897**		**1,519,119**	
Discounted bills	**117,454**		**121,707**	
Total loans and advances to customers	**3,743,747**		**3,572,276**	

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

ii. Distribution of loans by region

Unit: RMB million, %

Region	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Yangtze River Delta	888,268	23.74	841,441	23.56
Central China	642,441	17.16	610,286	17.08
Pearl River Delta	556,340	14.86	511,900	14.33
Bohai Rim	505,960	13.51	465,674	13.04
Western China	464,330	12.40	446,599	12.50
Northeastern China	106,591	2.85	106,440	2.98
Head Office	457,287	12.21	473,669	13.26
Overseas	122,530	3.27	116,267	3.25
Total loans and advances to customers	**3,743,747**	**100.00**	**3,572,276**	**100.00**

iii. Type and proportion of loans by collateral

Unit: RMB million, %

Type	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Unsecured loans	1,283,179	34.28	1,192,422	33.38
Guaranteed loans	910,810	24.33	845,036	23.66
Mortgage loans	1,222,265	32.65	1,188,728	33.28
Pledged loans	327,493	8.74	346,090	9.68
Total loans and advances to customers	**3,743,747**	**100.00**	**3,572,276**	**100.00**

iv. Top ten loan customers

Unit: RMB million, %

Name	Industry	Balance of principal of loans and advances as at 30 June 2023	Proportion in total loans and advances	Proportion in net capital[1]
Borrower 1	Leasing and commercial services	11,296	0.30	1.76
Borrower 2	Leasing and commercial services	8,800	0.24	1.38
Borrower 3	Transportation, storage and postal service	8,209	0.22	1.28
Borrower 4	Real estate	5,998	0.16	0.93
Borrower 5	Manufacturing	4,195	0.11	0.65
Borrower 6[2]	Leasing and commercial services	4,000	0.11	0.62
Borrower 7	Construction	3,952	0.11	0.62
Borrower 8	Information transmission, computer services and software	3,912	0.10	0.61
Borrower 9	Mining	3,806	0.10	0.59
Borrower 10	Manufacturing	3,681	0.10	0.57
Total		**57,849**	**1.55**	**9.01**

Notes:

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

2. Borrower 6 is a related party of the Bank and therefore the transactions between them constitute related party transactions.

Management Discussion and Analysis

v. Five-category loan classification

Unit: RMB million, %

Type	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Pass	3,625,196	96.84	3,461,714	96.91
Special mention	69,730	1.86	65,888	1.84
Substandard	24,092	0.64	25,037	0.70
Doubtful	18,156	0.48	13,427	0.38
Loss	6,573	0.18	6,210	0.17
Total loans and advances to customers	**3,743,747**	**100.00**	**3,572,276**	**100.00**
Performing loans	3,694,926	98.70	3,527,602	98.75
Non-performing loans	48,821	1.30	44,674	1.25

Note: Performing loans comprise of pass 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 2023	31 December 2022	Change
Migration ratio of pass loans	1.44	2.05	-0.61 percentage point
Migration ratio of special mention loans	14.14	27.78	-13.64 percentage points
Migration ratio of substandard loans	44.54	80.68	-36.14 percentage points
Migration ratio of doubtful loans	22.43	51.43	-29.00 percentage points

vii. Restructured loans and overdue loans

1. Restructured loans

Unit: RMB million, %

Type	30 June 2023 Balance	30 June 2023 Proportion in total loans and advances	31 December 2022 Balance	31 December 2022 Proportion in total loans and advances
Restructured loans and advances to customers	4,307	0.12	4,404	0.12
Restructured loans and advances to customers overdue for more than 90 days	1,266	0.03	19	0.00

2. Overdue loans

Unit: RMB million, %

Item	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Overdue within 3 months	26,774	37.01	32,182	46.04
Overdue from 3 months up to 1 year	26,146	36.15	24,223	34.65
Overdue from 1 year up to 3 years	15,821	21.87	11,519	16.48
Overdue for more than 3 years	3,592	4.97	1,979	2.83
Total principal of overdue loans	**72,333**	**100.00**	**69,903**	**100.00**

viii. NPLs by business type

Unit: RMB million, %

Type	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Corporate loans	30,899	63.29	28,099	62.90
Personal loans	17,922	36.71	16,575	37.10
Discounted bills	–	–	–	–
Total NPLs	**48,821**	**100.00**	**44,674**	**100.00**

ix. Distribution of NPLs by region

Unit: RMB million, %

Region	30 June 2023 Balance	30 June 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Pearl River Delta	10,252	21.00	9,326	20.88
Central China	6,687	13.70	6,099	13.65
Yangtze River Delta	5,713	11.70	4,724	10.57
Bohai Rim	5,157	10.56	4,428	9.91
Western China	4,771	9.77	4,186	9.37
Northeastern China	4,560	9.34	5,078	11.37
Head Office	7,946	16.28	7,483	16.75
Overseas	3,735	7.65	3,350	7.50
Total NPLs	**48,821**	**100.00**	**44,674**	**100.00**

x. Distribution of NPLs by industry

Unit: RMB million, %

Item	30 June 2023		31 December 2022	
	Balance	Percentage	Balance	Percentage
Manufacturing	8,692	17.80	8,578	19.20
Real estate	7,284	14.91	6,952	15.56
Wholesale and retail trade	5,595	11.46	4,216	9.44
Leasing and commercial services	1,945	3.98	1,858	4.16
Mining	1,843	3.78	603	1.35
Transportation, storage and postal services	1,299	2.66	1,582	3.54
Construction	1,200	2.46	1,053	2.36
Production and supply of power, gas and water	414	0.85	573	1.28
Information transmission, computer services and software	86	0.18	362	0.81
Accommodation and catering	400	0.82	147	0.33
Others[Note]	2,141	4.39	2,175	4.87
Subtotal of corporate loans	**30,899**	**63.29**	**28,099**	**62.90**
Personal loans	**17,922**	**36.71**	**16,575**	**37.10**
Discounted bills	**–**	**–**	**–**	**–**
Total NPLs	**48,821**	**100.00**	**44,674**	**100.00**

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

xi. Distribution of NPLs by collateral type

Unit: RMB million, %

Type	30 June 2023		31 December 2022	
	Balance	Percentage	Balance	Percentage
Unsecured loans	13,466	27.58	12,625	28.26
Guaranteed loans	8,407	17.22	9,241	20.69
Mortgage loans	23,020	47.15	19,978	44.72
Pledged loans	3,928	8.05	2,830	6.33
Total NPLs	**48,821**	**100.00**	**44,674**	**100.00**

xii. Repossessed assets and provision for impairment

Unit: RMB million

Item	30 June 2023	31 December 2022
Repossessed assets	441	440
Land, buildings and structures	441	440
Provision for impairment	(196)	(202)
Net value of repossessed assets	245	238

xiii. Provision for loan impairment losses and write-off

After determining the credit risks 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 2023	As at 31 December 2022
Balance at the beginning of the period[1]	83,180	76,889
Charge for the period[2]	22,957	47,366
Recovery of loans and advances written-off	4,925	7,505
Unwinding of discount[3]	(465)	(758)
Write-offs and disposal during the period	(20,015)	(47,828)
Others	61	6
Balance at the end of the period[1]	**90,643**	**83,180**

Notes:

1. It excludes provision for impairment of discounted bills and forfaiting under domestic L/C 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.

X. SEGMENT PERFORMANCE

i. Performance by regional segment

Unit: RMB million

Region	January-June 2023		January-June 2022	
	Operating income	Profit before tax	Operating income	Profit before tax
Yangtze River Delta	13,480	8,205	14,659	9,471
Bohai Rim	13,815	6,820	14,110	6,826
Central China	13,117	4,350	13,399	6,342
Pearl River Delta	10,876	476	11,078	2,359
Western China	9,362	4,075	9,292	4,451
Northeastern China	3,148	816	3,038	(1,070)
Head Office	10,893	3,621	11,401	(89)
Overseas	1,840	1,050	1,554	927
Total	**76,531**	**29,413**	**78,531**	**29,217**

Management Discussion and Analysis

ii. Performance by business segment

Unit: RMB million

Type	January-June 2023 Operating income	January-June 2023 Profit before tax	January-June 2022 Operating income	January-June 2022 Profit before tax
Corporate banking	28,223	10,255	30,376	13,550
Retail banking	34,258	8,523	33,007	4,953
Financial market business	14,088	10,703	15,395	11,066
Other business	(38)	(68)	(247)	(352)
Total	**76,531**	**29,413**	**78,531**	**29,217**

Please refer to "Notes to the Unaudited Condensed Consolidated Financial Statements" for details.

XI. OTHERS

i. Changes in major financial indicators and reasons

Unit: RMB million, %

Item	30 June 2023	31 December 2022	Change (%)	Major reasons for change
Deposits with banks and other financial institutions	42,888	32,073	33.72	Increase in the scale of deposits with banks and other financial institutions
Financial assets held under resale agreements	90,320	28	322,471.43	Increase in the financial assets held under resale agreements
Other assets	70,150	34,508	103.29	Increase in the scale of in-transit clearing
Due to central bank	99,281	63,386	56.63	Increase in due to central bank
Derivative financial liabilities	19,440	14,261	36.32	Increase in derivative financial liabilities
Financial assets sold under repurchase agreements	206,231	92,980	121.80	Increase in the financial assets sold under repurchase agreements
Taxes payable	6,831	11,141	-38.69	Decrease in enterprise income tax payable

Item	January-June 2023	January-June 2022	Change (%)	Major reasons for change
Net trading gains	2,028	1,319	53.75	Increase in net trading gains
Gains/(losses) on derecognition of financial assets measured at amortized cost	(376)	768	N/A	Increase in the losses on derecognition of financial assets measured at amortized cost
Net foreign exchange gains/ (losses)	714	(297)	N/A	Increase in net foreign exchange gains

ii. Overdue and outstanding debts

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

iii. Interest receivables and provision for related bad debts

1. Change in on-balance-sheet interest receivables

Unit: RMB million

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
On-balance-sheet interest receivables[Note]	42,880	121,738	122,290	42,328

Note: It includes accrued interests and interest receivables that have not been collected.

2. Provision for bad debts related to interest receivables

Unit: RMB million

Item	30 June 2023	31 December 2022	Increase/ (Decrease)
Balance of provision for bad debts related to interest receivables	3	101	(98)

iv. Other receivables and provision for related bad debts

1. Change in other receivables

Unit: RMB million

Item	30 June 2023	31 December 2022	Increase/ (Decrease)
Other receivables	52,297	18,045	34,252

2. Provision for bad debts related to other receivables

Unit: RMB million

Item	30 June 2023	31 December 2022	Increase/ (Decrease)
Balance of provision for bad debts related to other receivables	995	816	179

XII. PERFORMANCE OF BUSINESS SEGMENTS

i. Corporate banking

The corporate banking line of the Bank proactively integrated itself into and served the new development pattern, and spared no effort to serve the real economy by promoting the development of comprehensive finance, green finance, sci-tech innovation finance, inclusive finance, cross-border finance, regional finance, rural finance, and eco-finance. Following the strategic plan of "building a first-class wealth management bank", the Bank gave full play to the guiding role of FPA, a North Star Metric, and continued to expand the scale of FPA by advancing transformation through integration of investment banking, commercial banking and private banking. Adhering to the customer management concept featuring "stratified and grouped management, data-driven operation, channel coordination and conversion from transaction to contribution", the Bank regarded the management of strategic customers as a key part of its business to inject new momentum into the development of corporate banking business. Placing potential customers at the center, the Bank strengthened list-based customer management and guidance on marketing strategies. Relying on basic customers, the Bank promoted online, digitalized and intensified operation modes to drive steady growth among various customer groups. Moreover, the Bank strengthened digital transformation and continued to promote the upgrading of the eight major systems, including Corporate Customer Relationship Management System, Online Banking and Mobile Banking, Inclusive Finance 2.0, Transaction Banking "Yi" Series 2.0, Customer Classification Management System, Strategic Customer Management Subsystem, Investment Banking System (IBS), and Corporate Banking Management and Accounting System. During the reporting period, the Bank's corporate banking realized an operating income of RMB28,223 million, a year-on-year decrease of RMB2,153 million or 7.09%, accounting for 36.88% of the Bank's operating income. As at the end of the reporting period, the Bank's FPA totaled RMB4.80 trillion, and the number of corporate customers reached 973,000.

1. Corporate deposits and loans

Insisting in steady growth of total amount and enhanced structural optimization, the Bank made full efforts to increase credit granted to the real economy with forward-looking policies, and promoted faster credit growth in key areas and weak links. The Bank relied on transaction banking, settlement business, platform introduction and source funds to boost deposit growth, and strengthened chain marketing and business volume conversion. Centering on scenarios such as payment and agency payment, the Bank spared no effort to enrich cash management products such as Cloud Treasury Management App (Yun Cai Zi), Interbank Transaction Express (Kua Hang Tong), and Bidding Express (Zhao Biao Tong). Furthermore, the Bank promoted digitalization to empower customer marketing, product innovation and business expansion, and stuck to the risk bottom line to operate in compliance. As at the end of the reporting period, the balance of corporate deposits (including the corporate business-related portion in marginal deposits) amounted to RMB2,887,546 million, representing an increase of RMB107,189 million or 3.86% over the end of the previous year. The balance of core RMB corporate deposits increased by RMB165,876 million or 6.86%; the balance of RMB corporate loans (excluding discount loans) was RMB2,108,396 million, an increase of RMB176,946 million or 9.16% over the end of the previous year.

2. Inclusive finance

The Bank continued to develop the long-effect mechanism to boost the confidence, willingness, capacity and capability of SMEs to apply for loans, intensified one-on-one service marketing, and carried out a series of events titled "Visiting Enterprises to Boost Confidence and Provide Excellent Services", promoted effective outreach to SMEs by launching the remote banking "Marketing Blue Army" program, visiting key customers, organizing the bank-enterprise business event titled "Serving SRDI (Specialized, Refined, Differential and Innovative) Enterprises", and visiting industrial parks. The Bank actively promoted product innovation, launched Sunshine E-guarantee Loan and SRDI Enterprise Loan, and optimized Sunshine E-mortgage Loan and other products to ensure the stable growth of online inclusive products. The Bank accelerated ecosystem construction, initiated the inclusive finance "Chain

Program", introduced more scenarios centering on the inclusive eco-chain business model, and expanded Sunshine Government Procurement Loan and other featured inclusive eco-chain projects. Besides, the Bank helped enterprises to overcome difficulties by offering support to industries including accommodation, catering, retail, education, culture, tourism, transportation, and foreign trade to satisfy financial needs for business recovery, in a bid to stabilize market entities, employment, entrepreneurship, and economic growth. As at the end of the reporting period, the balance of inclusive loans for SMEs amounted to RMB346,766 million, an increase of RMB41,449 million or 13.58% over the end of the previous year, which was higher than the average loan growth rate of the Bank. The number of inclusive loan customers reached 429,200, an increase of about 3,900 customers over the end of the previous year. The weighted average interest rate of new loans was 4.12%, down 32 bps over the end of the previous year, and the NPL ratio was 0.77%, indicating stable asset quality.

3. Investment banking

The Bank actively practiced the management concept that integrates commercial banking and investment banking, continuously optimized investment banking product system, and enhanced the ability to satisfy customers' diversified financing needs through multidimensional drivers including bond financing, M&A financing, structured financing, equity financing and business matchmaking, so as to serve market entities. During the reporting period, the Bank underwrote 401 debt financing instruments of non-financial enterprises in the interbank bond market, with an underwriting amount of RMB260,510 million, including different innovative debt financing instruments such as technological innovation notes, green debt financing instruments, rural revitalization notes, panda bonds and energy supply bonds, covering various national key strategic areas including green development, advanced manufacturing, technological innovation and rural revitalization. The Bank strengthened its ability to integrate M&A financing resources, supported M&A in the real economy and industrial upgrading projects, and enhanced project marketing to key customers such as listed companies in key transaction scenarios. As a result, the Bank registered an increase of RMB21,479 million in M&A loans. The Bank issued three credit ABS (asset-backed securitization) projects with an asset amount of RMB7,408 million.

4. Transaction banking

The Bank kept enriching the spectrum of transaction banking products and launched the Transaction Banking "Yi" Series 2.0 to refine its "all-scenario, full-category and omni-channel" financial solutions to meet the comprehensive financial needs of customers. The Bank continuously upgraded its Sunshine Supply Chain Cloud platform (Mao Jin Yun) and Treasury Management Platform (Xian Jin Yun) to provide core supply chain enterprises, upstream and downstream customers, strategic customers, and group customers with open-ended transaction banking services integrating settlement and financing products. The Bank enhanced the online, mobile and automated service capability of transaction banking products, and launched four transaction banking service zones of corporate mobile banking, including Cash Management, Cross-border Finance, Supply Chain Platform and Treasury Management Platform. The Bank expanded the scenario-based application of transaction banking products and promoted the rapid development of scenarios such as Auto Full Pass, Cash Management Payment and Settlement Pass, Sunshine Electricity Bill Pass and other new cross-border business formats. The Bank continued to improve the online and convenient financial service of Sunshine Wages for migrant workers, helping new citizens safeguard their legitimate rights and interests. As at the end of the reporting period, the Bank provided wage payment guarantee for rural migrant workers with a cumulative amount of RMB10,600 million, serving 1,468 corporate customers. The Bank strengthened technological empowerment to serve the new business formats and new modes of foreign trade such as cross-border e-commerce, market procurement, and comprehensive foreign trade service platform, supported import and export enterprises in cross-border payment and settlement, and advanced the development of international settlement and cross-border RMB business. As at the end of the reporting period, the balance of the on- and off-balance-sheet trade finance business registered RMB497,804 million.

Management Discussion and Analysis

Column 2: Supporting the real economy development with resolve and solid work

With serving the real economy as the main task of its corporate banking business, the Bank focused on the needs of the country and the expectations of the people, and made all-out efforts to ensure sufficient credit granting.

I. Vigorously increasing credit supply

The Bank endeavored to serve the real economy based on its capabilities, and served the key areas of the real economy by focusing on comprehensive finance, green finance, technology innovation finance, inclusive finance, cross-border finance, regional finance, rural finance and eco-finance. As at the end of the reporting period, the total volume of corporate finance credit granting increased steadily, and the growth rate of loans in key areas and weak links was significantly faster than that of general loans. RMB corporate loans (excluding discount loans) of the Bank increased by 9.16% compared with the end of the previous year, higher than the average loan growth rate of the Bank. The growth rates of loans to inclusive finance, manufacturing, medium- and long-term manufacturing, green industries, strategic emerging industries and tech enterprises reached 13.58%, 13.90%, 19.76%, 31.04%, 24.74% and 21.07%, respectively.

II. Taking various measures to optimize service mechanism

The Bank took the initiative to strengthen assessment incentives, offer preferential pricing, and optimize financial services in key areas such as manufacturing, strategic emerging industries and inclusive finance. The Bank established a coordination structure featuring "corporate banking + risk management" and improved the mechanism of "credit granting whitelist + positive feedback with red, yellow and green lights" to enhance marketing efficiency. Meanwhile, the Bank continued to promote a chain-style tripartite consultation mechanism to enhance forward-looking and effective project reserve management; and advanced incentive mechanism such as the "Red Star Program" and "Quality Market Entities" to reduce the financing cost of enterprises. Moreover, the Bank opened green channels for approval to serve SRDI, leading enterprises in single manufacturing sectors, high-tech enterprises and other key enterprises, and increased credit supply in key areas.

III. Supporting innovation-driven business development

The Bank strengthened service innovation with a focus on customers. Relying on national/provincial SRDI enterprises, leading enterprises in single sectors, and strategic emerging enterprises, the Bank continuously advanced the bank-enterprise business event titled "Serving SRDI Enterprises with Joint Efforts". In accordance with the development path of technology startups, the Bank focused on the embryonic stage, growth stage, maturity stage and other stages of enterprise development and launched comprehensive service solutions that integrate commercial banking, investment banking and private banking to provide technology startups and their senior management and employees with full-cycle and full-chain financial services. To strengthen product innovation, the Bank constructed six product matrices including basic financing, wealth management, investment banking, transaction banking, inclusive finance, and eco-finance, launched certain series of innovative products such as SRDI Enterprise Loan and Frictionless Discount, unveiled Transaction Banking "Yi" Series 2.0 to provide "all-scenario, full-category and omni-channel" financial solutions, and publicized cross-border financial product manuals and cross-border financial service programs, so as to support enterprises to enhance their core competitiveness in an all-round and multi-angle manner, and promote symbiosis and sharing of value with enterprises.

IV. Working ceaselessly to improve service quality and effectiveness

The Bank will continue to fulfill its mission as a central enterprise, place the highest priority on steady credit growth, and focus on serving the development of the real economy. The Bank constantly improved the level of fine management through various measures including formulating a white list of credit-granting customers, innovating online credit products, optimizing customer service procedure, strengthening guidance on credit resources and assessment, and improving the service capability of its IT and marketing teams, so as to help the real economy achieve high-quality and sound development with more accurate and effective financial services.

ii. Retail banking

Focusing on the building of digital retail banking and following customer-oriented philosophy, the Bank pushed forward the "dual-curve" development model. The Bank deeply engaged in the "first curve" by giving play to the advantages of outlets and professional customer managers to boost offline operation capacity. The Bank expanded the "second curve" to establish a more intensive, scenario-based and platform-based business model, and accelerated service transformation and upgrading. Meanwhile, the Bank strengthened digital-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 adjustments on the liability side, leading to the expanded scale, optimized structure and reduced cost of retail deposits. The Bank advanced business transformation on the asset side, initiated intensive operation, supported inclusive finance development, and cultivated hit products of Sunshine Retail Loan, leading to rapid scale growth of retail loans and stable asset quality. The Bank deepened wealth management transformation, optimized product spectrum and enhanced asset allocation capability to cater for customers' diversified investment needs. During the reporting period, operating income from retail banking stood at RMB34,258 million, a year-on-year increase of RMB1,251 million or 3.79%, accounting for 44.76% of the total operating income of the Bank. Specifically, net interest income from retail banking was RMB25,246 million, a year-on-year increase of 9.83%, accounting for 46.13% of the total net interest income of the Bank. Net non-interest income from retail banking reached RMB9,012 million, a year-on-year decrease of 10.06%, accounting for 41.34% of the total net non-interest income of the Bank.

1. Retail customers and AUM

The Bank continued to implement the retail customer management strategy featuring "stratified and grouped management, data-driven operation, channel coordination and conversion from transaction to contribution". 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, gradually realized intensive management of basic customers. The Bank improved centralized management of medium- and high-end customer groups mainly via offline channels. Driven by data elements with platform tools, the Bank strengthened the core capabilities of middle offices for retail banking 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 151,975.7 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 6.57% from the end of the previous year, marking improvement in customer quality. The number of users of the three main apps (CEB Mobile Banking, Sunshine Life and Cloud Fee Payment) stood at 278,474.8 thousand, up 26.07% year on year. Among these, the number of monthly active users was 47,092.6 thousand, up 26.58% year on year, and the balance of AUM totaled RMB2,593,042 million, up 6.97% compared with the end of the previous year.

2. Retail deposits

The Bank deepened the integrated operation of deposit businesses and acquired customers in batches by actively expanding channels and scenarios relating to social security, people's livelihood, preferential treatment for military personnel, pension finance, health and medical care, business district operation, community property management, transportation, culture and education, tourism and consumption payment. Furthermore, the Bank strengthened coordination between corporate banking and retail banking to develop payroll agency business, optimized "Payroll Manager", an integrated financial service platform based on payroll agency services, promoted "Payroll Pass", an enterprise administration service platform, carried out targeted marketing events such as "Premium Pay" and "Payday Afternoon Tea", and conducted characteristic customer group management in payroll agency services. In addition, the Bank actively 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. 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 RMB1,203,288 million, representing an increase of RMB136,829 million or 12.83% over the end of the previous year.

3. Retail loans

The Bank actively fulfilled its social responsibilities with multiple moves including vigorously developing retail inclusive finance, strengthening credit supply for SMEs, helping new citizens with their entrepreneurship and employment, and proactively helping customers in need. The Bank served people's demand for buying property as a necessity or for betterment, properly handled customers' early repayment, and contributed to the sound development of real estate industry. The Bank rectified online loan platforms as regulators required, accelerated the building of its proprietary online lending business, and provided customers with convenient, various and diversified online financing services. Meanwhile, the Bank further promoted intensive operation, standardized products, and digitalized processes, continuously improving digital capabilities. Focusing on the whole process covering pre-lending, lending and post-lending as well as the full-cycle management covering customer marketing, access, service and relationship termination, the Bank proactively built a comprehensive risk management system to achieve coordinated development in terms of scale, efficiency and quality. As at the end of the reporting period, the balance of retail loans (excluding credit card business) posted RMB1,064,321 million, an increase of 0.85% over the end of the previous year.

4. Wealth management

With AUM as a North Star Metric, the Bank accelerated wealth management transformation. Actively responding to market fluctuations, the Bank improved customers' experience with strategies, products and services. Through "dual-curve" integrated development, the Bank improved the value of retail banking channels in all respects and injected new vitality into retail banking. By building tiered and professional wealth manager teams and promoting the management mode featuring "integrated lobby marketing management" at outlets, the Bank improved the offline service efficiency of outlets. The Bank developed an online open wealth management ecosystem, enhanced cooperation with external partners, expanded the "financial + non-financial" services, and established a whole-journey and full life-cycle customer companion system. Moreover, the Bank improved the investment research and investment advisory system, and enriched the wealth management and agency product spectrum to cater for customers' diversified investment needs. During the reporting period, net fee income from personal wealth management stood at RMB4,347 million, accounting for 32.33% of the total. Specifically, income from agency insurance business grew by 81.03% year on year.

5. Private banking

The Bank further promoted the DSC high-net-worth customer management pattern featuring data-based customer introduction (D), scenario-based customer acquisition (S) and whole-journey companion (C). Using the data insight model to promote the scenario marketing with distinctive features, the Bank acquired 6,520 private banking customers. By launching five major scenarios including Sunshine Housing Express (An Ju Tong), intra-CEG Coordination, Corporate-private Banking Collaboration, Hainan Free Trade Port, and Mainland-Hong Kong Collaboration, the Bank newly acquired 4,338 private banking customers through scenario finance. The Bank improved the whole-journey customer companion service capability and forged the full-channel coordinated service capability via channels of CEB Mobile Banking, video IC (investment consultation), private banking (experience) center and offline professional teams. With all these efforts, the number of monthly active users reached 55,300, up 40.36% over the end of the previous year, and 23 offline private banking (experience) centers were established. In addition, the Bank strengthened corporate-private banking collaboration and diversified coordination, created an integrated service model of "commercial banking + investment banking + private banking" and innovated relevant product system. The Bank comprehensively improved wealth management capabilities across the board, and promoted tri-dimensional balanced development of publicly-offered funds, privately-offered funds and insurance products. The Bank seized the opportunity brought up by customers' demand for wealth safety and security, and optimized product supply by increasing the supply of robust, guaranteed and inclusive products, achieving an increase of RMB17,051 million in agency AUM, with a scale of RMB2,96,046 million, an increase of 6.11% over the end of the previous year. The Bank worked on investment advisers and private banking wealth managers teams and built "wealth ladder" asset allocation application tools and platforms, transforming the business model from single product sales to portfolio marketing and asset allocation. During the reporting period, fee-based income from agency business was RMB1,764 million, and agency insurance premium was RMB8,998 million, an increase of 89.69% year on year. The fee-based income from agency insurance business was RMB811 million, up 81.03% year on year. The Bank built the "dual platform" feature of wealth management, shared the middle-office functions of the two platforms of CEB Mobile Banking and Cloud Fee Payment such as transaction, data and operation, and formed open ecosystems with their own distinctive characteristics and positioning. The Bank continued to organize online customer investment education, livestreaming and other operational activities, launched intelligent automated investment plan, investment income statement and other functions, and optimized the redemption and online dual-recording (sound and picture recording) functions of Spare Money Wallet (Zhang Xin Bao), a money fund product. The product channel of CEB Mobile Banking was connected to the "Financial Knowledge Community" (Jin Zhi Liao), where interactive PK columns of public offering, insurance and other topics were set up. The MAU of the three main product channels increased by 35.11% over the end of the previous year. The Bank constructed the zone for elderly care of CEB, serving a total of 964,400 customers. The Bank pressed ahead with the Cloud Fee Payment "micro-finance" ecosystem and created one-stop service featuring "convenient payment + inclusive finance" by launching the internet fund business of Sunshine Fee Payment (Jiao Fei Bao) app, with the number of fund and insurance customers increased by 257,100, and wealth wallet accounts increased by 1,209,400, an increase of 18.81% over the end of the previous year. As at the end of the reporting period, the Bank had 59,759 private banking customers, an increase of 3,233 customers or 5.72% over the end of the previous year. The AUM amounted to RMB601,455 million, representing an increase of RMB33,270 million or 5.86% over the end of the previous year.

6. Credit card business

The Bank continued to introduce young and high-value consumers and integrated debit cards and credit cards to enhance the coordinated development of retail banking. The Bank deepened the stratified and grouped management of consumers and accelerated its efforts in the building of merchant service system and brand marketing campaigns to improve the ecosystem of the Sunshine Life app. As at the end of the reporting period, the number of MAU was 14,900.2 thousand, up 29.31% year on year. The Bank further refined its installment business and drove up the proportion of interest-bearing assets by optimizing policy portfolio to dive deep into the existing business and expand business that will bring incremental growth. It improved risk management level by enhancing its differentiated access management and credit management, proactively controlling potential high-risk assets and applying diversified mechanisms for recovering and disposing overdue loans, thus keeping the overall risk level under control. The Bank deepened technology and data empowerment, worked on the building of intelligent sales system and the automatic upgrading of outbound call platforms, and added and reviewed over 420 customer group labels, improving business agility and fineness. The Bank continued to improve the review procedure and work mechanism for the protection of customers' rights and interests, and upgrade the customer protection hotline system to improve customer services. As at the end of the reporting period, the Bank had a total of 49,545.8 thousand credit card customers, of which 1,899.2 thousand were newly added. The transaction volume was RMB1,243,923 million. The overdraft balance at the end of the reporting period (excluding the payment adjustments to transitional accounts) recorded RMB452,376 million, and the income from the credit card business posted RMB22,541 million, up 4.90% year on year.

7. Digital banking and Cloud Fee Payment

The Bank continued to promote the building of digital banking and facilitated digital transformation across the Bank. As at the end of the reporting period, 99.11% of counter transactions were handled through electronic channels. Adhering to the customer-centered business philosophy, the Bank focused on building such major areas as scenario-based finance, CEB Mobile Banking and Cloud Fee Payment apps and the "wealth +" open service ecosystem, so as to improve digital, intelligent and efficient service capability. On the Cloud Fee Payment, the Bank adhered to the philosophy of "benefiting people's livelihood, warming the people's hearts, and satisfy people's needs", with increasing service items, expanding output channels and widening service coverage, and facilitated local governments to increase digital capability in the collection of non-tax revenues and collection of personal contributions to social security, maintaining its leadership among open convenient payment platforms in China. As at the end of the reporting period, the platform offered 15,241 fee payment service items cumulatively, an increase of 750 items or 5.18%. The payment service items were exported to 773 platforms cumulatively, an increase of 30 platforms or 4.04%. The Bank processed 1,287 million of transactions, up 13.49% year on year, with the total amount of payment reaching RMB314,519 million, up 27.11% year on year. The annual total number of active users was 379 million, an increase of 16.38% year on year. The Bank expanded financial scenarios. Specifically, on Sunshine Logistics Express (Wu Liu Tong), the Bank cooperated with a total of 68 leading enterprises and served more than 8.9 million cargo owners and drivers by accelerating the horizontal expansion of the industry's leading enterprises and vertical deep cooperation, basically covering all the top 20 network freight service suppliers. During the reporting period, the number of transactions was 73,149.3 thousand, an increase of 77.19% year on year, and the transaction amount was RMB98,764 million, up 15.53% year on year. On Sunshine Housing Express (An Ju Tong), the Bank, relying on the housing transaction scenario, forged in-depth cooperation with leading enterprises in the industry such as KE Holdings Inc., and during the reporting period the transaction amount was RMB220,101 million, up 78.39% year on year. The Bank strengthened efforts in the building of dual platforms to improve comprehensive online operation capability and customer experience. On CEB Mobile Banking, the Bank gave full play to the advantages of CEB Mobile Banking as the main base for online business of retail customers, further optimized the special zone of "Wealth Management Night Market (Li Cai Ye Shi)", and strengthened financial services for the elderly, which received positive feedback from users. On Cloud Fee Payment, the Bank improved the featured "life service + micro finance" services by launching more small-value inclusive financial products, and further increased the capability of traffic attraction and customer conversion. As at the end of the reporting period, CEB Mobile Banking app had 59,753.3 thousand registered users, up 8.63% year on year and 20,739.1 thousand monthly active users, up 29.47% year on year. The total number of directly-linked users of Cloud Fee Payment was 171 million, marking an increase of 11.76% over the end of the previous year, and the number of directly-linked MAU reached 11,453,300, an increase of 18.55% year on year.

iii. Financial market business

Conscientiously implementing the steady growth requirement, the Bank enhanced the operation, investment and transaction capacities of the financial market business to ramp up support for the manufacturing industry, inclusive finance, SMEs, green finance and rural revitalization. Starting with digital transformation, the Bank completed the construction of the "Integrated Digital Service Platform for Interbank Institutions", promoted the steady growth of GMV, a North Star Metric. Giving full play to "Sunshine Wealth Management" in wealth management, the Bank continued to enrich investment and financing services for new infrastructure and people's livelihood improvement. The Bank developed capital market investment business to consolidate its leadership in securitized asset investment and better meet the needs of real enterprises in investment and financing. The Bank worked harder to coordinate the development of the first, second and third pillars of pension, shaping a pension financial ecosystem. During the reporting period, the Bank's financial market business registered an operating income of RMB14,088 million, representing a year-on-year decrease of RMB1,307 million or 8.49%, accounting for 18.41% of the Bank's total.

1. Treasury business

The Bank continuously strengthened the building of internal control compliance system, enhanced investment and trading capacities, and improved the quality and efficiency of financial resource allocation. For money market business, the Bank gave priority to enhancing the efficiency of accurate transmission of monetary policies to secure bank-wide liquidity safety of both RMB and foreign currencies. For bond investment business, the Bank continued to strengthen the ability to research on and analyze the trends of market interest rates, which improved the size, quality and yields of the bond portfolios. For rate bond underwriting business, the Bank increased the proportion of trading and agency business, promoted bond circulation for more fee-based income, staying at the forefront among joint-stock banks in terms of the market share of underwriting. The Bank continued to advance empowerment through collaboration and integrate bank-wide quality resources to improve overall profitability. As at the end of the reporting period, the balance of bonds in the proprietary account amounted to RMB1,308,046 million, accounting for 19.36% of the total assets, 54.16% of which were treasury bonds and local government bonds.

2. Interbank business

Starting with digital transformation, the Bank accelerated business transformation by putting in place the "Integrated Digital Service Platform for Interbank Institutions", provided interbank customers with four service areas including product agency sales, matchmaking & quoting, tech output, and information sharing, promoted the building of an industrial ecosystem for interbank institutions, and created new customer value growth points, realizing steady growth in the scale of GMV as one of North Star Metrics. The Bank conducted forward-looking market research and analysis, improved precision services for financial entities, and constantly optimized asset structure, boosting the quality and efficiency of interbank business. The Bank stayed focused on liquidity security and helped with bank-wide liquidity management. The Bank upheld the bottom line of risk by strengthening control over business risks and credit risk monitoring and early warning to maintain stable asset quality. During the reporting period, the Bank conducted business cooperation with nearly 4,000 interbank customers, and the balance of interbank deposits stood at RMB547,445 million.

3. Asset management business

Giving full play to the important role of "Sunshine Wealth Management" in wealth management, the Bank continued to place investors at the center to offer services. According to the research and analysis on the changing trends of investors' demands, the Bank increased the supply of low-volatility products, optimized product features, and diversified wealth management scenarios to improve wealth investment experience. The Bank strengthened the building of systematical investment capacity that integrates production, research and investment. Leveraging on its platform-based advantages to bring together investment and research, the Bank facilitated research and application of core strategies and enhanced capacity for major asset allocation, thus maintaining its leadership in product performance among its peers. The Bank continued to enrich investment and financing services for new infrastructure and people's livelihood improvement. The Bank proactively developed capital market investment business to consolidate its leadership in securitized asset investment and satisfy the needs of real enterprises in investment and financing. The Bank persisted in compliant operation and risk prevention. The Bank optimized its comprehensive risk management system by heightening the quota control system to consolidate compliance management of internal control. As at the end of the reporting period, the Bank's non-principal-guaranteed wealth management products under the scope of consolidated management marked a balance of RMB1,223,648 million. Among these, the balance of NAV wealth management products stood at RMB1,187,049 million, accounting for 97.01%. During the reporting period, the Bank cumulatively issued RMB1.24 trillion of non-principal-guaranteed wealth management products, and created RMB15,700 million of profits for investors.

4. Asset custody business

Committed to "value symbiosis and sharing", the Bank gave full play to the role of the platform in the asset custody business, integrated it into the holistic operation of the Bank, enhanced internal and external coordination, and promoted effective growth in such metrics as FPA, AUM and GMV. Committed to the customer-centered operation philosophy, the Bank effectively responded to market changes by optimizing product strategies and accelerating production innovation and service upgrading. The Bank worked on digital transformation to enhance service capacity of the custody system and improve customer experience, realizing an effective growth in the total number of customers. Furthermore, the Bank continued to expand custody business types and increase product portfolios, driving up the market share. The Bank worked harder to coordinate the development of the first, second and third pillars of pension business, shaping a pension financial ecosystem. During the reporting period, the Bank's after-tax income from custody business amounted to RMB877 million.

XIII. BUSINESS INNOVATION

Giving full play to the advantages of special funds for fintech innovation, the Bank improved the innovation management mechanism and enhanced innovation guidance and incentives to promote innovation-oriented development, and supported project cultivation and incubation relying on innovation funds. As at the end of the reporting period, the Bank initiated 89 innovation projects, of which 55 projects achieved phased targets, providing strong support for the development of corporate banking, retail banking, financial market and back-office segments.

XIV. FINANCIAL TECHNOLOGY

With fintech as the production tool, data as the production elements, and business, data and technology middle offices as the support, the Bank worked on the integration of business and technology and made great efforts in key strategic technology projects. The Bank promoted data governance and value creation from data assets, large-scale application of innovative technologies, and improvement in core technologies and independent capabilities, fully empowering the realization of the strategic goal of "building a first-class wealth management bank". According to the information technology supervision ratings by National Administration of Financial Regulation (NAFR) in 2022, the Bank stayed at the forefront among all the national joint-stock commercial banks in China.

The Bank invested more in technology and IT team building. As at the end of the reporting period, the Bank invested RMB2,043 million in technological development and the number of IT personnel across the Bank was 3,408, an increase of 196 over the end of the previous year, accounting for 7.27% of the total.

The Bank optimized the technology innovation mechanism and achieved encouraging results in technology innovation. During the reporting period, the Bank was authorized 4 patents related to capacity management and network information technology, and 303 systems such as "mini middle-office risk control system based on financial market treasury business" were granted computer software copyright certificates.

The Bank ensured safety during critical periods of time, organized network security and data securities inspections, and completed the drills for the point-by-point switching in the business continuity stress test organized by the People's Bank of China. During the reporting period, the Bank's information systems operated steadily, with no major security incident occurred.

XV. INVESTMENT ANALYSIS

i. External equity investments

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

ii. Material equity investments

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

Investee	Principal business	Investment amount	Number of shares held	Percentage of shareholding	Profit or loss in the reporting period	Partner
Everbright Financial Leasing Co., Ltd.	Financial leasing	468,000	531,000	90	91,493	Hubei Port Group Co., Ltd., Wuhan Rail Transit Construction Co., Ltd.
Everbright Wealth Management Co., Ltd.	Wealth management	500,000	–	100	90,387	Nil
Beijing Sunshine Consumer Finance Co., Ltd.	Personal consumer finance	60,000	60,000	60	10,173	China CYTS Tours Holding Co., Ltd., O-Bank Co., Ltd.
CEB International Investment Corporation Limited	Investment banking	HKD2.6 billion	–	100	HKD21.56 million	Nil
China Everbright Bank (Europe) S.A.	Full-licensed banking business	EUR20 million	–	100	EUR2.895 million	Nil
Shaoshan Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	452	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	499	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	1,108	Ruijin Cultural Tourism Development and Investment Co., Ltd., Ruijin Hongdu Aquatic Product Food Co., Ltd., Ruijin Lvyexuan Forestry Co., Ltd., Ruijin Tiancheng Agricultural Products Co., Ltd.
China UnionPay Co., Ltd.	Bank card clearing	9,750	7,500	2.56	713,133	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, and China Life.

Notes:

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

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

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

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

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

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

iv. Financial assets measured 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. Please refer to “Notes to the Unaudited Condensed Consolidated Financial Statements” for details.

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

XVII. MAJOR COMPANIES IN WHICH THE BANK IS THE CONTROLLING SHAREHOLDER

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 RMB5.9 billion. During the reporting period, the company mainly focused its financial leasing business on fields relating to national economy and people’s well-being, such as public utilities, infrastructure construction and urbanization as well as national strategic emerging industries such as new materials, new energy and high-end manufacturing. With a nationwide business network, it has gained certain brand advantages in aviation equipment and vehicle equipment, and is actively expanding business in wind power and shipping vehicles. As at the end of the reporting period, its total assets and net assets were RMB125,002 million and RMB14,148 million, respectively. It realized a net profit of RMB915 million during the reporting period.

ii. Everbright Wealth Management Co., Ltd.

Established in September 2019, the company specializes in asset management related businesses such as the issuance of publicly-offered wealth management products and privately-offered wealth management products, 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 business philosophy, continued to enrich the “Colorful Sunshine” product spectrum, provided diversified investment options and accompanying services, improved its multi-asset and multi-strategy investment capabilities, provided investment and financing services for market entities, supported the real economy and national strategies, and returned benefits to financial consumers with good performance. As at the end of the reporting period, its total AUM, total assets and net assets were RMB1,223,648 million, RMB9,654 million and RMB9,165 million, respectively. It realized a net profit of RMB904 million during the reporting period.

iii. Beijing Sunshine Consumer Finance Co., Ltd.

Established in August 2020, the company specializes in business relating to personal consumer loans. It was incorporated in Beijing with a registered capital of RMB1 billion. During the reporting period, the company focused on livelihood service entities through inclusive finance, and actively promoted the building of proprietary business scenarios while improving its independent risk control capabilities. As at the end of the reporting period, its total assets and net assets were RMB11,449 million and RMB1,249 million, respectively. It realized a net profit of RMB102 million during the reporting period.

iv. CEB International Investment Corporation Limited

Established in June 2015, the company was registered in Hong Kong with a registered capital of HKD2.6 billion. The company has obtained the licenses 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 HKD7,054 million and HKD1,510 million, respectively. It realized a net profit of HKD21.56 million during the reporting period.

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

Established in July 2017, the company was incorporated in Luxembourg with a registered capital of EUR20 million. As a full-licensed banking institution, it mainly engages in deposit taking, loan 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 and loan intermediary, among other credit businesses. As at the end of the reporting period, its total assets and net assets were EUR138 million and EUR17.37 million, respectively. It realized a net profit of EUR2.895 million during the reporting period.

vi. Shaoshan Everbright Rural Bank Co., Ltd.

Established 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, 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, its total assets and net assets were RMB819 million and RMB241 million, respectively. It realized a net profit of RMB4.52 million during the reporting period.

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

Established 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 steady growth. As at the end of the reporting period, its total assets and net assets were RMB958 million and RMB142 million, respectively. It realized a net profit of RMB4.99 million during the reporting period.

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

Established 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, its total assets and net assets were RMB705 million and RMB187 million, respectively. It realized a net profit of RMB11.08 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. Please refer to "Notes to the Unaudited Condensed Consolidated Financial Statements" for details.

XIX. RISK MANAGEMENT

i. Credit risk management

The Bank deepened unified credit management, and strengthened consolidated limit control and data governance. The Bank continued to strengthen loan concentration management and established a tiered risk monitoring mechanism for large-value credit customers. In terms of off-balance-sheet (OBS) business risks, more efforts were made to strengthen management by optimizing structure and risk management system of OBS businesses. Furthermore, the Bank intensified efforts in industry research with remarkable achievements in commercialization of industry research results. The Bank also applied big data and AI to upgrade traditional risk control technologies so as to facilitate digital transformation of risk management.

The Bank proactively served market entities to help maintain stable macroeconomic performance and boost steady credit growth. It supported key national strategies by providing financing services for infrastructure construction, major projects, green finance, technology start-ups and other fields. In order to boost business in strategic emerging industries, and advanced manufacturing industries, it granted more medium- and long-term loans to manufacturing and loans to private enterprises and green industries. It implemented the "Sixteen Measures" for supporting the real estate industry, supported residents' housing demands as a necessity or for betterment, and promoted the steady and healthy development of the real estate market. In addition, credit plans for SMEs were separately specified to increase credit support for medium, small and micro enterprises, and financial services in the consumption sector were strengthened to help expand domestic demands.

The Bank classified assets in a strict manner so as to reveal risk profile dynamically and objectively. Sticking to a prudent and sound provision policy, the Bank conducted impairment testing and provisioning strictly in line with the new accounting standards for financial instruments. Besides, the Bank refined the whole-process asset quality management mechanisms, 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 details.

ii. Liquidity risk management

The Bank strictly adhered to the liquidity safety bottom line, persisted in a prudent concept for liquidity risk management, and adopted an active liquidity management strategy, in a bid to maintain liquidity at an adequate and steady level. In response to the changes in economic and financial situations at home and abroad as well as business environment challenges, the Bank made forward-looking liquidity strategy planning, and enhanced coordination among diversified sources of liabilities. It conducted regular stress testing and emergency plan assessment, and strictly controlled liquidity risk limits to balance liquidity, security and efficiency. The Bank also further improved its consolidated management and governance system and enhanced risk resistance capabilities.

Please refer to "Notes to the Unaudited Condensed Consolidated Financial Statements" for details.

iii. Market risk management

The Bank closely monitored international political and economic landscapes as well as domestic and overseas market trends, and conducted forward-looking research, analysis and management for interest rate risks, currency risks and commodity risks, further improved market risk management policy system, enhanced market risk limit management, and proactively promoted the system construction of market risk measurement engine and new standardized approaches.

Please refer to the "Notes to the Unaudited Condensed Consolidated Financial Statements" for details.

iv. Large exposure management

The Bank implemented the requirements of the *Administrative Measures for Large Exposures of Commercial Banks* (Decree No.1 of CBIRC in 2018), and carried out work relating to measurement, monitoring and system optimization of large exposures in an orderly fashion, thus effectively bringing 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, set risk limits and conducted regular monitoring, carried out country risk stress tests, and formulated procedures for handling material risk events. As at the end of the reporting period, the Bank was granted above investment grades in national and international ratings of country risk exposures, and accrued adequate country risk provisions in accordance with regulatory requirements.

vi. Operational risk management

The Bank strengthened the dynamic identification and monitoring of operational risk, and made good use of the data of historical losses to improve risk prevention, problem tracking, risk resolution and work rectification. It paid close attention to regulatory penalties, and analyzed and summarized the causes of violations as a guide for future compliance work, so as to identify and correct problems at an early stage. It carried out campaigns to collect risk cases, and enhanced cautionary reporting, education and training for common risks in key areas. It also closely followed up with regulatory requirements, actively researched on relevant provisions of Basel III, deepened technological empowerment, and improved operational risk management and capital measurement system.

Please refer to "Notes to the Unaudited Condensed Consolidated Financial Statements" for details.

vii. Compliance risk management

The Bank continuously kept track of the changes in external laws and regulations, and carried out events themed "Regulation Implementation Year", focused on key areas that regulatory authorities paid attention to, strengthened the implementation of rules and regulations, and improved the quality and efficiency of compliance inspection. It strengthened the early warning and reporting management of compliance risk of consolidated institutions, and established a long-effect compliance management mechanism. The corporate lawyer management mechanism was improved to enrich the talent pool of legal and compliance professionals. The authorization management system was refined and dynamic adjustments were strengthened. Moreover, the Bank improved the unannounced inspection mechanism and persisted in the investigations into employees' abnormal transactions. The revised regulations for employees' violations and accountability were fully implemented to make sure that any violation would be precisely targeted and held accountable.

viii. Reputational risk management

The Bank regarded reputational risk stability as the overall objective, and incorporated it into the comprehensive risk management system according to the principle of full coverage of reputational risks, covering all on- and off-balance-sheet business sectors, as well as all branches and subsidiaries. It further optimized procedures and specified responsibilities to integrate reputational risk management into business development and customer service. Efforts were also put into early warning checks for hidden risks, assessment and training relating to reputation risks, thus effectively improving reputational risk response capability and management level.

During the reporting period, the Bank did not incur any material reputational risk event that could seriously endanger the reputation of the Bank.

ix. Money laundering risk management

The Bank continued to improve the money laundering risk management system by formulating and improving the anti-money laundering operating procedures of all business lines. It formulated rules for the trigger of customer due diligence, visualized money laundering risk profiles, and conducted due diligence on existing customers. It improved measures for the management of customers with high money laundering risks and elevated the management level for high-risk customers. It conducted customer identity information governance to strengthen management of customers with incomplete identity information elements. In reference to the PBOC's money laundering risk warning, the Bank continuously optimized the monitoring model for suspicious transactions. To strengthen internal supervision and inspection mechanism, it organized anti-money laundering inspections on domestic and overseas branches and subsidiaries, and held special meetings with overseas institutions to strengthen guidance and supervision on them.

x. Credit policies for key fields

Adapting to the latest material changes of the supply-demand relationship in China's real estate market, the Bank attached great importance to risk prevention in the real estate sector, put forward tailored measures for different cities, stabilized the investment of real estate development loans, and offered good services to realize the goal of "ensuring timely delivery of pre-sold homes, people's livelihood and stability". It maintained reasonable and appropriate real estate financing, and accelerated risk resolution of key projects to boost the virtuous circle development as well as the steady and healthy development of the real estate industry. In corporate banking, the Bank adhered to the list-based customer management, and further highlighted the selection of "high-quality real estate enterprises" in credit granting, strictly implemented project compliance management, and followed the regulatory requirements on closed management of funds. In retail banking, the Bank granted personal mortgage loans to core regions and projects, proactively satisfied residents' housing demands as a necessity or for betterment, implemented differentiated mortgage ratio management for different regions and projects, properly carried out access management of real estate projects, and opted for projects of developers with strong operational capability and sound financial position.

XX. OUTLOOK OF THE BANK

i. Work progress of business plan

The Bank continuously intensified its efforts in serving the real economy with a relatively rapid growth in scale, improved deposit structure, stable growth in net profit, and overall controllable asset quality. The overall operating conditions were in line with expectations.

ii. Potential risks and countermeasures

Internationally speaking, fiscal deficits of many countries remain high, international financial market remains unstable, geopolitical conflicts continues, external environment is volatile, and world economic lacks momentum for recovery. Domestically speaking, with effective macro-control, Chinese economy enjoys strong resilience, tremendous potential and great vitality, and the fundamentals sustaining its long-term growth remain strong. Although domestic economy has shown a recovery trend, insufficient endogenous momentum and domestic demand have led to new obstacles to economic transformation and upgrading. Under the background of fiercer competition in the banking industry, rapid fintech development, deepened interest rate market reform and heavier downward pressure on deposit and loan spreads all give rise to difficulties in bank asset and liability management, and the traditional business philosophy and model of commercial banks face major challenges.

The Bank will adhere to the general principle of keeping stability the top priority and pursuing progress while ensuring stability. The Bank will continue to strengthen strategic orientation and innovation drive, highlight wealth management and fintech features, and promote high-quality development of the Bank. Focusing on building a first-class wealth management bank, the Bank will put emphasis on the following tasks: first, the Bank will follow the decisions and policies made by the central government, and thoroughly implement national strategies; second, the Bank will further promote strategy implementation with a focus on strategic path; third, the Bank will focus more on innovation and leverage the role of technology to empower development; last but not least, the Bank will focus more on customer services and safeguard the rights and interests of consumers.

Environmental and Social Responsibilities

I. ENVIRONMENTAL INFORMATION

i. Green finance

The Bank formulated and issued the *Rolling Strategic Plan for 2021-2025*, which requires the Bank to "vigorously develop green finance, support the development of green, low-carbon and circular economy, and provide investment and financing support for the goal of carbon peaking and carbon neutrality in a market-oriented manner, so as to ensure that the growth rate of green financing is not lower than the average financing growth rate of the Bank". This means to integrate the construction of "Green Everbright" into the development strategy of the Bank. The *Medium- and Long-Term Development Strategy (2018-2027)* of the Bank clearly defined the green finance strategy, which requires the Bank to work on green finance and cooperate with various stakeholders to continuously improve its economic, environmental and social responsibility performance and social responsibility management. Meanwhile, the Bank conscientiously implemented relevant regulatory policies, practiced the green development philosophy in all respects, built green top-level designs, and improved the green finance management mechanism by formulating the *Medium-Term Action Plan for Promoting Carbon Peaking and Carbon Neutrality and Green Finance (2022-2025)* and the *Management Measures for Green Finance (Trial)*. The Bank contributed to the attainment of the carbon peaking and carbon neutrality goals and the expansion of competition fields in financing business by focusing on key areas of green finance such as clean energy, energy conservation, environmental protection, ecological environment and green infrastructure upgrading. The Bank explored innovative financial service models, promoted innovative credit products such as loans pledged by carbon emission right and mortgaged by forest ownership, and continued to step up support for green finance through credit resource allocation, performance evaluation and green financial product system to realize fast growth in businesses such as green credit and green bonds. As at the end of the reporting period, the balance of green loans amounted to RMB261,158 million, an increase of RMB61,868 million or 31.04% over the prior year-end. Specifically, loans to the clean energy sector stood at RMB46,647 million, an increase of RMB15,489 million or 49.71%, faster than the Bank's average loan growth rate from the end of the previous year. The loans were mainly invested in, among others, rail transit, new energy vehicles and clean energy power generation. The Bank supported eight market entities to issue ten green bonds with a cumulative underwriting volume of RMB2,702 million and helped them obtain direct financing of RMB10,000 million. The Bank successfully issued RMB20,000 million of green financial bonds, investing in wind power generation, solar energy utilization, urban rail transit, energy conservation, environmental protection, and ecological environment governance projects.

ii. Green operation

The Bank carried out in-depth greenhouse gas emission management by making a statistical analysis for the direct and indirect emission data from more than 1,000 business outlets of the Bank, made clear green transformation goals, and explored new energy custody modes. According to the requirements of local governments for attaining the carbon peaking and carbon neutrality goals, the Bank conducted carbon emission verification, energy-saving responsibility evaluation, energy use filing and reporting and energy-saving supervision on energy-consuming units. The Bank continuously promoted the "green office" and "green life" initiatives by reducing the consumption of water, electricity, paper and disposable office supplies and controlling the use of official vehicles. The Bank strictly observed the *Measures for Practicing Frugality and Opposing Waste*, and specified requirements for budget management, domestic business trips, outbound business trips, business receptions, official vehicle management and conference organization. The Bank promoted the use of energy-efficient products with a focus on new energy and renewable energy, and obsoleted energy-intensive facilities and equipment. The Bank made full use of information technology to promote paperless office and reduce the consumption of disposable office supplies.

iii. Environmental and climate risk management

1. Modifying credit policies and industry credit granting policies

The Bank continued to optimize its environment-related credit management policies, and its industry credit policies have covered industries including agriculture, forestry, animal husbandry and fishery, electricity, steel and iron, coal, logistics transportation, chemical engineering, and construction. The Bank incorporated energy consumption level and carbon emission intensity into the customer and project development strategies in certain industries. For key industries, the Bank formulated the *Guidelines for the Review and Approval of Credit Granting*, and established compliance review regulations for the steel and iron, coal, cement and non-ferrous metal industries in terms of environmental protection and energy consumption, and tightened the review and approval requirements.

2. Improving environmental and climate risk management system

The Bank revised its *Risk Management Manual* to incorporate environmental and climate risk management into the comprehensive risk management system; formulated the *Environmental, Social and Governance Risk Management Policies* to incorporate ESG risks into the Bank's comprehensive risk management system and made it an organic integral part of the risk management framework; and devised the *Management Measures for Green Finance (Trial)* based on regulatory requirements to clarify relevant work requirements in respect of general provisions, organizational structure and responsibility division, policies and capacity building, investment and financing procedure management, internal management and information disclosure.

3. Strengthening whole-process management and control over ESG risks

The Bank incorporated environmental, social and governance requirements into the whole-process of credit granting, and earnestly implemented the "one-vote veto" system; strengthened the pre-review of environmental and climate risks, carefully controlled the access to credit, and restricted the scope of green finance to economic activities that support environmental improvement, climate change response, and the efficient and economical use of resources, so as to prevent problems such as capital idling and "green washing" in green projects; and conducted ESG risk classification for credit customers and embedded ESG risk factors into the credit process. Furthermore, the Bank clarified the due diligence and review requirements for credit granting and paid attention to the overall compliance orientation, including that new projects should be in line with the national industrial policies and development trends, the project environmental impact assessment should be compatible with the general requirements of the planned environmental impact assessments, and the technological and economic standards should be aligned with the domestically advanced level and the international level in principle.

4. Strengthening the classification and management of overcapacity industries

The Bank proactively responded to industrial restructuring, tightened credit standards for high-energy-consuming, high-polluting and high-emission areas, and accelerated credit withdrawal for industries with pollutive techniques and outdated production capacity. The Bank adopted list-based management for existing customers in the steel and iron, cement, flat glass, electrolytic aluminum, coking, paper-making and other industries with serious overcapacity and classified them into four categories including support, maintenance, reduction and withdrawal, according to factors such as environmental protection, safe production, equipment level and financial status.

5. Promoting the optimization and upgrading of credit structure

The Bank, by fully considering the actual conditions of economic and social development in China and the difficulties of development and transformation of various industries, strictly controlled credit granting in the fields of high energy consumption, high pollution and high emissions, resolutely curbed blind credit expansion by controlling credit scale in a step-by-step manner; issued the *Notice on Supporting the Green and Low-Carbon Transformation of the Steel and Iron Industry and the Development of Advanced Manufacturing Enterprises*, which increased the financial support for advanced manufacturing enterprises, accelerated the low-carbon transformation and upgrading of the traditional industries and promoted the optimization of the credit structure of industries and customers with no "formalist" measures imposed such as forced early loan repayment and arbitrary termination of loan agreements; and formulated the *Notice on Supporting the Transformation and Upgrading of Traditional Industries*, specifying the direction of actively supporting the intelligent, digital, green and high-end transformation and upgrading of traditional industries as well as relevant credit granting strategies.

II. INFORMATION ON SOCIAL RESPONSIBILITY FULFILLMENT

i. Consolidation of achievements in lifting people out of poverty

The Bank actively participated in paired assistance with its 28 branches tasked with paired assistance for 67 targeted regions, assigning a total of 191 cadres to villages. There were still 74 cadres residing in villages to offer assistance as at the end of the reporting period. The Bank participated in the paired assistance work of China Everbright Group by donating RMB13.1 million during the first half of the year. The Bank continued with its efforts to consolidate the achievements in poverty alleviation, persisted in ensuring that poverty relief responsibilities, policies, assistance and monitoring continue even after the county is removed from the poverty list, and kept investment level unchanged and major supportive policies generally stable. As at the end of the reporting period, the balance of loans to areas lifted out of poverty was RMB39,604 million, an increase of RMB844 million over the end of the previous year, reaching the regulatory goal of "sustained growth in the balance of loans to areas that have been lifted out of poverty".

ii. Support for rural revitalization

The Bank maintained its preferential policies for loans to new agricultural business entities, loans to support agriculture, mortgage loans for rural contracted land management rights, and unsecured loans to farmers, and continued to increase agriculture-related loans to help revitalize rural industries. Furthermore, the Bank issued the *Three-Year Work Plan for Food Safety to Revitalize the Seed Industry* and continued to work on the campaign of "serving food safety to revitalize the seed industry" to support key agricultural fields such as spring cultivation and preparation, rural infrastructure construction, and new agricultural business entities. As at the end of the reporting period, the balance of agriculture-related loans stood at RMB444,214 million, an increase of RMB29,538 million or 7.12% over the beginning of the year. The balance of loans to key areas of grain stood at RMB27,409 million, an increase of RMB3,605 million or 15.15% over the beginning of the year.

iii. Protection of consumers' rights & interests

1. Management structure and working mechanism

The Bank strictly implemented the consumers' rights and interests protection management measures formulated and issued by the People's Bank of China and the former CBIRC, continuously integrated consumer protection efforts into the Bank's operation and development strategy, corporate culture construction and risk management, established and improved the mechanism for consumer protection information disclosure and review, and strengthened the internal performance assessment, complaint management, and emergency response with respect to consumer protection.

During the reporting period, the Board of Directors and its Committee of Social Responsibility, Inclusive Finance Development and Consumers' Rights and Interests Protection considered 10 matters with regard to the protection of consumers' rights and interests, including the *Report on the Implementation of Consumers' Rights and Interests Protection Work in 2022 and the Consumers' Rights and Interests Protection Work Plan for 2023, and the Report on the Analysis of Consumers' Complaints in 2022*, so as to supervise and guide the implementation of the work on consumers' rights and interests protection and make arrangement for complaint responses. The Head Office's Leading Group for Consumers' Rights and Interests Protection and Sunshine Services considered 11 issues, including the *Report on the Interpretation and Implementation of the Administrative Measures for the Consumers' Rights and Interests Protection of Banking and Insurance Institutions* and the *Report on the Implementation of Consumers' Rights and Interests Protection Work in 2022 and Work Plan for 2023*, so as to promote work in a coordinated manner.

2. Product and service review management

The Bank conscientiously conducted risk assessment and review of products and services and formulated guidelines for consumer protection review, strengthened consumer protection review on design and development, pricing management, agreement formulation, marketing and publicity, utilized the review management system for consumers' rights and interests protection to enhance online review efficiency and risk prevention and control. It invited legal advisors and business experts to provide training courses to enrich staff's knowledge about laws and regulations and enhance their consumer protection review capabilities, and piloted the construction of professional teams for consumer protection review to enhance professionalism.

3. Fair advertising policies and procedures

The Bank followed the basic principles of the *Measures of the People's Bank of China for the Implementation of the Protection of the Rights and Interests of Financial Consumers* and the *Advertising Law*, formulated the *Measures for the Administration of Disclosure of Information on Financial Products and Services* and the *Measures for the Administration of the Code of Conduct for Financial Marketing and Publicity* in order to provide financial consumers with truthful, accurate, complete and comprehensive information on products and services according to the law. The Bank carried out training on the popularization of financial knowledge to help consumers identify illegal financial advertisements and form rational investment concepts; and conducted self-inspection and random inspection on financial advertisements and marketing publicity to strengthen control and monitoring.

4. Complaint management

The Bank attached great importance to consumer complaints, established online and offline complaint channels to enhance its ability to receive and handle complaints. It analyzed the causes of complaints, organized and conducted staff training targeted at key areas of complaints, enhanced staff's awareness and ability in consumer protection, and actively communicated with consumers in an effort to enhance customer satisfaction. During the reporting period, the Bank received 182,953 consumer complaints, mostly related to bank cards (135,999 complaints, accounting for 74.79%), debt collection (22,854 complaints, accounting for 12.57%), and loan business (6,672 complaints, accounting for 3.67%). These complaints mainly came from Guangdong Province, Beijing Municipality and Henan Province.

5. Knowledge popularization and publicity

The Bank continued to build the knowledge popularization and publicity system for new citizens, teenagers, the elderly and rural residents. In accordance with the *Management Measures for the Code of Conduct of Financial Literacy Education and Publicity*, the Bank went into local communities, firms, schools and hospitals to organize various knowledge popularization and publicity activities, including the "March 15th" Consumers' Rights and Interests Protection Knowledge Popularization and Publicity Week, the "Sunshine Consumer Protection As Your Companion" Themed Publicity Month, the "Long March of Financial Knowledge Popularization" Campaign and the "Defend Your Money Bag" Campaign. All these actions helped step up efforts to popularize financial knowledge among new citizens, teenagers, the elderly, rural residents, the disabled and other target groups. In accordance with the *Report of "Beautiful Rural China" Financial Consumer Protection Campaign*, and the *Elderly Services Report*, the Bank publicized knowledge about the legitimate rights and interests of consumers in finance for a total of 120 million people.

6. Debt collection

The Bank attached great importance to the management of debt collection, formulated business specifications, established a standardized collection process, and conducted regular training. During the service process, the Bank strictly complied with national laws, regulations and regulatory requirements, to ensure that repayment reminders are given in a standardized and orderly manner. The Bank resolutely opposed violent debt collection to effectively protect the legitimate rights and interests of consumers.

iv. Information security and privacy protection

1. Management structure and working mechanism

The Bank has clearly determined that, the Leading Group for Network Security and Informatization serves as the decision-making body for data security matters, which is responsible for considering and deciding on major data security issues; the Financial Technology and Data Management Committee is responsible for hearing reports on data security and making special deliberation, and the Data Security Management Team under it is responsible for the organization, coordination and preliminary review of special work.

The Bank established a three-tier data security system comprising policies, management measures and specifications and norms, and formulated and issued institutional norms such as the *Information Security Management Policy*, the *Data Policy*, the *Data Security Management Measures*, and the *Data Sharing Security Management Measures*. The data security policies cover all domestic business lines, while overseas institutions, on the basis of complying with the laws and regulations of the countries (regions) in which they are located and the regulatory requirements of the industry, have established relevant mechanisms with reference to the policies of the Head Office.

2. Privacy and data security protection initiatives

The Bank established an emergency response mechanism for personal information protection, and formulated and issued the *Emergency Response Plan for the Protection of Personal Information*, specifying the organizational structure and responsibilities, event classification, event reporting, event response, as well as emergency response measures under typical scenarios such as data leakage or illegal trading, data misuse, and cooperation with a third party. The Bank also carried out emergency response drills under data leakage scenarios on a regular basis.

In the *Measures for the Management of Data Sharing Security*, the Bank further specified the basic principles of data sharing such as minimum necessity and parity of authority and responsibility, and defined four types of external data sharing, including general data sharing, entrusted processing, data transfer and cross-border data transmission, so as to strengthen the protection and management of the data sharing process. It established a data security impact assessment system to carry out impact assessment on data sharing security, standardize data processing behaviors, guard against security compliance risks in data sharing, and effectively protect customer information and data stored in the system.

3. Privacy and data security audit and supervision

The Bank improved the building of smart audit systems, continuously strengthened the supervision and assessment of financial digital risk prevention and information security and data privacy, focused on financial information security, and ensured a higher audit frequency than that of the regulatory requirement by carrying out special audits twice a year. The Bank innovated the internal audit mode under the unified remote monitoring system, built the "Bian Que" audit platform to enrich the audit model database, improve the precision of on-site audits, expand the audit scope, and enhance the agility of risk handling. The platform was awarded the Third Prize of Banking Technology Development, the Second Prize of Key Issue Research of Regulatory Technology, and the Excellence Award for the Outstanding Achievements of China Banking Development Research by China Banking Association.

v. Accessibility of financial services

1. Inclusive finance

The Bank put efforts in inclusive finance by building an overall management platform for inclusive finance, to realize intensive operation and intelligent integration for credit management, business management, project management, contract management, data management and other middle-office functions of inclusive finance It formulated business management manuals such as the *Due Diligence and Responsibility Exemption Measures for Inclusive Finance Credit Business* and the *Key Points of Risk Management Policies for Inclusive Finance Credit in Corporate Banking*, so as to continuously standardize business practices, refine scenario-based finance, and step up efforts in anti-money laundering management, full-scenario platform construction, product development and sales in business. The Bank continuously optimized credit structure, and vigorously supported the development of key economic areas and shored up weak links such as manufacturing, green development, inclusive finance, SMEs and infrastructure. As at the end of the reporting period, the balance of personal business loans amounted to RMB280.393 billion, an increase of RMB23.606 billion from the end of the previous year, serving 672,800 customers covering SMEs, self-employed business owners and individual customers like farmers.

2. Online services

The Bank formulated a digital finance/e-cloud banking business management manual and promoted the construction of online banking and mobile banking. It realized one-stop processing for corporate online banking services, covering account management, money transfer, payroll credit, fund payment, wealth management, fund financing, bill business, cash management, foreign exchange and Full Auto Pass. And it continued to enhance the capacity of online convenient payment services and built an online ecosystem for convenient livelihood service and inclusive finance.

3. Outlet construction

For more details on the construction of outlets, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".

III. GOVERNANCE INFORMATION

The Board of Directors actively performed its duties by giving full play to the strategic deployment, decision-making and guiding role of ESG work. In March 2023, as approved by the Sixth Meeting of the Ninth Session of the Board of Directors of the Bank, the Inclusive Finance Development and Consumers' Rights and Interests Protection Committee was renamed the Social Responsibility, Inclusive Finance Development and Consumers' Rights and Interests Protection Committee, with newly-added duties relating to social responsibilities. The Board of Directors heard the report on the efforts in carbon peaking, carbon neutrality and green finance, made requirements on the improvement of the regular working mechanism of green finance, and increased resource allocation to better green finance business. The Board of Directors reviewed and approved the *Proposal on Supporting Paired Assistance Through Donations* to help consolidate poverty-elimination achievements.

The Senior Management of the Bank coordinated and promoted the fulfillment of corporate social responsibility across the whole Bank, and implemented work deployment relating to green finance, inclusive finance, rural revitalization and green operation. The Social Responsibility/Inclusive Finance Management Committee of the Head Office heard the ESG policy summary, the consultation opinions of SEHK on optimizing climate information disclosure and the latest inclusive finance policies, and reviewed issues such as the development plan and performance assessment of inclusive finance.

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 discharge units announced by the environmental protection department of the government, and there occurred no administrative penalty due to environmental problems. During the reporting period, CEB Shenzhen Branch issued the *Environmental Information Disclosure Report*, the first one within the Bank.

Significant Events

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

During the reporting period, the Bank, its de facto controller and controlling shareholder did not make any new important undertakings. As at the end of the reporting period, all the continuing commitments made by the Bank, its de facto controller and controlling shareholder were properly fulfilled. Please refer to the *2022 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 the ordinary and usual course of business, most of which were initiated by the Bank for the purpose of collecting non-performing loans. During the reporting period, the Bank was not involved in any material litigation or arbitration cases. As at the end of the reporting period, the Bank was involved in 444 sued litigation and arbitration cases pending final adjudication, which involved about RMB1,345 million. The above-mentioned 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 AND 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 according to law.

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

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

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

During the reporting period, the Bank, its controlling shareholder and de facto controller did not fail to comply with the obligations specified in effective court documents or repay significant matured debts.

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

During the reporting period, the Bank and its subsidiaries did not purchase, sell or repurchase any listed securities of the Bank.

VIII. CHANGES IN ACCOUNTING POLICIES

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

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 monitored and managed these connected transactions in accordance with the *Hong Kong Listing Rules*. Connected transactions occurred or existing during the reporting period are as follows:

i. Non-exempt connected transactions

1. Acceptance of technology service from connected legal person Everbright Technology Co., Ltd. ("Everbright Technology")

On 24 December 2020, the Bank entered into an agreement with Everbright Technology, valid from 1 January 2021 to 31 December 2023 (both dates inclusive), pursuant to which, Everbright Technology agreed to provide technology services for the Bank. The annual caps for the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 are RMB400 million, RMB500 million and RMB600 million, respectively. Everbright Technology is a wholly-owned subsidiary of China Everbright Group, the Bank's controlling shareholder, and constitutes a connected person of the Bank in accordance with the *Hong Kong Listing Rules*.

2. Services or products delivered from and to connected legal person

On 15 December 2021, the Bank and China Everbright Group entered into a comprehensive services framework agreement, valid from 15 December 2021 to 31 December 2023 (both dates inclusive), pursuant to which, services or products can be provided to each other between the Bank and China Everbright Group and/or its associates. China Everbright Group and/or its associates provide the Bank with product management services, comprehensive services, sales of supplementary medical insurance, technology services, joint marketing services, Cloud Fee Payment services, channel business services and securitization product investment services. The Bank provides asset custody services, agency sales services, comprehensive services and securitization product investment services to China Everbright Group and/or its associates. China Everbright Group is the Bank's controlling shareholder, and constitutes a connected person of the Bank in accordance with the *Hong Kong Listing Rules*.

On 22 May 2023, the Bank and China Everbright Group entered into a supplementary agreement to the comprehensive services framework agreement to revise the annual caps scheduled to expire on 31 December 2023 for the comprehensive services and the joint marketing services provided by China Everbright Group and/or its associates.

3. Approval of transaction limit of non-performing assets acquisition for connected legal person Everbright Jin'ou Asset Management Co., Ltd. ("Everbright Jin'ou")

On 30 June 2023, the Bank and Everbright Jin'ou Asset Management Co., Ltd. ("Everbright Jin'ou") entered into an agreement, pursuant to which, the Bank agreed to approve a cumulative non-performing asset acquisition limit of RMB1.5 billion for Everbright Jin'ou with a limit of RMB1.5 billion for a single transaction. The limit is valid for one year starting from 30 June 2023 to 30 June 2024 (both dates inclusive). Everbright Jin'ou is a legal person directly controlled by China Everbright Group, the controlling shareholder of the Bank, and therefore constitutes a connected person of the Bank in accordance with 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 relevant rules of Chapter 14A of the *Hong Kong Listing Rules*, such connected transactions were exempted from relevant 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 assets of other companies by the Bank, 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 PBOC and the former CBIRC or any guarantee contract in violation of laws, administrative regulations and the resolution procedures for external guarantee stipulated by CSRC.

iii. Other material contracts

During the reporting period, the Bank had no other material contract, and all contracts regarding routine operations were duly performed.

XI. OTHER SIGNIFICANT EVENTS

i. Delisting of convertible bonds upon maturity

The RMB30 billion A-share convertible bonds issued by the Bank in March 2017 were delisted upon maturity on 17 March 2023. A cumulative amount of RMB22.731 billion was converted to 6,596,456,061 shares, and a total of RMB7.633 billion was redeemed upon maturity. The proceeds gained from the convertible bonds were used for the Bank's business development. This conversion upon maturity supplemented the Bank's common equity tier-1 capital, enhancing the capital strength of the Bank.

ii. Change in substantial shareholders

In March 2023, China Huarong Asset Management Co., Ltd. ("China Huarong") converted 140,186,860 convertible bonds it held at the Bank to 4,184,682,388 A-share ordinary shares of the Bank through conversion of convertible bonds. Before this conversion, China Huarong held no ordinary shares of the Bank; after that, China Huarong held 4,184,682,388 A-share ordinary shares of the Bank, accounting for 7.08% of the total, and thus became a substantial shareholder of the Bank.

iii. Business Opening of CEB Macao Branch

In July 2022, the establishment of CEB Macao Branch was approved by the government of Macao SAR. In March 2023, CEB Macao Branch was officially opened for business.

iv. Completion of the profit distribution for 2022

On 21 June 2023, the 2022 Annual General Meeting of the Bank considered and approved the profit distribution plan for 2022, and distributed cash dividends to all ordinary shareholders at RMB1.90 (before tax) per 10 shares. As at the disclosure date of this report, all the cash dividends totaling RMB11,226 million had been distributed.

XII. SIGNIFICANT EVENTS OF SUBSIDIARIES

During the reporting period, all the subsidiaries of the Bank including 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, Jiangsu Huai'an Everbright Rural Bank, and Jiangxi Ruijin Everbright Rural Bank neither implemented 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 administrative penalty.

XIII. REVIEW OF INTERIM RESULTS

EY has reviewed the Bank's interim financial statements, which were prepared according to the International Accounting Standards and the disclosure requirements prescribed in the *Hong Kong Listing Rules*. The Board of Directors of the Bank and its Audit Committee have reviewed and approved the interim results and financial statements of the Bank ended 30 June 2023.

XIV. PUBLICATION OF INTERIM REPORT

The Interim Report, in Chinese and English, prepared by the Bank in accordance with the International Accounting Standards and the *Hong Kong Listing Rules*, are available at the websites of HKEXnews and the Bank. In the event of any discrepancy between the two versions, the Chinese version shall prevail.

Changes in Ordinary Share Capital and Shareholders

I. CHANGES IN SHARES

Unit: Share, %

		31 December 2022		Changes during the reporting period	30 June 2023	
		Number	Percentage	Conversion of convertible bonds	Number	Percentage
I.	Shares subject to restrictions on sales	–	–	–	–	–
	Shares held by state-owned legal persons	–	–	–	–	–
II.	Shares not subject to restrictions on sales	54,031,980,091	100.00	5,053,570,970	59,085,551,061	100.00
	1.RMB-denominated ordinary shares	41,353,244,591	76.53	5,053,570,970	46,406,815,561	78.54
	2.Overseas listed foreign shares	12,678,735,500	23.47	–	12,678,735,500	21.46
III.	Total shares	54,031,980,091	100.00	5,053,570,970	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	195,853	831

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

Based on the publicly available information and to the knowledge of Directors, as at 30 June 2023, the Bank had maintained the minimum public float as required by the *Hong Kong Listing Rules* and the waiver granted by SEHK upon the IPO of the Bank.

IV. SHAREHOLDING OF TOP TEN SHAREHOLDERS

Unit: Share, %

Name of shareholder	Nature of shareholder	Changes 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 persons	868,403,880	A Shares	24,227,813,441	41.00	–
		–	H Shares	1,782,965,000	3.02	–
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	-1,049,000	H Shares	5,238,332,370	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 persons	–	H Shares	4,200,000,000	7.11	–
China Huarong Asset Management Co., Ltd.	State-owned legal persons	4,184,682,388	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 persons	–	H Shares	1,530,397,000	2.59	–
China Securities Finance Corporation Limited	State-owned legal persons		A Shares	989,377,094	1.67	–
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	245,282,308	A Shares	954,679,285	1.62	–
China Reinsurance (Group) Corporation	State-owned legal persons	–	A Shares	413,094,619	0.70	–
		–	H Shares	376,393,000	0.64	–
Shenergy (Group) Co., Ltd.	State-owned legal persons	–	A Shares	766,002,403	1.30	–

Notes:

1. As at the end of the reporting period, all the 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 5,238,332,370 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 China Everbright Group respectively. The number of remaining H shares of the Bank held under it was 3,177,397,370 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 China Everbright Group. 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 reporting period, as the nominee holder, Hong Kong Securities Clearing Company Ltd. held, designated by and on behalf of others, 954,679,285 A shares of the Bank in total, including the shares under Shanghai Stock Connect held by Hong Kong and overseas investors.

5. The Bank neither had special repurchase account nor involved in delegation/entrustment of voting rights or abstention of voting rights. No strategic investors or general legal persons became the top ten shareholders due to the placement of new shares. There was no difference in voting right arrangement.

V. SUBSTANTIAL SHAREHOLDERS

i. Controlling shareholder

China Everbright Group Ltd. directly holds 44.02% shares of the Bank. As the Bank's controlling shareholder, the company's controlling shareholder is CHI, with a shareholding percentage of 63.16%. There was no pledged, marked or frozen equity of the Bank held by the company.

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

1. Overseas Chinese Town Holdings Company 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 a shareholding percentage of 90%. There was no pledged, marked or frozen equity of the Bank held by the company.

2. China Huarong directly holds 7.08% shares of the Bank. As one of the Bank's substantial shareholders, the company's substantial shareholders are CITIC Group Corporation, the Ministry of Finance, China Insurance Rongxin Private Equity Fund Co., Ltd., and China Life Insurance (Group) Company with a shareholding percentage of 26.46%, 24.76%, 18.08% and 4.5%, respectively. There was no pledged, marked or frozen equity of the Bank held by the company.

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 directors to the Bank, thus serving as a shareholder with 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 a shareholding percentage of 90%. There was no pledged, marked or frozen equity of the Bank held by the two companies.

2. China Reinsurance (Group) Corporation directly and indirectly holds 3.93% shares of the Bank and dispatches director to the Bank, thus serving as a shareholder with substantial influence on the Bank. The company's controlling shareholder is CHI, with a shareholding percentage of 71.56%. There was no pledged, marked or frozen equity of the Bank held by the company.

3. Shenergy (Group) Co., Ltd. directly holds 1.30% shares of the Bank and dispatches supervisor to the Bank, thus serving as a shareholder with substantial influence on the Bank. The company is under the actual control of Shanghai Municipal State-owned Assets Supervision and Administration Commission, with a shareholding percentage of 100%. There was no pledged, marked or frozen equity of the Bank held by the company.

iv. Related party transactions with the substantial shareholders

In accordance with the *Interim Measures for Equity Management of Commercial Banks*, the Bank has treated about 3,013 enterprises including the above substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as the Bank's related parties. During the reporting period, the Bank incurred 27 related party transactions with 26 related parties among others, with the approved amount totaling RMB54,247 million. The above-mentioned related party transactions have been reported to the Board of Directors and its Related Party Transactions Control Committee for approval or filing in accordance with relevant procedures.

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

As at the end of the reporting period, as far as the 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 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 position	1,605,286,000	12.66	2.72
China Shipping (Group) Company[1]	H Shares	Interest of controlled corporation	Long position	1,605,286,000	12.66	2.72
COSCO Shipping Financial Holdings Co., Limited[1]	H Shares	Interest of controlled corporation	Long position	1,605,286,000	12.66	2.72
Ocean Fortune Investment Limited[1]	H Shares	Beneficial owner	Long position	1,605,286,000	12.66	2.72
Central Huijin Investment Ltd.[2]	H Shares	Interest of controlled corporation	Long position	3,773,385,000	29.76	6.39
China Everbright Group Ltd.[2]	H Shares	Beneficial owner/ Interest of controlled corporation	Long position	1,866,595,000	14.72	3.16
China Reinsurance (Group) Corporation[2]	H Shares	Beneficial owner/ Interest of controlled corporation	Long position	1,906,790,000	15.04	3.23
China Life Reinsurance Company Ltd.[2]	H Shares	Beneficial owner	Long position	1,530,397,000	12.07	2.59
Overseas Chinese Town Holdings Company	H Shares	Beneficial owner	Long position	4,200,000,000	33.13	7.11
China Everbright Group Ltd.[3]	A Shares	Beneficial owner/ Interest of controlled corporation	Long position	26,017,105,467	56.06	44.03
Central Huijin Investment Ltd.[3]	A Shares	Interest of controlled corporation	Long position	27,046,529,086	58.28	45.77
China Huarong Asset Management Co., Ltd.	A Shares	Beneficial owner	Long position	4,184,682,388	9.02	7.08

Notes:

1. Ocean Fortune Investment Limited holds a long position in 1,605,286,000 H shares of the Bank directly. 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. 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. holds a long position in 1,530,397,000 H shares of the Bank directly. China Reinsurance (Group) Corporation holds a long position in 376,393,000 H shares of the Bank directly. China Everbright Group directly holds a long position in 1,782,965,000 H shares of the Bank. China Everbright Holdings Company Limited holds a long position in 83,630,000 H shares of the Bank directly. 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 China Everbright Group, while 63.16% of the issued share capital of China Everbright Group 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 China Everbright Group is deemed to have interests in the 83,630,000 H shares held by China Everbright Holdings Company Limited. Therefore, CHI is deemed to have interests in a total of 3,773,385,000 H shares of the Bank indirectly.

3. China Everbright Group Ltd. directly holds a long position in 24,227,813,441 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, China Everbright Group directly and indirectly holds a long position of 26,017,105,467 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, 100% of the issued share capital of Central Huijin Asset Management Ltd., 71.56% of the issued share capital of China Reinsurance (Group) Corporation and 63.16% of the issued share capital of China Everbright Group are held by CHI 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 26,017,105,467 A shares held by China Everbright Group. Therefore, CHI directly and indirectly holds a long position of 27,046,529,086 A shares of the Bank in total.

4. As at 30 June 2023, the total 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 shareholding 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 persons 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 the provisions of Divisions 2 and 3 of Part XV of the HKSFO, or which were recorded in the register 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 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 the Directors and Supervisors of the Bank were aware, none of the Directors, Supervisors or 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 associated 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*. Nor had they been granted the right to acquire any interests in 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 had not issued or listed any preference shares, and all existing preference shares were traded on the SSE Comprehensive Business Platform.

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

i. Everbright P1 (Code: 360013)

Unit: Shareholder, Share, %

Number of shareholders as at the end of the reporting period					21	
Name of shareholder	Nature of shareholder	Changes 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	-1,500,000	25,200,000	12.60	Domestic preference shares	–
BOC International (China) Co., Ltd.	Others	10,000	15,510,000	7.76	Domestic preference shares	–
BOCOM Schroders Asset Management Co., Ltd.	Others	–	15,500,000	7.75	Domestic preference shares	–
Bosera Asset Management Co., Limited	Others	–	15,500,000	7.75	Domestic preference shares	–
Jiangsu International Trust Corporation Limited	Others	–	11,640,000	5.82	Domestic preference shares	–
Ping An Life Insurance Company of China, Ltd.	Others	–	10,000,000	5.00	Domestic preference shares	–
Ping An Property & Casualty Insurance Company of China, Ltd.	Others	–	10,000,000	5.00	Domestic preference shares	–
China Merchants Wealth Asset Management Co., Ltd.	Others	–	7,786,000	3.89	Domestic preference shares	–
CITIC Securities Co., Ltd.	Others	–	7,750,000	3.88	Domestic preference shares	–
AVIC Trust Co., Ltd.	Others	–	7,750,000	3.88	Domestic preference shares	–

Note: Everbright Securities Asset Management Co., Ltd., China Everbright Group and China Everbright Limited are related parties. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are related parties. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above holders of preference shares, 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, %

Number of shareholders as at the end of the reporting period					21	
Name of shareholder	Nature of shareholder	Changes in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Type of shares	Number of shares pledged/marked/ frozen
AVIC Trust Co., Ltd.	Others	10,100,000	16,470,000	16.47	Domestic preference shares	–
China Resources SZITIC Trust Co., Ltd.	Others	5,290,000	15,590,000	15.59	Domestic preference shares	–
China Everbright Group Ltd.	State-owned legal persons	–	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	–	7,200,000	7.20	Domestic preference shares	–
BOCOM Schroders Asset Management Co., Ltd.	Others	–	6,540,000	6.54	Domestic preference shares	–
Jiangsu International Trust Corporation Limited	Others	–	5,800,000	5.80	Domestic preference shares	–
Bosera Asset Management Co., Limited	Others	–	5,210,000	5.21	Domestic preference shares	–
BOC International (China) Co., Ltd.	Others	–	4,570,000	4.57	Domestic preference shares	–
Hwabao Trust Co., Ltd.	Others	–	3,680,000	3.68	Domestic preference shares	–

Note: China Everbright Group is the controlling shareholder of the Bank. China Everbright Limited is a subsidiary indirectly controlled by China Everbright Group. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above holders of preference shares, as well as between the above preference shareholders and the top ten ordinary shareholders.

iii. Everbright P3 (Code: 360034)

Unit: Shareholder, Share, %

Number of shareholders as at the end of the reporting period					26	
Name of shareholder	Nature of shareholder	Changes 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	–
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	–
BOCOM Schroders Asset Management Co., Ltd.	Others	–	27,270,000	7.79	Domestic preference shares	–
CCB Trust Co., Ltd.	Others	–	20,810,000	5.95	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	–
Postal Savings Bank of China Co., Ltd.	Others	–	13,630,000	3.89	Domestic preference shares	–
Everbright Securities Asset Management Co., Ltd.	Others	6,000,000	11,890,000	3.40	Domestic preference shares	–
CITIC Securities Co., Ltd.	Others	-1,570,000	11,560,000	3.31	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. CITIC Securities Co., Ltd. and CITIC-Prudential Life Insurance Company Limited are related parties. Everbright Securities Asset Management Co., Ltd., China Everbright Group and China Everbright Limited are related parties. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above holders of preference shares, as well as between the above preference shareholders and the top ten ordinary shareholders.

III. PROFIT DISTRIBUTION FOR PREFERENCE SHARES

As reviewed and approved by the 6th Meeting of the Ninth Session of the Board of Directors of the Bank, dividends were distributed to the shareholders of Everbright P3 on 17 April 2023. The total dividends of RMB1,680 million (before tax) were distributed with a dividend yield ratio of 4.80% (before tax).

As reviewed and approved by the 8th Meeting of the Ninth Session of the Board of Directors of the Bank, dividends were distributed to the shareholders of Everbright P1 on 26 June 2023. The total dividends of RMB890 million (before tax) were distributed with a dividend yield ratio of 4.45% (before tax).

As reviewed and approved by the 8th Meeting of the Ninth Session of the Board of Directors of the Bank, dividends were distributed to the shareholders of Everbright P2 on 11 August 2023. The total dividends of RMB401 million (before tax) were distributed with a dividend yield ratio of 4.01% (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 OF 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. NONE OF THE CURRENT DIRECTORS, SUPERVISORS OR SENIOR MANAGEMENT OR THOSE LEFT OFFICE DURING THE REPORTING PERIOD HELD SHARES OR SHARE OPTIONS OF THE BANK, OR WERE GRANTED RESTRICTED SHARES OF THE BANK DURING THE REPORTING PERIOD.

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

III. PROFILE OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS AS AT THE END OF THE REPORTING PERIOD

The Board of Directors consisted of 13 Directors, including 2 Executive Directors (Mr. Wang Zhiheng and Mr. Qu Liang), 5 Non-executive Directors (Mr. Wang Jiang, Mr. Wu Lijun, Mr. Yao Wei, Mr. Liu Chong and Mr. Li Wei), and 6 Independent Non-executive Directors (Mr. Wang Liguo, Mr. Shao Ruiqing, Mr. Hong Yongmiao, Mr. Li Yinquan, Mr. Han Fuling and Mr. Liu Shiping).

The Board of Supervisors consisted of 9 Supervisors, including 3 Shareholder Supervisors (Mr. Lu Hong, Mr. Wu Junhao and Mr. Li Yinzhong), 3 External Supervisors (Mr. Wang Zhe, Mr. Qiao Zhimin and Ms. Chen Qing), and 3 Employee Supervisors (Mr. Shang Wencheng, Mr. Yang Wenhua and Mr. Lu Jian).

The Senior Management consisted of 6 members, including Mr. Wang Zhiheng, Mr. Dong Tiefeng, Mr. Qu Liang, Ms. Qi Ye, Mr. Yang Bingbing and Mr. Zhang Xuyang.

Please refer to the *2022 Annual Report* of the Bank for resumes of Directors, Supervisors and Senior Management members of the Bank.

IV. APPOINTMENT AND RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

i. Appointment and Resignation of Directors

1. On 13 March 2023, the former CBIRC approved Mr. Wang Zhiheng's qualification as Executive Director of the Bank.

2. On 31 May 2023, due to retirement, Mr. Yao Zhongyou resigned from the positions of Non-executive Director and Member of Risk Management Committee of the Board of Directors of the Bank.

3. On 28 April 2023, the 7th Meeting of the Ninth Session of the Board of Directors of the Bank consented to the nominations of Mr. Zhu Wenhui as the candidate for Non-executive Director and Mr. Huang Zhiling as the candidate for Independent Non-executive Director of the Bank. On 21 June 2023, the Bank's 2022 Annual General Meeting elected Mr. Zhu Wenhui as Non-executive Director and Mr. Huang Zhiling as Independent Non-executive Director of the Bank. The qualifications of the above two candidates as Directors of the Bank were pending approval from the NAFR as at the end of the reporting period.

ii. There was no appointment or resignation of Supervisors during the reporting period.

iii. Appointment or resignation of Senior Management

On 13 March 2023, the former CBIRC approved the qualification of Mr. Wang Zhiheng as President of the Bank.

V. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Han Fuling, Independent Non-executive Director of the Bank, began to serve as Independent Non-executive Director of Chongyi Zhangyuan Tungsten Co., Ltd.

2. Mr. Wang Zhe, External Supervisor of the Bank, began to serve as Independent Non-executive Director of Allinpay Network Services Co., Ltd.

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

During the reporting period, none of the Directors or Supervisors of the Bank had any material interest in any material contracts to which the Bank or any of its subsidiaries was a party. None of the Directors or Supervisors of the Bank entered into any service contract, pursuant to which the Bank shall compensate to the Director or Supervisor if the contract is terminated within one year for the Bank's reason (excluding statutory compensation).

VII. INFORMATION OF STAFF AND BUSINESS OUTLETS

As at the end of the reporting period, the Bank had 46,876 employees, including 919 employees of subsidiaries.

The Bank's employee remuneration consists of basic salary, performance-based bonus and welfare income. Among them, basic salary is determined based on factors such as the job value, years of service and duty performance ability of the employees, and performance-based bonus is linked to the business performance assessment results of the employees and their institutions.

The Bank continued to improve training systems and contents, built a team of young internal lecturers, promote the building of bank-wide professional talent pools, promoted professional training of all business segments in a coordinated manner, strengthened online training, and created quality training programs.

Please refer to the *2022 Annual Report* of the Bank for details on the departments of the Bank. During the reporting period, the former Tianjin Support Center was renamed Research & Education Center (Party School). The names of other departments remained unchanged.

As at the end of the reporting period, the Bank had 1,310 domestic branches and outlets, an increase of 3 from the end of the previous year, including 39 tier-1 branches, 115 tier-2 branches and 1,156 outlets (inclusive of sub-branches in different cities, county-level sub-branches, intra-city sub-branches, and banking departments of branches). The Bank also had 449 community banks, a decrease of 11 from the end of the previous year. The outlets of the Bank extended business reach to 150 economic center cities across the country, covering all provincial administrative regions. The Bank has established 6 overseas branches, 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	7,980	4,188,719	China Everbright Center, No. 25 Taipingqiao Street, Xicheng District, Beijing
Beijing Branch	70	2,893	768,710	No. 1 Xuanwumen Inner Street, Xicheng District, Beijing
Shanghai Branch	57	1,801	430,378	No. 1118 Century Avenue, Pudong New Area, Shanghai
Tianjin Branch	34	884	96,294	Annex Building of Zhonglian Building, No. 83 Qufu Avenue, Heping District, Tianjin
Chongqing Branch	27	930	111,251	No. 168 Minzu Road, Yuzhong District, Chongqing
Shijiazhuang Branch	55	1,342	121,223	No. 56 Yuhua East Road, Qiaodong District, Shijiazhuang
Taiyuan Branch	39	1,068	128,220	No. 295 Yingze Street, Yingze District, Taiyuan
Huhhot Branch	20	560	40,286	Tower D, Dongfangjunzuo, Chilechuan Street, Saihan District, Huhhot
Dalian Branch	23	658	33,899	No. 4 Wuwu Road, Zhongshan District, Dalian

Directors, Supervisors, Senior Management, Staff and Business Outlets

Name of Branch	Number of outlets	Number of employees	Total assets (RMB million)	Address
Shenyang Branch	39	1,156	51,657	No. 156 Heping North Street, Heping District, Shenyang
Changchun Branch	36	934	42,038	No. 2677 Jiefang Road, Chaoyang District, Changchun
Heilongjiang Branch	38	973	54,952	No. 278 Dongdazhi Street, Nangang District, Harbin
Nanjing Branch	67	1,736	323,796	No. 120 Hanzhong Road, Gulou District, Nanjing
Suzhou Branch	20	841	142,001	No. 188 Xinghai Street, Industrial Park District, Suzhou
Wuxi Branch	10	394	106,157	No. 1 Renmin Middle Road, Chong'an District, Wuxi
Hangzhou Branch	44	1,324	223,535	Zheshang Times Building, No. 1 Miduqiao Road, Gongshu District, Hangzhou
Ningbo Branch	19	714	65,584	Building 1, Hengfu Plaza, No. 828 Fuming Road, Jiangdong District, Ningbo
Hefei Branch	55	1,466	176,926	No. 200 Changjiang West Road, Shushan District, Hefei
Fuzhou Branch	41	1,273	90,079	Building 1, Zhengxiang Center, No. 153 Wuyi North Road, Gulou District, Fuzhou
Xiamen Branch	17	507	44,989	No. 160 Hubin Middle Road, Siming District, Xiamen
Nanchang Branch	32	784	86,423	No. 1333 Fenghezhong Avenue, Honggutan New Area, Nanchang
Jinan Branch	37	916	74,029	No. 85 Jingqi Road, Shizhong District, Jinan
Qingdao Branch	35	965	80,892	No. 69 Hongkong West Road, Shinan District, Qingdao
Yantai Branch	15	498	63,570	No. 111 Nandajie Street, Zhifu District, Yantai
Zhengzhou Branch	52	1,367	136,934	No. 22 Middle Ring Road, Financial Island, Zhengzhou Area (Zhengdong) of Henan Pilot Free Trade Zone, Zhengzhou
Wuhan Branch	40	1,056	124,539	No. 143-144 Yanjiang Avenue, Jiang'an District, Wuhan
Changsha Branch	63	1,500	130,842	No. 142 Section 3 of Furong Middle Road, Tianxin District, Changsha
Guangzhou Branch	91	2,431	326,985	No. 685 Tianhe North Road, Tianhe District, Guangzhou
Shenzhen Branch	49	1,177	286,319	No. 18 Zizhuqi Avenue, Zhuzilinsi Road, Futian District, Shenzhen
Nanning Branch	30	826	66,101	Taiping Financial Mansion, No. 16 Songxiang Road, Liangqing District, Nanning
Haikou Branch	23	721	46,862	Jinlong City Plaza Building, South of Jinlong Road, Longhua District, Haikou
Chengdu Branch	31	863	90,958	No. 79 Dacisi Road, Jinjiang District, Chengdu
Kunming Branch	22	700	55,715	No. 28 Renmin Middle Road, Wuhua District, Kunming
Xi'an Branch	39	1,121	86,998	No. 33 Hongguang Street, Lianhu District, Xi'an
Urumqi Branch	7	208	17,698	No. 165 Nanhu East Road, Shuimogou District, Urumqi
Guiyang Branch	13	382	35,485	West Tower III, Financial Center, Zone B, Convention and Exhibition City, Changling North Road, Guanshanhu District, Guiyang
Lanzhou Branch	11	324	25,005	No. 555 Donggang West Road, Chengguan District, Lanzhou
Yinchuan Branch	5	139	6,871	No. 219 Jiefang West Street, Xingqing District, Yinchuan
Xining Branch	2	79	8,306	No. 57-7 Wusi West Road, Chengxi District, Xining
Lhasa Branch	2	76	9,309	Taihe International Culture Square, No. 7 Jinzhu Middle Road, Chengguan District, Lhasa
Hong Kong Branch	1	226	188,301	23/F, Everbright Center, 108 Gloucester Road, Wan Chai, Hong Kong
Seoul Branch	1	41	37,131	23/F, Youngpoong Building, 41 Cheonggyecheon-ro, Jongro-ku, Seoul, Republic of Korea
Luxembourg Branch	1	42	23,096	10 Avenue Emile Reuter, Luxembourg City, Grand Duchy of Luxembourg
Sydney Branch	1	53	29,259	28/F, International Tower 1, 100 Barangaroo Avenue, Sydney, Commonwealth of Australia
Macao Branch	1	22	2,875	23/F, Finance and IT Center of Macao, 320 Avenida Doutor Mario Soares, Macao
Tokyo Representative Office	1	6	–	1 Chome-4-1 Marunouchi, Chiyoda City, Tokyo, Japan
Subsidiaries		919		
Consolidation adjustment			(2,648,865)	
Total	1,317	46,876	6,632,332	

Notes:

1. For the number of employees of the Head Office, 2,972 staff from Credit Card Center and 1,681 staff from Remote Banking Center were included.
2. The number of subsidiaries was not included in the number of outlets in the total.

Corporate Governance

I. OVERVIEW OF CORPORATE GOVERNANCE

During the reporting period, the Board of Directors of the Bank completely, accurately and comprehensively implemented the new development concept, maintained strategic focus, strengthened scientific decision-making, improved the governance mechanism, and continuously improved the effectiveness of corporate governance. It reviewed and approved the proposal on China Huarong becoming a substantial shareholder of the Bank, and obtained regulatory approval in a timely manner. It actively performed its social responsibilities by donating RMB13.1 million for paired assistance. It implemented ESG responsibilities, adjusted special committees and revised working rules. According to regulatory regulations, it formulated codes of conduct for practitioners and other rules to further enhance internal control and compliance management. It adjusted and optimized the functions and organizational structure of relevant first-level departments of the Head Office to improve the ability to serve customers. It continued to optimize the management mechanism for related-party transactions, and strictly reviewed major related-party transactions. It carried out in-depth research in branches and outlets to comprehensively learn about the operation and management of grassroots-level institutions, and put forward relevant requirements for risk prevention and control, digital transformation, etc.

The Board of Supervisors of the Bank continued to carry out annual evaluation on duty performance of the Board of Directors, the Board of Supervisors, the Senior Management and its members. It reviewed regular reports and annual profit distribution plan of the Bank, and fulfilled its duties of financial supervision. It held symposiums for annual audit accountants to actively explore new forms of financial supervision, continuously strengthened the supervision over strategy, internal control and risk management, and issued multiple copies of *Feedback of Supervisor Suggestions* regarding key supervision fields, thus pushing forward supervision in all respects with high quality. It adhered to the issue-oriented approach, focused on serving the real economy, compliant operation, risk resolution, strategy implementation, operation management, etc., and carried out in-depth research work in branches and outlets. It organized supervisors to participate in the initial training for directors, supervisors, and senior management members of listed companies and the training on corporate governance ability enhancement for commercial banks, strengthened the self-building of the Board of Supervisors, thus providing strong supervision guarantee for the Bank's sustainable and healthy development.

The corporate governance practice of the Bank did not deviate from the *Company Law* or relevant regulations of the CSRC, the former CBIRC or SEHK.

II. SHAREHOLDERS' GENERAL MEETINGS

The Bank organized and convened shareholders' general meetings in strict compliance with the *Articles of Association* and *Rules of Procedures of the Shareholders' General Meeting* to ensure that decisions on important matters are made in compliance with the law, and the legitimate rights and interests of shareholders are safeguarded. During the reporting period, the Bank convened the 2022 Annual General Meeting, the details of which are as follows:

On 21 June 2023, the Bank convened the 2022 Annual General Meeting in Beijing, considered and approved 13 proposals on the work report of the Board of Directors, the work report of the Board of Supervisors, final accounts, the fixed asset investment budget, the engagement of accounting firm, the profit distribution plan, the remuneration of the Directors and Supervisors, the election of Non-executive Directors and Independent Non-executive Directors, and donations for paired assistance, etc., and heard 5 reports.

The procedures for convening, issuing the notices, holding and voting at the above meetings fully complied with the *Company Law*, the listing rules of the places where the Bank is listed and the *Articles of Association* of the Bank. The legal advisor engaged by the Board of Directors of the Bank attested the above shareholders' meetings of the Bank. The A share lawyer issued relevant legal opinions.

Please refer to the *Articles of Association* of the Bank for the duties and responsibilities of the shareholders' general meeting.

III. THE BOARD OF DIRECTORS AND ITS SPECIAL COMMITTEES

i. Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank held 4 meetings, including 3 on-site meetings, namely the 5th, 6th and 8th meetings of the Ninth Session of the Board of Directors, and 1 meeting via written resolutions, namely the 7th meetings of the Ninth Session of the Board of Directors. The Board of Directors considered 51 proposals and heard 32 reports, effectively playing its role in scientific decision-making.

Please refer to the Bank's *Articles of Association* for the duties and responsibilities of the Board of Directors.

ii. Meetings of the Special Committees of the Board of Directors

During the reporting period, the special committees under the Board of Directors convened 14 meetings in total, including 2 meetings of the Strategy Committee, 2 meetings of the Audit Committee, 3 meetings of the Risk Management Committee, 2 meetings of the Nomination Committee, 1 meeting of the Remuneration Committee, 2 meetings of the Related Party Transaction Control Committee, and 2 meetings of the Social Responsibility, Inclusive Finance Development and Consumers' Rights and Interests Protection Committee, considered 43 proposals in total and heard 36 reports.

iii. Attendance of Directors at Board Meetings

			Special Committees of the Board of Directors						
Director	Shareholder's Meeting	Board of Directors	Strategy Committee	Audit Committee	Risk Management Committee	Nomination Committee	Remuneration Committee	Related Party Transactions Control Committee	Social Responsibility, Inclusive Finance Development and Consumers' Rights and Interests Protection Committee
			Number of attendance in person/Number of meetings during the term of office						
Incumbent Directors									
Wang Jiang	0/1	2/4	2/2	–	–	2/2	–	–	–
Wu Lijun	0/1	3/4	2/2	–	–	–	–	–	–
Wang Zhiheng	1/1	3/3	2/2	–	2/2	–	–	–	1/1
Qu Liang	1/1	4/4	–	–	–	–	–	–	2/2
Yao Wei	0/1	4/4	–	2/2	–	–	–	–	2/2
Liu Chong	1/1	4/4	–	–	3/3	–	–	–	2/2
Li Wei	0/1	4/4	–	–	2/3	–	–	2/2	–
Wang Liguo	0/1	4/4	–	2/2	3/3	–	1/1	2/2	–
Shao Ruiqing	1/1	4/4	–	2/2	3/3	–	1/1	2/2	–
Hong Yongmiao	0/1	4/4	2/2	–	–	2/2	1/1	2/2	–
Li Yinquan	0/1	4/4	–	2/2	–	2/2	1/1	2/2	–
Han Fuling	1/1	4/4	–	–	–	2/2	1/1	2/2	2/2
Liu Shiping	1/1	4/4	2/2	2/2	–	2/2	–	2/2	–
Former Director									
Yao Zhongyou	–	3/3	1/1	–	2/2	–	–	–	–

Notes:

1. Directors newly appointed in 2023 would start to perform their duties after their appointment qualifications are approved by the former CBIRC.

2. For changes in 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 entrusted other Directors to attend the meetings by proxy and exercise their voting rights.

iv. Duty performance of Independent Non-executive Directors

The Bank had 6 Independent Non-executive Directors, exceeding one-third of the Board members. In accordance with the *Articles of Association* of the Bank, the Remuneration Committee, the Nomination Committee, the Related Party Transactions Control Committee and the Audit Committee of the Board of Directors were 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, internal control and audit. In all Special Board committees, Independent Non-executive Directors leveraged on their expertise and provided professional and constructive opinions and suggestions on issues under discussion. When the Board of Directors was not in session, Independent Non-executive Directors participated in the prudential regulation meetings and director communication meetings, kept themselves updated of the Bank's internal documents and information on the *Bulletin of the Board,* and visited branches and outlets to make research, so as to be well informed of opinions by regulatory authorities, strategy implementation, business innovation, internal control and audit, and risk prevention and control of the Bank. They communicated actively with other Directors, Supervisors, Senior Management members 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. Independent Non-executive Directors' suggestions were highly valued, and some were adopted by Senior Management, playing a positive role in improving the risk prevention and control and promoting business development of the Bank.

IV. BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

i. Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank held 3 meetings, including 2 on-site meetings, namely the 4th and 6th meetings of the Ninth Session of the Board of Supervisors, and 1 meeting via written resolutions, namely the 5th meetings of the Ninth Session of the Board of Supervisors. The Board of Supervisors considered 20 proposals and heard 42 reports, effectively playing its role in supervision.

Please refer to the Bank's *Articles of Association* for the duties and responsibilities of the Board of Supervisors.

ii. Meetings of special committees of the Board of Supervisors

During the reporting period, the special committees of the Board of Supervisors convened 4 meetings in total, including 3 meetings of the Supervision Committee and 1 meeting of the Nomination Committee, considered 9 proposals and heard 5 reports in total.

Corporate Governance

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

Supervisors	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		
Lu Hong	3/3	1/1	–
Wu Junhao	3/3	–	3/3
Li Yinzhong	3/3	1/1	–
Wang Zhe	3/3	1/1	3/3
Qiao Zhimin	3/3	1/1	3/3
Chen Qing	3/3	1/1	3/3
Shang Wencheng	3/3	–	3/3
Yang Wenhua	3/3	–	3/3
Lu Jian	3/3	1/1	–

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

iv. Duty performance of External Supervisors

The Bank had 3 External Supervisors, no less than one third of the members of the Board of Supervisors. According to the *Articles of Association* of the Bank, both the Nomination Committee and the Supervision Committee of the Board of Supervisors were chaired by External Supervisors. During the reporting period, External Supervisors performed their duties in good faith and with due diligence in strict compliance with laws, regulations, regulatory requirements and the *Articles of Association* of the Bank, and attended meetings of the Board of Supervisors and its special committees in person. The External Supervisors could maintain independence, 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 reports, nomination and appointment of Directors, Supervisors and Senior Management members and their remuneration. When the Board of Supervisors was not in session, the 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 on duty performance, and maintained close contact with the Bank through emails and phone calls. They actively participated in the researches organized by the Board of Supervisors, paid attention to protecting the legitimate rights and interests of minority shareholders and other stakeholders, and played an active role in the duty performance of the Board of Supervisors.

v. Review of the 2023 Interim Report by the Board of Supervisors

The Board of Supervisors reviewed the interim report and issued opinions in written form. The Board of Supervisors held that the preparation and review procedures of the *2023 Interim Report* complied with relevant laws, regulations, regulatory requirements, the *Articles of Association* of the Bank and the Bank's internal management rules. The contents and format of this Report were in compliance with laws, regulations and regulatory requirements, and the information contained in the report truly reflected the Bank's operation, management and financial position in the first half of 2023. No personnel involved in the preparation and review of the interim report was found to have violated confidentiality provisions.

V. SENIOR MANAGEMENT

The Senior Management of the Bank is responsible for operation and management work, including the implementation of resolutions of the Board of Directors, strategic plans, business plans and investment plans approved by the Board of Directors, drafting the setup plan and basic management rules for internal management institutions, and formulating specific management measures, etc. During the reporting period, the Bank adhered to the general principle of "ensuring stability while pursuing progress", determined the three North Star Metrics as indicators, promoted business transformation and innovation, and advanced the high-quality construction of a "first-class wealth management bank". In the face of complex and severe external business environment, the Bank continued to intensify efforts in serving the real economy, maintain a steady increase in scale, overall controllable asset quality, and steady growth in net profit, and meet expectations in the overall operating situation.

VI. INFORMATION DISCLOSURE

During the reporting period, the Bank released the *2022 Annual Report* and *First Quarterly Report of 2023* as scheduled, and enriched the contents disclosed by showcasing business features and highlights in the reports. In strict compliance with the regulatory rules for information disclosure, the ad hoc announcements were fully disclosed in a timely manner. In accordance with both domestic and overseas regulatory requirements, 51 A-share announcements and 72 H-share announcements were released respectively. It continued to strengthen the management of insiders to prevent leakage of sensitive information, and ensure the rights of investors to have fair access to the information of the Bank.

VII. INVESTOR RELATIONS MANAGEMENT

During the reporting period, the Bank held the annual report results conference, online and offline. The Bank directly visited more than 20 investment institutions through organizing management roadshows; communicated with 190 investors through activities such as themed open days, investor collective reception days, on-site visits of institutional investors and participation in domestic and overseas securities companies' investment strategy seminars. Additionally, it answered over 260 phone calls from domestic and overseas investors and replied over 110 emails for consultation. It interacted with investors via online platforms such as "SSE e-interaction", and updated the contents of the Bank's website both in Chinese and English versions, facilitating investors to keep informed of the Bank's operation.

VIII. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has 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* during the six months ended 30 June 2023. 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 has 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 months ended 30 June 2023, the Bank adopted the principles as stipulated in the *Corporate Governance Code* contained in Appendix 14 to the *Hong Kong Listing Rules*. The Bank fully complied with all the code provisions in the *Corporate Governance Code* during the reporting period.


聚光新时代
奋楫向未来

Report on Review of Interim Financial Information

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 accompanying interim financial information of China Everbright Bank Company Limited (the "Bank") and its subsidiaries (together, the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2023 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 information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Certified Public Accountants
Hong Kong
24 August 2023

Unaudited Condensed Consolidated Statement of Profit or Loss

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

		For the six months ended 30 June	
		2023	2022
	Note III	Unaudited	Unaudited
Interest income		125,016	118,396
Interest expense		(70,283)	(61,721)
Net interest income	1	54,733	56,675
Fee and commission income		14,886	16,255
Fee and commission expense		(1,441)	(1,420)
Net fee and commission income	2	13,445	14,835
Net trading gains	3	2,028	1,319
Dividend income		1	2
Net gains arising from investment securities	4	5,228	4,808
Net (losses)/gains on derecognition of financial assets measured at amortised cost		(376)	768
Net foreign exchange gains/(losses)		714	(297)
Other net operating income		758	421
Operating income		76,531	78,531
Operating expenses	5	(20,543)	(20,257)
Credit impairment losses	6	(26,595)	(29,024)
Other impairment losses		(2)	(1)
Operating profit		29,391	29,249
Gains/(Losses) on investment of joint ventures		22	(32)
Profit before tax		29,413	29,217
Income tax	7	(5,194)	(5,771)
Net profit		24,219	23,446
Net profit attributable to:			
Equity shareholders of the Bank		24,072	23,299
Non-controlling interests		147	147
Earnings per share			
Basic earnings per share (in RMB/share)	8	0.38	0.38
Diluted earnings per share (in RMB/share)	8	0.36	0.35

The notes form an integral part of this Interim Financial Information.

Unaudited Condensed Consolidated Statement of Comprehensive Income

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

		For the six months ended 30 June	
	Note III	2023 Unaudited	2022 Unaudited
Net profit		24,219	23,446
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			
– Net change in fair value		4	(1)
– Related income tax effect	21(b)	(1)	–
Subtotal		3	(1)
Items that will be reclassified to profit or loss:			
– Debt instruments at fair value through other comprehensive income			
– Net change in fair value		3,646	(2,290)
– Changes in allowance for expected credit losses		520	432
– Reclassified to the profit or loss upon disposal		131	(654)
– Related income tax effect	21(b)	(1,069)	601
– Exchange differences on translation of financial statements		80	85
Subtotal		3,308	(1,826)
Other comprehensive income, net of tax		3,311	(1,827)
Total comprehensive income		27,530	21,619
Total comprehensive income attributable to:			
Equity shareholders of the Bank		27,381	21,471
Non-controlling interests		149	148
		27,530	21,619

The notes form an integral part of this Interim Financial Information.

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Note III	30 June 2023 Unaudited	31 December 2022 Audited
Assets			
Cash and deposits with the central bank	9	338,544	356,426
Deposits with banks and other financial institutions	10	42,888	32,073
Precious metals		6,817	7,187
Placements with banks and other financial institutions	11	150,504	129,979
Derivative financial assets	12	18,826	15,730
Financial assets held under resale agreements	13	90,320	28
Loans and advances to customers	14	3,663,930	3,499,351
Finance lease receivables	15	102,598	108,012
Financial investments	16	2,202,425	2,046,612
– Financial assets at fair value through profit or loss		488,594	403,617
– Debt instruments at fair value through other comprehensive income		493,417	449,596
– Equity instruments at fair value through other comprehensive income		1,130	1,126
– Financial investments measured at amortised cost		1,219,284	1,192,273
Investments in joint ventures	17(b)	194	165
Property and equipment	18	26,161	26,174
Right-of-use assets	19	9,555	10,281
Goodwill	20	1,281	1,281
Deferred tax assets	21	33,735	32,703
Other assets	22	70,150	34,508
Total assets		6,757,928	6,300,510
Liabilities and equity			
Liabilities			
Due to the central bank	24	99,281	63,386
Deposits from banks and other financial institutions	25	547,445	540,668
Placements from banks and other financial institutions	26	179,712	188,601
Financial liabilities at fair value through profit or loss	27	–	27
Derivative financial liabilities	12	19,440	14,261
Financial assets sold under repurchase agreements	28	206,231	92,980
Deposits from customers	29	4,156,940	3,917,168
Accrued staff costs	30	18,127	19,006
Taxes payable	31	6,831	11,141
Lease liabilities	32	9,419	10,151
Debt securities issued	33	914,749	875,971
Other liabilities	34	59,076	57,137
Total liabilities		6,217,251	5,790,497

The notes form an integral part of this Interim Financial Information.

	Note III	30 June 2023 Unaudited	31 December 2022 Audited
Liabilities and equity (Continued)			
Equity			
Share capital	35	59,086	54,032
Other equity instruments	36	104,899	109,062
of which: Preference shares		64,906	64,906
Perpetual bonds		39,993	39,993
Capital reserve	37	74,473	58,434
Other comprehensive income	38	2,719	(590)
Surplus reserve	39	26,245	26,245
General reserve	39	81,554	81,401
Retained earnings	40	189,422	179,299
Total equity attributable to equity shareholders of the Bank		538,398	507,883
Non-controlling interests		2,279	2,130
Total equity		540,677	510,013
Total liabilities and equity		6,757,928	6,300,510

Approved and authorised for issue by the board of directors on 24 August 2023.

Wang Jiang
Chairman,
Non-executive Director

Wang Zhiheng
President,
Executive Director

Sun Xinhong
General Manager of
Financial Accounting Department

The notes form an integral part of this Interim Financial Information.

Unaudited Condensed Consolidated Statement of Changes in Equity

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

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	38	–	–	–	–	–	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:	40												
– 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

For the six months ended 30 June 2022

		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 2022		54,032	64,906	39,993	4,163	58,434	3,152	26,245	75,596	155,968	482,489	1,877	484,366
Changes in equity for the period:													
Net profit		–	–	–	–	–	–	–	–	23,299	23,299	147	23,446
Other comprehensive income		–	–	–	–	–	(1,828)	–	–	–	(1,828)	1	(1,827)
Appropriation of profit:	40												
– Appropriation to general reserve		–	–	–	–	–	–	–	913	(913)	–	–	–
– Dividends to ordinary shareholders		–	–	–	–	–	–	–	–	(10,860)	(10,860)	(20)	(10,880)
– Dividends to other equity instrument holders		–	–	–	–	–	–	–	–	(2,570)	(2,570)	–	(2,570)
Balance at 30 June 2022		54,032	64,906	39,993	4,163	58,434	1,324	26,245	76,509	164,924	490,530	2,005	492,535

The notes form an integral part of this Interim Financial Information.

2022

	Note III	Attributable to equity shareholders of the Bank										Non-controlling interests	Total
		Share capital	Other equity instruments			Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal		
			Preference shares	Perpetual bonds	Others								
Balance at 1 January 2022		54,032	64,906	39,993	4,163	58,434	3,152	26,245	75,596	155,968	482,489	1,877	484,366
Changes in equity for the year:													
Net profit		–	–	–	–	–	–	–	–	44,807	44,807	233	45,040
Other comprehensive income	38	–	–	–	–	–	(3,742)	–	–		(3,742)	2	(3,740)
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	38	38
Appropriation of profit:	40												
– Appropriation to general reserve		–	–	–	–	–	–	–	5,805	(5,805)	–	–	–
– Dividends to ordinary shareholders		–	–	–	–	–	–	–	–	(10,860)	(10,860)	(20)	(10,880)
– Dividends to other equity instrument holders		–	–	–	–	–	–	–	–	(4,811)	(4,811)	–	(4,811)
Balance at 31 December 2022		54,032	64,906	39,993	4,163	58,434	(590)	26,245	81,401	179,299	507,883	2,130	510,013

The notes form an integral part of this Interim Financial Information.

Unaudited Condensed Consolidated Cash Flow Statement

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

	For the six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Cash flows from operating activities		
Profit before tax	29,413	29,217
Adjustments for:		
Credit impairment losses	26,595	29,024
Other impairment losses	2	1
Depreciation and amortisation	3,264	3,108
Unwinding of discount	(465)	(348)
Dividend income	(1)	(2)
Unrealised foreign exchange gains	(338)	(365)
Interest income from investment securities and net gains on disposal	(30,972)	(30,919)
Net losses/(gains) on derecognition of financial assets measured at amortised cost	376	(768)
(Gains)/Losses on investments in joint ventures	(22)	32
Net gains on disposal of trading securities	(1,770)	(1,625)
Revaluation (gains)/losses on financial instruments at fair value through profit or loss	(2,360)	523
Interest expense on debt securities issued	11,833	11,660
Interest expense on lease liabilities	192	218
Net losses on disposal of property and equipment	8	22
	35,755	39,778
Changes in operating assets		
Net increase in deposits with the central bank, banks and other financial Institutions	(3,899)	(10,097)
Net increase in placements with banks and other financial institutions	(24,045)	(10,292)
Net decrease/(increase) in financial assets held for trading	4,443	(39,843)
Net increase in loans and advances to customers	(191,216)	(229,587)
Net increase in financial assets held under resale agreements	(90,293)	(76,794)
Net increase in other operating assets	(26,088)	(31,742)
	(331,098)	(398,355)
Changes in operating liabilities		
Net increase/(decrease) in deposits from banks and other financial institutions	6,076	(82,559)
Net (decrease)/increase in placements from banks and other financial institutions	(9,239)	27,275
Net increase in financial assets sold under repurchase agreements	113,207	6,576
Net increase/(decrease) in amounts due to the central bank	34,774	(25,463)
Net increase in deposits from customers	244,134	265,200
Income tax paid	(11,664)	(13,890)
Net (decrease)/increase in other operating liabilities	(11,180)	2,657
	366,108	179,796
Net cash from/(used in) operating activities	70,765	(178,781)

The notes form an integral part of this Interim Financial Information.

	Note III	For the six months ended 30 June 2023 Unaudited	2022 Unaudited
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		507,515	408,531
Investment income received		33,001	32,760
Proceeds from disposal of property and equipment and other long-term assets		16	96
Payments on acquisition of investments		(665,199)	(483,009)
Payments on acquisition of property and equipment, intangible assets and other long-term assets		(1,613)	(2,139)
Net cash used in investing activities		(126,280)	(43,761)
Cash flows from financing activities			
Proceeds from insurance of debts		620,219	542,997
Repayments of debts issued		(564,641)	(394,056)
Interest paid on debt securities issued		(11,800)	(13,100)
Dividends paid		(2,570)	(10,869)
Other net cash flows from financing activities		(1,570)	(1,592)
Net cash from financing activities		39,638	123,380
Effect of foreign exchange rate changes on cash and cash equivalents		1,236	2,344
Net decrease in cash and cash equivalents	44(a)	(14,641)	(96,818)
Cash and cash equivalents as at 1 January		136,664	222,583
Cash and cash equivalents as at 30 June	44(b)	122,023	125,765
Interest received		96,925	92,928
Interest paid (excluding interest expense on debt securities issued)		(60,518)	(43,679)

The notes form an integral part of this Interim Financial Information.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023
(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 Administration of Financial Regulation (the "NAFR"), 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 NAFR. The Group mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of this interim financial information, Mainland China refers to the PRC, excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

This interim financial information has been approved by the Board of Directors on 24 August 2023.

II BASIS OF PREPARATION

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

The unaudited interim financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

Except as described in Note II 3 below, the principal accounting policies adopted in the preparation of the unaudited interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2022.

2 Use of estimates and assumptions

The preparation of the interim financial information 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 financial statements for the year ended 31 December 2022, except for the adoption of new amendments effective as of 1 January 2023.

II BASIS OF PREPARATION (CONTINUED)

3 Material accounting policy information

3.1 Standards, amendments and interpretations effective in 2023

On 1 January 2023, the Group adopted the following amendments.

IFRS 17 and Amendments	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting policies*
Amendments to IAS 12	*Deferred tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

3.2 Standard, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2023

		Effective for annual periods beginning on or after
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 7 and IFRS 7	*Disclosures: Supplier Finance Arrangements*	1 January 2024
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 adoption of the above amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

(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 2023	2022
Interest income arising from			
Deposits with the central bank		2,326	2,253
Deposits with banks and other financial institutions		164	52
Placements with banks and other financial institutions		2,673	1,591
Loans and advances to customers	(a)		
– Corporate loans and advances		42,800	39,904
– Personal loans and advances		44,474	43,755
– Discounted bills		937	1,327
Finance lease receivables		2,802	3,035
Financial assets held under resale agreements		1,113	445
Investments		27,727	26,034
Subtotal		125,016	118,396
Interest expenses arising from			
Due to the central bank		1,144	1,325
Deposits from banks and other financial institutions		5,904	5,193
Placements from banks and other financial institutions		3,513	1,795
Deposits from customers			
– Corporate customers		32,659	30,463
– Individual customers		13,583	10,709
Financial assets sold under repurchase agreements		1,647	576
Debt securities issued		11,833	11,660
Subtotal		70,283	61,721
Net interest income		54,733	56,675

Note:

(a) *The interest income arising from impaired financial assets for the six months ended 30 June 2023 amounted to RMB465 million (Six months ended 30 June 2022: RMB348 million).*

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

2 Net fee and commission income

	For the six months ended 30 June	
	2023	2022
Fee and commission income		
Bank card service fees	6,102	6,570
Settlement and clearing fees	2,161	2,484
Wealth management service fees	2,038	2,260
Agency services fees	1,948	2,061
Custody and other fiduciary business fees	1,149	1,167
Acceptance and guarantee fees	780	911
Underwriting and advisory fees	699	775
Others	9	27
Subtotal	14,886	16,255
Fee and commission expense		
Bank card transaction fees	881	899
Settlement and clearing fees	372	322
Wealth management service fees	51	75
Underwriting and advisory fees	28	53
Acceptance and guarantee fees	4	3
Agency services fees	2	11
Others	103	57
Subtotal	1,441	1,420
Net fee and commission income	13,445	14,835

3 Net trading gains

	For the six months ended 30 June	
	2023	2022
Trading financial instruments		
– Derivatives	209	87
– Debt securities	1,934	1,302
Subtotal	2,143	1,389
Financial instruments designated at fair value through profit or loss	(1)	–
Precious metal contracts	(114)	(70)
Total	2,028	1,319

(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	
	2023	2022
Net gains arising from financial investments at fair value through profit or loss	5,359	4,154
Net (losses)/gains arising from debt instruments at fair value through other comprehensive income	(203)	267
Net gains arising from loans and advances to customers at fair value through other comprehensive income	72	387
Total	5,228	4,808

5 Operating expenses

	For the six months ended 30 June	
	2023	2022
Staff costs		
– Salaries and bonuses	7,765	8,560
– Pension and annuity	1,221	1,157
– Housing allowances	599	560
– Staff welfares	285	248
– Others	1,155	1,183
Subtotal	11,025	11,708
Premises and equipment expenses		
– Depreciation of right-of-use assets	1,371	1,379
– Depreciation of property, plant and equipment	1,231	1,170
– Amortisation of intangible assets	496	397
– Rental and property management expenses	228	216
– Interest expense on lease liabilities	192	218
– Amortisation of other long-term assets	166	162
Subtotal	3,684	3,542
Tax and surcharges	912	912
Other general and administrative expenses	4,922	4,095
Total	20,543	20,257

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

6 Credit impairment losses

	For the six months ended 30 June	
	2023	2022
Loans and advances to customers		
– measured at amortised cost	22,957	24,989
– measured at fair value through other comprehensive income	638	108
Debt instruments at fair value through other comprehensive income	(79)	307
Financial investments measured at amortised cost	2,327	2,682
Finance lease receivables	390	392
Others	362	546
Total	26,595	29,024

7 Income tax

(a) Income tax:

		For the six months ended 30 June	
	Note III	2023	2022
Current tax		7,468	17,364
Deferred tax	21(b)	(2,102)	(11,840)
Adjustments for prior years	7(b)	(172)	247
Total		5,194	5,771

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

		For the six months ended 30 June	
	Note	2023	2022
Profit before tax		29,413	29,217
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		7,353	7,304
Effect of different tax rates applied by certain subsidiaries		–	(1)
Non-deductible expenses and others		1,163	1,043
Non-taxable gains			
– Non-taxable income	(i)	(3,150)	(2,822)
Subtotal		5,366	5,524
Adjustments for prior years		(172)	247
Income tax		5,194	5,771

Note:

(i) Non-taxable income mainly includes interest income of debt securities issued by government in mainland China 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	
	2023	2022
Net profit attributable to equity holders of the Bank	24,072	23,299
Less: Dividends on preference shares declared	2,570	2,570
Net profit attributable to ordinary shareholders of the Bank	21,502	20,729
Weighted average number of ordinary shares in issue (in million shares)	56,992	54,032
Basic earnings per share (in RMB/share)	0.38	0.38

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

	For the six months ended 30 June	
	2023	2022
Issued ordinary shares as at 1 January	54,032	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)	56,992	54,032

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. The Bank had convertible bonds as dilutive potential ordinary shares.

	For the six months ended 30 June	
	2023	2022
Net profit attributable to ordinary shareholders of the Bank	21,502	20,729
Add: Interest expense on convertible bonds, net of tax	272	391
Net profit used to determine diluted earnings per share	21,774	21,120
Weighted average number of ordinary shares in issue (in million shares)	56,992	54,032
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	2,993	6,817
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	59,985	60,849
Diluted earnings per share (in RMB/share)	0.36	0.35

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

9 Cash and deposits with the central bank

	Notes	30 June 2023	31 December 2022
Cash on hand		8,229	4,022
Deposits with the central bank			
– Statutory deposit reserves	(a)	286,747	281,357
– Surplus deposit reserves	(b)	40,679	67,141
– Foreign exchange risk reserves	(c)	711	243
– Fiscal deposits		2,048	3,522
Subtotal		338,414	356,285
Accrued interest		130	141
Total		338,544	356,426

Notes:

(a) The Group places statutory deposit reserves with the People's Bank of China (the "PBOC") in accordance with relevant regulations. As at the end of the period, the statutory deposit reserve ratios applicable to the Bank were as follows:

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

The statutory deposit reserves are not available for the Group's daily business. The RMB deposit reserve ratio of the Group's subsidiaries in Mainland China is executed in accordance with the relevant regulations of the PBOC. The amounts of statutory deposit reserves placed with the central banks of overseas are determined by local jurisdictions.

(b) The surplus deposit reserves are maintained with the PBOC 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 2023, the proportion of foreign-exchange risk reserve shall be 20% (31 December 2022: 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 2023	31 December 2022
Deposits in Mainland China		
– Banks	27,652	17,532
– Other financial institutions	2,910	1,022
Deposits overseas		
– Banks	12,738	13,935
Subtotal	43,300	32,489
Accrued interest	11	19
Total	43,311	32,508
Less: Provision for impairment losses	(423)	(435)
Net balances	42,888	32,073

11 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Placements in Mainland China		
– Banks	11,810	6,068
– Other financial institutions	99,304	85,049
Placements overseas		
– Banks	39,093	38,727
Subtotal	150,207	129,844
Accrued interest	615	379
Total	150,822	130,223
Less: Provision for impairment losses	(318)	(244)
Net balances	150,504	129,979

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

12 Derivatives and hedge accounting

(a) Analysed by nature of contract

	30 June 2023		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swaps	1,099,839	5,921	(5,426)
– Treasury bond futures	305	4	–
Currency derivatives			
– Foreign exchange forwards	10,876	463	(138)
– Foreign exchange swaps and cross-currency interest rate swaps	860,031	12,384	(13,825)
– Foreign exchange options	8,446	54	(51)
Credit derivatives	80	–	–
Total	1,979,577	18,826	(19,440)

	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swaps	1,037,901	4,768	(4,518)
– Treasury bond futures	308	1	–
Currency derivatives			
– Foreign exchange forwards	22,844	540	(348)
– Foreign exchange swap and cross-currency interest rate swaps	659,026	10,130	(9,379)
– Foreign exchange options	9,519	291	(16)
Credit derivatives	160	–	–
Total	1,729,758	15,730	(14,261)

(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 2023	31 December 2022
Counterparty default risk-weighted assets		
– Interest rate derivatives	964	1,390
– Currency derivatives	2,270	2,652
Credit value adjustment risk-weighted assets	3,105	4,443
Total	6,339	8,485

The risk-weighted assets for counterparty credit risk ("CCR") of derivatives of the Group were calculated in accordance with the Capital Rules for 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"). The risk-weighted assets for CCR of derivatives of the Group were calculated in accordance with the Assets Measurement Rules for Counterparty Default Risks of Derivatives since 1 January 2019.

(c) Hedging accounting

The Group uses interest rate swaps to hedge fair value changes caused by interest rate changes, and the hedged item is fixed interest bonds. As at 30 June 2023, the notional amount of the derivative financial instruments used by the Group for the fair value hedging instrument in the hedge accounting was RMB16,855 million (31 December 2022: RMB6,239 million). In the above hedging instrument, derivative financial assets was RMB556 million (31 December 2022: RMB416 million), derivative financial liabilities was RMB56 million (31 December 2022: RMB14 million).

For the six months ended 30 June 2023 and 30 June 2022, the fair value changes recognised in the profit or loss attributed to the ineffective hedging were 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 2023	31 December 2022
In Mainland China		
– Banks	3,041	–
– Other financial institutions	87,280	–
Overseas		
– Banks	–	28
Subtotal	90,321	28
Accrued interest	19	–
Total	90,340	28
Less: Provision for impairment losses	(20)	–
Net balances	90,320	28

(b) Analysed by type of collateral held

	30 June 2023	31 December 2022
Bonds		
– Government bonds	9,974	–
– Other debt securities	80,347	28
Subtotal	90,321	28
Accrued interest	19	–
Total	90,340	28
Less: Provision for impairment losses	(20)	–
Net balances	90,320	28

(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 2023	31 December 2022
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	1,986,982	1,838,407
Discounted bills	661	497
Personal loans and advances		
– Personal housing mortgage loans	591,503	589,758
– Personal business loans	275,008	257,190
– Personal consumption loans	197,810	208,442
– Credit cards	453,576	463,729
Subtotal	1,517,897	1,519,119
Loans and advances to customers at fair value through other comprehensive income		
Forfaiting – domestic letter of credit	121,414	93,043
Discounted bills	116,793	121,210
Subtotal	238,207	214,253
Total	3,743,747	3,572,276
Accrued interest	10,826	10,255
Gross loans and advances to customers	3,754,573	3,582,531
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(90,643)	(83,180)
Net loans and advances to customers	3,663,930	3,499,351
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(1,414)	(776)

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 2023		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	420,988	11.23%	81,073
Water, environment and public utility management	336,209	8.98%	118,179
Leasing and commercial services	318,284	8.50%	71,029
Wholesale and retail trade	186,269	4.98%	39,837
Real estate	172,414	4.61%	111,219
Construction	157,090	4.20%	43,805
Transportation, storage and postal services	123,522	3.30%	39,400
Finance	92,288	2.47%	7,257
Production and supply of electricity, gas and water	80,852	2.16%	16,566
Agriculture, forestry, husbandry and fishery	66,911	1.79%	17,831
Others	153,569	4.10%	33,086
Subtotal of corporate loans and advances	2,108,396	56.32%	579,282
Personal loans and advances	1,517,897	40.54%	857,174
Discounted bills	117,454	3.14%	113,302
Total	3,743,747	100.00%	1,549,758
Accrued interest	10,826		
Gross loans and advances to customers	3,754,573		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(90,643)		
Net loans and advances to customers	3,663,930		
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(1,414)		

(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 2022		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	379,002	10.59%	78,769
Water, environment and public utility management	320,176	8.96%	120,441
Leasing and commercial services	268,954	7.53%	65,021
Real estate	178,649	5.00%	117,234
Wholesale and retail trade	160,716	4.50%	41,166
Construction	151,748	4.25%	47,185
Transportation, storage and postal services	110,579	3.10%	38,971
Finance	85,008	2.38%	8,739
Production and supply of electricity, gas and water	72,531	2.03%	14,816
Agriculture, forestry, husbandry and fishery	65,622	1.84%	19,029
Others	138,465	3.88%	32,387
Subtotal of corporate loans and advances	1,931,450	54.06%	583,758
Personal loans and advances	1,519,119	42.53%	832,781
Discounted bills	121,707	3.41%	118,279
Total	3,572,276	100.00%	1,534,818
Accrued interest	10,255		
Gross loans and advances to customers	3,582,531		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(83,180)		
Net loans and advances to customers	3,499,351		
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(776)		

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

14 Loans and advances to customers (continued)

(c) Analysed by type of collateral

	30 June 2023	31 December 2022
Unsecured loans	1,283,179	1,192,422
Guaranteed loans	910,810	845,036
Secured loans		
– By tangible assets other than monetary assets	1,222,265	1,188,728
– By monetary assets	327,493	346,090
Total	3,743,747	3,572,276
Accrued interest	10,826	10,255
Gross loans and advances to customers	3,754,573	3,582,531
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(90,643)	(83,180)
Net loans and advances to customers	3,663,930	3,499,351
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(1,414)	(776)

(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

	30 June 2023		
	Loan balance	Percentage	Loans and advances secured by collateral
Yangtze River Delta	888,268	23.74%	326,933
Central	642,441	17.16%	318,463
Pearl River Delta	556,340	14.86%	316,116
Bohai Rim	505,960	13.51%	266,428
Western	464,330	12.40%	224,183
Overseas	122,530	3.27%	22,504
Northeastern	106,591	2.85%	72,457
Head Office	457,287	12.21%	2,674
Total	3,743,747	100.00%	1,549,758

	31 December 2022		
	Loan balance	Percentage	Loans and advances secured by collateral
Yangtze River Delta	841,441	23.56%	332,851
Central	610,286	17.08%	319,605
Pearl River Delta	511,900	14.33%	303,254
Bohai Rim	465,674	13.04%	251,536
Western	446,599	12.50%	222,310
Overseas	116,267	3.25%	21,940
Northeastern	106,440	2.98%	74,881
Head Office	473,669	13.26%	8,441
Total	3,572,276	100.00%	1,534,818

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 2023			
	Impaired loans and advances	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)
Pearl River Delta	10,252	(5,314)	(4,493)	(6,602)
Central	6,687	(5,552)	(4,242)	(3,276)
Yangtze River Delta	5,713	(10,259)	(2,544)	(3,309)
Bohai Rim	5,157	(3,212)	(2,065)	(3,246)
Western	4,771	(3,664)	(4,026)	(2,228)
Total	32,580	(28,001)	(17,370)	(18,661)

	31 December 2022			
	Impaired loans and advances	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)
Pearl River Delta	9,326	(6,261)	(3,008)	(5,213)
Central	6,099	(5,900)	(3,496)	(3,444)
Yangtze River Delta	4,724	(10,567)	(2,246)	(3,570)
Bohai Rim	4,428	(3,252)	(1,830)	(3,270)
Western	4,186	(4,734)	(3,499)	(2,398)
Total	28,763	(30,714)	(14,079)	(17,895)

For the definition of regional divisions, see Note III 47(b).

(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)

(e) Overdue loans analysed by overdue period

	30 June 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	13,176	11,218	1,441	767	26,602
Guaranteed loans	3,352	2,638	3,512	524	10,026
Secured loans					
– By tangible assets other than monetary assets	9,927	10,468	9,330	2,251	31,976
– By monetary assets	319	1,822	1,538	50	3,729
Subtotal	26,774	26,146	15,821	3,592	72,333
Accrued interest	101	–	–	–	101
Total	26,875	26,146	15,821	3,592	72,434
As a percentage of gross loans and advances to customers	0.71%	0.70%	0.42%	0.10%	1.93%

	31 December 2022				
	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	18,061	10,778	1,456	295	30,590
Guaranteed loans	2,881	5,094	1,975	357	10,307
Secured loans					
– By tangible assets other than monetary assets	11,121	7,382	7,540	1,289	27,332
– By monetary assets	119	969	548	38	1,674
Subtotal	32,182	24,223	11,519	1,979	69,903
Accrued interest	108	–	–	–	108
Total	32,290	24,223	11,519	1,979	70,011
As a percentage of gross loans and advances to customers	0.90%	0.68%	0.32%	0.06%	1.96%

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

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 2023				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total	Stage 3 loans and advances as a percentage of loans and advances
Loan principal	3,547,713	144,649	51,385	3,743,747	1.37%
Accrued interest	7,654	2,874	298	10,826	
Gross loans and advances to customers	3,555,367	147,523	51,683	3,754,573	
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(37,551)	(23,455)	(29,637)	(90,643)	
Net loans and advances to customers	3,517,816	124,068	22,046	3,663,930	

	31 December 2022				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total	Stage 3 loans and advances as a percentage of loans and advances
Loan principal	3,418,026	106,860	47,390	3,572,276	1.33%
Accrued interest	8,441	1,530	284	10,255	
Gross loans and advances to customers	3,426,467	108,390	47,674	3,582,531	
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(36,726)	(17,680)	(28,774)	(83,180)	
Net loans and advances to customers	3,389,741	90,710	18,900	3,499,351	

(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)

(g) Reconciliation of provision for impairment losses

	For the six months ended 30 June 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2023	(36,726)	(17,680)	(28,774)	(83,180)
Transfer to Stage 1	(2,264)	2,043	221	–
Transfer to Stage 2	2,424	(2,750)	326	–
Transfer to Stage 3	260	2,213	(2,473)	–
Net charge for the period	(1,197)	(7,281)	(14,479)	(22,957)
Write-off and disposal	–	–	20,015	20,015
Recovery of loans and advances written off	–	–	(4,925)	(4,925)
Unwinding of discount on allowance	–	–	465	465
Exchange fluctuation and others	(48)	–	(13)	(61)
As at 30 June 2023	(37,551)	(23,455)	(29,637)	(90,643)

	2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2022	(31,363)	(19,935)	(25,591)	(76,889)
Transfer to Stage 1	(2,847)	2,511	336	–
Transfer to Stage 2	1,180	(1,377)	197	–
Transfer to Stage 3	427	3,348	(3,775)	–
Net charge for the year	(4,117)	(2,227)	(41,022)	(47,366)
Write-off and disposal	–	–	47,828	47,828
Recovery of loans and advances written off	–	–	(7,505)	(7,505)
Unwinding of discount on allowance	–	–	758	758
Exchange fluctuation and others	(6)	–	–	(6)
As at 31 December 2022	(36,726)	(17,680)	(28,774)	(83,180)

Note:

(i) The above reconciliation of provision for impairment losses only represents provision for impairment losses of loans and advances to customers measured at amortised cost. As at 30 June 2023, the balance of provision for impairment losses of loans and advances to customers at fair value through other comprehensive income was RMB1,414 million (31 December 2022: RMB776 million).

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

14 Loans and advances to customers (continued)

(h) Rescheduled loans and advances to customers

	30 June 2023	31 December 2022
Rescheduled loans and advances to customers	4,307	4,404
Of which: Rescheduled loans and advances to customers overdue more than 90 days	1,266	19

15 Finance lease receivables

	30 June 2023	31 December 2022
Finance lease receivables	120,559	126,223
Less: Unearned finance lease income	(14,096)	(14,945)
Present value of finance lease receivables	106,463	111,278
Accrued interest	913	1,122
Less: Impairment losses	(4,778)	(4,388)
Net balance	102,598	108,012

Minimum finance lease receivables analysed by remaining period is listed as follows:

	30 June 2023	31 December 2022
Less than 1 year (inclusive)	39,620	39,200
1 year to 2 years (inclusive)	32,331	31,903
2 years to 3 years (inclusive)	22,700	24,686
3 years to 4 years (inclusive)	11,534	14,703
4 years to 5 years (inclusive)	5,443	7,428
More than 5 years	8,931	8,303
Total	120,559	126,223

16 Financial investments

	Notes	30 June 2023	31 December 2022
Financial assets at fair value through profit or loss	(a)	488,594	403,617
Debt instruments at fair value through other comprehensive income	(b)	493,417	449,596
Equity instruments at fair value through other comprehensive income	(c)	1,130	1,126
Financial investments measured at amortised cost	(d)	1,219,284	1,192,273
Total		2,202,425	2,046,612

(Expressed in millions of Renminbi, unless otherwise stated)

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 2023	31 December 2022
Debt instruments held for trading	(i)	106,912	109,640
Other financial assets at fair value through profit or loss	(ii)	381,682	293,977
Total		488,594	403,617

(i) Debt instruments held for trading

	Notes	30 June 2023	31 December 2022
Issued by the following governments or institutions:			
In Mainland China			
– Government		21,584	9,407
– Banks and other financial institutions		49,205	79,658
– Other institutions	(1)	31,423	19,479
Overseas			
– Government		1,147	256
– Banks and other financial institutions		3,014	372
– Other institutions		539	468
Total	(2)	106,912	109,640
Listed	(3)	4,763	1,542
Of which: listed in Hong Kong		534	670
Unlisted		102,149	108,098
Total		106,912	109,640

Notes:

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

(2) At the end of the reporting period, some of the debt instruments held for trading were pledged for repurchase agreements. 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 2023	31 December 2022
Fund investments	297,799	214,031
Equity instruments	5,051	5,059
Others	78,832	74,887
Total	381,682	293,977

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 2023	31 December 2022
In Mainland China			
– Government		237,927	196,287
– Banks and other financial institutions	(1)	135,345	143,053
– Other institutions	(2)	78,059	65,207
Overseas			
– Government		743	4,437
– Banks and other financial institutions		18,051	17,852
– Other institutions		16,795	16,078
Subtotal		486,920	442,914
Accrued interest		6,497	6,682
Total	(3)	493,417	449,596
Listed	(4)	59,962	55,718
Of which: listed in Hong Kong		28,477	33,248
Unlisted		426,958	387,196
Subtotal		486,920	442,914
Accrued interest		6,497	6,682
Total		493,417	449,596

Notes:

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

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

(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.*

(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 (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 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	–	(52)	–
Net charge for the period	86	(11)	4	79
Write-off and disposal	–	–	94	94
Exchange fluctuation and others	(22)	(6)	(28)	(56)
As at 30 June 2023	(348)	(181)	(572)	(1,101)

	2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2022	(410)	(104)	(173)	(687)
Transfer to Stage 2	10	(30)	20	–
Transfer to Stage 3	31	104	(135)	–
Net charge for the year	(95)	(103)	(302)	(500)
Exchange fluctuation and others	(6)	(25)	–	(31)
As at 31 December 2022	(470)	(158)	(590)	(1,218)

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

	Notes	30 June 2023	31 December 2022
Listed	(i)	28	24
Unlisted		1,102	1,102
Total	(ii)	1,130	1,126

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 2023, the Group has received RMB0.00 dividends from the above equity instruments (for the six months ended 30 June 2022: RMB0.00).

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

16 Financial investments (continued)

(d) Financial investments measured at amortised cost

	Notes	30 June 2023	31 December 2022
Debt securities and asset-backed instruments	(i)	1,159,983	1,105,621
Others	(ii)	56,517	79,789
Subtotal		1,216,500	1,185,410
Accrued interest		15,490	17,745
Total		1,231,990	1,203,155
Less: Provision for impairment losses		(12,706)	(10,882)
Net balance		1,219,284	1,192,273
Listed	(iii)	221,031	217,335
Of which: listed in Hong Kong		28,140	29,541
Unlisted		982,763	957,193
Subtotal		1,203,794	1,174,528
Accrued interest		15,490	17,745
Net balance		1,219,284	1,192,273

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

	Notes	30 June 2023	31 December 2022
In Mainland China			
– Government		450,436	405,772
– Banks and other financial institutions		400,762	385,852
– Other institutions	(1)	241,422	242,040
Overseas			
– Government		19,191	29,524
– Banks and other financial institutions		34,094	31,091
– Other institutions		14,078	11,342
Subtotal		1,159,983	1,105,621
Accrued interest		15,230	17,330
Total	(2)	1,175,213	1,122,951
Less: Provision for impairment losses		(4,249)	(4,217)
Net balance		1,170,964	1,118,734
Fair value		1,196,299	1,135,161

(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 (continued)

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

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 Mainland China.

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

(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 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	5	(5)	–	–
Net charge for the period	457	(3)	(2,781)	(2,327)
Write-off and disposal	–	–	513	513
Exchange fluctuation and others	(10)	–	–	(10)
As at 30 June 2023	(873)	(64)	(11,769)	(12,706)

	2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
As at 1 January 2022	(1,361)	(1,315)	(7,649)	(10,325)
Transfer to Stage 2	36	(36)	–	–
Transfer to Stage 3	162	1,314	(1,476)	–
Net charge for the year	(88)	(19)	(1,955)	(2,062)
Write-off and disposal	–	–	1,579	1,579
Exchange fluctuation and others	(74)	–	–	(74)
As at 31 December 2022	(1,325)	(56)	(9,501)	(10,882)

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

17 Investments in subsidiaries and joint ventures

(a) Investments in subsidiaries

	30 June 2023	31 December 2022
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 Company Limited (Europe)	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 Company Limited (Europe) (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%	Capital market business	Limited company
Beijing Sunshine Consumer Finance Co., Ltd. (Sunshine Consumer)	Beijing	1,000	60%	60%	Banking business	Incorporated company

(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 (continued)

(b) Investments in joint ventures

	For the six months ended 30 June 2023	2022
As at 1 January 2023/1 January 2022	165	256
Decrease capital	–	(47)
Investment gains/(losses) under the equity method	22	(63)
Foreign currency conversion difference	7	19
As at 30 June 2023/31 December 2022	194	165

18 Property and equipment

	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	–	–	473	348	72	893
Transfer out	–	–	(5)	–	–	(5)
Disposals	(1)	–	–	(186)	(67)	(254)
Foreign currency conversion difference	–	409	–	1	1	411
As at 30 June 2023	14,277	11,466	3,300	10,131	4,977	44,151
Accumulated depreciation						
As at 1 January 2023	(5,337)	(1,370)	–	(6,269)	(3,793)	(16,769)
Charge for the period	(225)	(203)	–	(647)	(156)	(1,231)
Disposals	–	–	–	171	62	233
Foreign currency conversion difference	–	(60)	–	–	–	(60)
As at 30 June 2023	(5,562)	(1,633)	–	(6,745)	(3,887)	(17,827)
Provision for impairment losses						
As at 1 January 2023	(163)	–	–	–	–	(163)
As at 30 June 2023	(163)	–	–	–	–	(163)
Net balances						
As at 30 June 2023	8,552	9,833	3,300	3,386	1,090	26,161

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 2022	13,529	10,134	2,656	9,151	4,818	40,288
Additions	59	1	930	1,373	351	2,714
Transfers in/(out)	690	–	(754)	–	–	(64)
Disposals	–	–	–	(556)	(198)	(754)
Foreign currency conversion difference	–	922	–	–	–	922
As at 31 December 2022	14,278	11,057	2,832	9,968	4,971	43,106
Accumulated depreciation						
As at 1 January 2022	(4,895)	(882)	–	(5,582)	(3,611)	(14,970)
Charge for the year	(442)	(394)	–	(1,212)	(364)	(2,412)
Disposals	–	–	–	525	182	707
Foreign currency conversion difference	–	(94)	–	–	–	(94)
As at 31 December 2022	(5,337)	(1,370)	–	(6,269)	(3,793)	(16,769)
Provision for impairment						
As at 1 January 2022	(163)	–	–	–	–	(163)
As at 31 December 2022	(163)	–	–	–	–	(163)
Net book value						
As at 31 December 2022	8,778	9,687	2,832	3,699	1,178	26,174

Notes:

(i) *As at 30 June 2023, title deeds were not yet finalised for the premises with a carrying amount of RMB23 million (31 December 2022: RMB35 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.*

(ii) *As at 30 June 2023, Everbright Financial Leasing, the Group's subsidiary leased certain aircraft and aircraft engines which were included in "Aircraft" to third parties under operating lease arrangements, with a net book value of RMB9,833 million (31 December 2022: RMB9,687 million). As at the end of the reporting period, part of the finance lease receivables was pledged for borrowings from banks. See Note III 23(a).*

The net balances of premises at the end of the reporting period are analysed by the remaining terms of leases as follows:

	30 June 2023	31 December 2022
Held in Mainland China		
– Medium term leases (10 to 50 years)	7,938	8,173
– Short term leases (less than 10 years)	614	605
Total	8,552	8,778

(Expressed in millions of Renminbi, unless otherwise stated)

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 2023	18,193	53	18,246
Charge for the period	1,129	4	1,133
Deductions	(1,407)	(18)	(1,425)
Foreign currency conversion difference	21	–	21
As at 30 June 2023	17,936	39	17,975
Accumulated depreciation			
As at 1 January 2023	(7,939)	(26)	(7,965)
Charge for the period	(1,367)	(4)	(1,371)
Reduction for the period	917	9	926
Foreign currency conversion difference	(10)	–	(10)
As at 30 June 2023	(8,399)	(21)	(8,420)
Net balances			
As at 30 June 2023	9,537	18	9,555

	Premises	Transportation and others	Total
Cost			
As at 1 January 2022	17,302	61	17,363
Charge for the year	2,250	8	2,258
Deductions	(1,406)	(16)	(1,422)
Foreign currency conversion difference	47	–	47
As at 31 December 2022	18,193	53	18,246
Accumulated depreciation			
As at 1 January 2022	(6,381)	(29)	(6,410)
Charge for the year	(2,749)	(11)	(2,760)
Reduction for the year	1,205	14	1,219
Foreign currency conversion difference	(14)	–	(14)
As at 31 December 2022	(7,939)	(26)	(7,965)
Net balances			
As at 31 December 2022	10,254	27	10,281

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

20 Goodwill

	30 June 2023	31 December 2022
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.

21 Deferred tax assets and liabilities

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

	30 June 2023	31 December 2022
Deferred income tax assets	36,642	34,855
Deferred income tax liabilities	(2,907)	(2,152)
Total	33,735	32,703

(a) Analysed by nature

	30 June 2023		31 December 2022	
	Temporary difference	Deferred tax assets/ (liabilities)	Temporary difference	Deferred tax assets/ (liabilities)
Deferred income tax assets				
– Fair value changes	465	98	3,456	864
– Provision for impairment losses	123,089	30,762	113,780	28,445
– Accrued staff costs and others	23,129	5,782	22,183	5,546
Total	146,683	36,642	139,419	34,855
Deferred income tax liabilities				
– Fair value changes	(3,494)	(870)	(32)	(8)
– Others	(8,148)	(2,037)	(8,576)	(2,144)
Total	(11,642)	(2,907)	(8,608)	(2,152)

(Expressed in millions of Renminbi, unless otherwise stated)

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

21 Deferred tax assets and liabilities (continued)

(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 2023	28,445	856	3,402	32,703
Recognised in profit or loss	2,452	(693)	343	2,102
Recognised in other comprehensive income	(135)	(935)	–	(1,070)
As at 30 June 2023	30,762	(772)	3,745	33,735

	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 2022	17,847	(953)	3,001	19,895
Recognised in profit or loss	10,827	379	401	11,607
Recognised in other comprehensive income	(229)	1,430	–	1,201
As at 31 December 2022	28,445	856	3,402	32,703

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 are calculated at 1% of the gross carrying amount of qualifying assets at the end of the period, together with write-offs which fulfil specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

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

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

22 Other assets

	Note	30 June 2023	31 December 2022
Other receivables	(a)	51,302	17,229
Accrued interest		7,825	6,539
Intangible assets		3,532	3,475
Refundable Deposits		2,046	1,542
Property and equipment purchase prepayment		1,007	1,334
Long-term deferred expense		845	927
Repossessed assets		245	238
Land use right		74	77
Others	(b)	3,274	3,147
Total		70,150	34,508

Note:

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

(b) Others are mainly agency financial assets.

23 Pledged assets

(a) Assets pledged as collateral

The Group's financial 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 financial assets pledged as securities as at 30 June 2023 was RMB318.252 billion (as at 31 December 2022: RMB183.853 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 2023.

As at 30 June 2023, the Group had no collateral received from banks and other financial institutions (31 December 2022: Nil). As at 30 June 2023, the Group had no collateral that was sold or re-pledged but was obligated to return (31 December 2022: Nil). These transactions are conducted under standard terms in the normal course of business.

(Expressed in millions of Renminbi, unless otherwise stated)

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

24 Due to the central bank

	30 June 2023	31 December 2022
Due to the central bank	97,916	63,142
Accrued interest	1,365	244
Total	99,281	63,386

25 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Deposits in Mainland China		
– Banks	209,720	160,959
– Other financial institutions	336,070	376,763
Deposits overseas		
– Banks	27	2,019
Subtotal	545,817	539,741
Accrued interest	1,628	927
Total	547,445	540,668

26 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Placements in Mainland China		
– Banks	112,048	115,365
– Other financial institutions	3,980	6,605
Placements overseas		
– Banks	62,448	65,745
Subtotal	178,476	187,715
Accrued interest	1,236	886
Total	179,712	188,601

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

27 Financial liabilities at fair value through profit or loss

	30 June 2023	31 December 2022
Short position in debt securities	–	27
Total	–	27

28 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	30 June 2023	31 December 2022
In Mainland China		
– Banks	183,299	74,624
– Other financial institutions	–	74
Overseas		
– Banks	22,173	17,947
– Other financial institutions	598	215
Subtotal	206,070	92,860
Accrued interest	161	120
Total	206,231	92,980

(b) Analysed by collateral

	30 June 2023	31 December 2022
Debt securities	203,802	89,892
Bank acceptances	2,268	2,968
Subtotal	206,070	92,860
Accrued interest	161	120
Total	206,231	92,980

(Expressed in millions of Renminbi, unless otherwise stated)

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

29 Deposits from customers

	30 June 2023	31 December 2022
Demand deposits		
– Corporate customers	1,040,966	823,302
– Individual customers	267,766	254,332
Subtotal	1,308,732	1,077,634
Time deposits		
– Corporate customers	1,456,869	1,552,167
– Individual customers	929,261	807,037
Subtotal	2,386,130	2,359,204
Pledged deposits	395,972	409,978
Other deposits	1,194	1,078
Subtotal deposits from customers	4,092,028	3,847,894
Accrued interest	64,912	69,274
Total	4,156,940	3,917,168

30 Accrued staff costs

	Notes	30 June 2023	31 December 2022
Salary and welfare payable		14,714	15,528
Pension and annuity payable	(a)	254	319
Supplementary retirement benefits payable	(b)	3,159	3,159
Total		18,127	19,006

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.

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

31 Taxes payable

	30 June 2023	31 December 2022
Income tax payable	3,174	7,542
Value added tax payable	3,179	3,068
Others	478	531
Total	6,831	11,141

32 Lease liabilities

	30 June 2023	31 December 2022
Within 1 year (inclusive)	2,526	2,723
1 year to 2 years (inclusive)	2,021	2,171
2 years to 3 years (inclusive)	1,671	1,724
3 years to 5 years (inclusive)	2,332	2,539
More than 5 years	2,079	2,282
Total undiscounted lease liabilities	10,629	11,439
Lease liabilities	9,419	10,151

33 Debt securities issued

	Notes	30 June 2023	31 December 2022
Financial bonds issued	(a)	172,929	130,346
Tier-two capital bonds issued	(b)	61,593	46,596
Convertible bonds issued	(c)	–	24,082
Interbank deposits issued	(d)	599,420	604,319
Certificates of deposit issued	(e)	53,105	46,798
Medium term notes	(f)	24,315	20,476
Subtotal		911,362	872,617
Accrued interest		3,387	3,354
Total		914,749	875,971

(Expressed in millions of Renminbi, unless otherwise stated)

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

33 Debt securities issued (continued)

(a) Financial bonds issued

	Note	30 June 2023	31 December 2022
Fixed rate financial bonds maturing in March 2024	(i)	39,996	39,993
Floating rate financial bonds maturing in May 2024	(ii)	1,440	1,415
Floating rate financial bonds maturing in August 2024	(iii)	961	944
Fixed rate financial bonds maturing in February 2025	(iv)	39,999	39,998
Floating rate financial bonds maturing in March 2025	(v)	433	–
Floating rate financial bonds maturing in March 2025	(vi)	793	–
Floating rate financial bonds maturing in April 2025	(vii)	543	–
Floating rate financial bonds maturing in May 2025	(viii)	288	–
Fixed rate financial bonds maturing in October 2025	(ix)	47,996	47,996
Fixed rate financial bonds maturing in May 2026	(x)	19,999	–
Floating rate financial bonds maturing in May 2026	(xi)	481	–
Fixed rate financial bonds maturing in June 2026	(xii)	20,000	–
Total		172,929	130,346

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

33 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) *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.*

(xi) *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.*

(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) *As at 30 June 2023, the total fair value of the financial bonds issued approximated to RMB173,319 million (31 December 2022: RMB130,169 million).*

(Expressed in millions of Renminbi, unless otherwise stated)

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

33 Debt securities issued (continued)

(b) Tier-two capital bonds issued

	Notes	30 June 2023	31 December 2022
Tier-two capital fixed rate bonds maturing in September 2030	(i)	1,596	1,596
Tier-two capital fixed rate bonds maturing in August 2032	(ii)	39,998	40,000
Tier-two capital fixed rate bonds maturing in April 2033	(iii)	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	–
Total		61,593	46,596

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 on 25 August 2022. The coupon rate is 3.10% per annum. The Group 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 on 10 April 2023. The coupon rate is 3.55% per annum. The Group 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 on 25 August 2022. The coupon rate is 3.35% per annum. The Group 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 on 10 April 2023. The coupon rate is 3.64% per annum. The Group has an option to redeem the debts on 12 April 2033 at the nominal amount.

(vi) As at 30 June 2023, the fair value of the total tier-two capital bonds issued approximated to RMB61,616 million (31 December 2022: RMB45,113 million).

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

33 Debt securities issued (continued)

(c) Convertible bonds issued

	30 June 2023	31 December 2022
Fixed rate six years convertible bonds issued in March 2017	–	24,082

The convertible corporate bonds issued have been split into the liability and equity components as follows:

	Note	Liability component	Equity component Note III 36	Total
Nominal value of convertible bonds		24,826	5,174	30,000
Direct transaction costs		(64)	(13)	(77)
Balance as at the issuance date		24,762	5,161	29,923
Accumulated amortisation as at 1 January 2023		4,767	–	4,767
Accumulated conversion amount as at 1 January 2023		(5,447)	(998)	(6,445)
Balance as at 1 January 2023		24,082	4,163	28,245
Payment during the period		(7,152)	(1,251)	(8,403)
Conversion amount during the period	(ii)	(16,930)	(2,912)	(19,842)
Balance as at 30 June 2023		–	–	–

Notes:

(i) *Pursuant to the approval of relevant PRC authorities, on 17 March 2017, the Bank issued A-share convertible bonds with a total nominal amount of RMB30 billion. The convertible bonds have a maturity term of six years from 17 March 2017 to 16 March 2023. The convertible bond holders may exercise their rights to convert the convertible bonds into the Bank's A shares at the stipulated conversion price during the period("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Bank shall redeem the outstanding convertible bonds at 105% of the par value, including the interest for the sixth year. The convertible bonds matured on 16 March 2023, and the Bank redeemed all the convertible bonds registered after the close of market on 16 March 2023 (redemption registration date).*

(ii) *As at 30 June 2023, a total of RMB22,731 million (31 December 2022: RMB5,801 million) convertible bonds have been converted into ordinary shares, the cumulative convertible number of shares is 6,596,456,061 (31 December 2022: 1,542,885,091).*

(iii) *For the six months ended 30 June 2023, a total of RMB363 million interests on the convertible bonds has been paid by the Bank (six months ended 30 June 2022: RMB436 million).*

(Expressed in millions of Renminbi, unless otherwise stated)

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

33 Debt securities issued (continued)

(d) Interbank deposits issued

For the six months ended 30 June 2023, 159 inter-bank deposits were issued by the Bank and measured at amortised cost with a carrying amount of RMB521,650 million (six months ended 30 June 2022: RMB503,000 million). The carrying amount of interbank deposits due in the six months ended 30 June 2023 was RMB525,400 million (six months ended 30 June 2022: RMB371,090 million). As at 30 June 2023, the fair value of its outstanding interbank deposits issued was RMB594,030 million (31 December 2022: RMB596,629 million).

(e) Certificates of deposit issued

As at 30 June 2023, 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.

(f) Medium term notes

	Notes	30 June 2023	31 December 2022
Medium term notes with floating rate maturing on 3 August 2023	(i)	5,085	4,863
Medium term notes with fixed rate maturing on 11 March 2024	(ii)	3,994	3,819
Medium term notes with fixed rate maturing on 15 June 2024	(iii)	4,356	4,165
Medium term notes with fixed rate maturing on 14 September 2024	(iv)	3,630	3,471
Medium term notes with fixed rate maturing on 1 December 2024	(v)	2,174	2,081
Medium term notes with fixed rate maturing on 15 December 2024	(vi)	2,173	2,077
Medium term notes with fixed rate maturing on 2 March 2026	(vii)	2,903	–
Total		24,315	20,476

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

33 Debt securities issued (continued)

(f) Medium term notes (continued)

Notes:

(i) *Floating rate medium term notes of USD700.00 million with a term of three years were issued by the Bank's Hong Kong branch on 27 July 2020. The initial coupon rate is 1.10% per annum.*

(ii) *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 4 March 2021. The coupon rate is 0.93% per annum.*

(iii) *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 8 June 2021. The coupon rate is 0.84% per annum.*

(iv) *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.*

(v) *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.*

(vi) *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 9 December 2021. The coupon rate is 2.00% 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) *As at 30 June 2023, the fair value of the medium term notes approximated to RMB23,550 million (31 December 2022: RMB19,574 million).*

(Expressed in millions of Renminbi, unless otherwise stated)

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

34 Other liabilities

	Notes	30 June 2023	31 December 2022
Bank loans	(a)	20,792	20,718
Dividend payables		11,249	23
Deposit payable of finance leases		6,567	6,680
Payment and collection clearance accounts		4,703	13,436
Provisions	(b)	2,015	1,883
Dormant accounts		748	865
Others		13,002	13,532
Total		59,076	57,137

Notes:

(a) As at 30 June 2023, the Bank's subsidiary, Everbright Financial Leasing, borrowed long-term loans with terms of 1 to 10 years. Everbright Financial Leasing should repay the loan with the benefit of clear or quarterly.

(b) Provisions

	30 June 2023	*31 December 2022*
Expected credit losses on off-balance sheet items	*1,770*	*1,598*
Litigation losses	*162*	*157*
Others	*83*	*128*
Total	*2,015*	*1,883*

The reconciliation of the provision was as follows:

	For the six months ended 30 June 2023	*2022*
As at 1 January 2023/1 January 2022	*1,883*	*2,213*
Net charge for the period/year	*133*	*(319)*
Payments for the period/year	*(1)*	*(11)*
As at 30 June 2023/31 December 2022	*2,015*	*1,883*

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

35 Share capital

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

	31 December 2022	The number of shares increased by conversion of convertible bonds into A shares	30 June 2023
Ordinary shares listed in Mainland China (A share)	41,353	5,054	46,407
Ordinary shares listed in Hong Kong (H share)	12,679	–	12,679
Total	54,032	5,054	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.

36 Other equity instruments

	Note III	30 June 2023	31 December 2022
Preference shares (Notes (a), (b), (c), (e))		64,906	64,906
Equity of convertible bonds	33(c)	–	4,163
Perpetual bonds (Notes (d), (e))		39,993	39,993
Total		104,899	109,062

(a) Preference shares at the end of the period

Issue date	Dividend rate	Issue price (RMB/share)	Number of shares issued (million)	Issue amount (RMB million)	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	

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

36 Other equity instruments (continued)

(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) 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) NAFR 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.

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

36 Other equity instruments (continued)

(b) Main clauses of preference shares (continued)

(vi) Redemption

Subject to the prior approval of the NAFR 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.

(c) Changes in preference shares outstanding

	1 January 2023		Additions for the period		30 June 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

	1 January 2022		Additions for the year		31 December 2022	
	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

(Expressed in millions of Renminbi, unless otherwise stated)

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

36 Other equity instruments (continued)

(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") which are written down 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 NAFR, 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 NAFR 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.

(e) Interests attributable to equity instruments' holders

Items	30 June 2023	31 December 2022
Total equity attributable to equity shareholders of the Bank	538,398	507,883
– Equity attributable to ordinary shareholders of the Bank	433,499	402,984
– 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	2,279	2,130
– Equity attributable to non-controlling interests of ordinary shares	2,279	2,130

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

37 Capital reserve

	30 June 2023	31 December 2022
Share premium	74,473	58,434

38 Other comprehensive income

	30 June 2023	31 December 2022
Items that will not be reclassified to profit or loss		
Fair value changes on equity instruments at fair value through other comprehensive income	19	16
Remeasurement of a defined benefit plan	(703)	(703)
Subtotal	(684)	(687)
Items that will be reclassified to profit or loss		
Debt instruments at fair value through other comprehensive income	3,309	81
– Net change in fair value	1,380	(1,463)
– Net change in expected credit loss	1,929	1,544
Exchange differences on translation of foreign operations	94	16
Subtotal	3,403	97
Total	2,719	(590)

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	**Net change in ECL on debt instruments at fair value through other comprehensive income**	**Fair value change on equity instruments at fair value through other comprehensive income**	**Exchange differences on translation of foreign operations**	**Remeasurement of a defined benefit plan**	**Total**
As at 1 January 2022	2,929	939	16	(164)	(568)	3,152
Changes in amount for the previous year	(4,392)	605	–	180	(135)	(3,742)
As at 1 January 2023	(1,463)	1,544	16	16	(703)	(590)
Changes in amount for the period	2,843	385	3	78	–	3,309
As at 30 June 2023	1,380	1,929	19	94	(703)	2,719

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

39 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 RMB153 million of profits to the general reserve for the six months ended 30 June 2023 (2022: RMB5,805 million). The Bank appropriated RMB0 million of profits to the general reserve for the six months ended 30 June 2023 (2022: RMB4,608 million).

40 Appropriation of profits

(a) 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.

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

40 Appropriation of profits (continued)

(b) 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;

(c) 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;

(d) 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.

(e) The Bank distributed the interest on the Undated Capital Bonds amounting to RMB1,840 million on 22 September 2022.

(f) At the Annual General Meeting of Shareholders held on 19 May 2022, the Shareholders approved the following profit appropriations for the year ended 31 December 2021:

– Under the Company Law of the PRC, the bank's statutory surplus reserve has reached 50% of its registered capital, no further provision shall be made for this profit distribution;

– Appropriated RMB6,806 million to general reserve;

– Declared cash dividends of RMB10,860 million to all ordinary shareholders, representing RMB2.10 per 10 shares before tax.

(g) At the Board Meeting held on 25 March 2022, the dividend distribution of the Everbright P3 for the year ended 2021 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 2021, and are calculated using the 4.80% of dividend yield ratio for the Everbright P3.

(Expressed in millions of Renminbi, unless otherwise stated)

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

40 Appropriation of profits (continued)

(h) At the Board Meeting held on 27 May 2022, the dividend distribution of the Everbright P1 for the year ended 2022 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 2021, and are calculated using 4.45% of dividend yield ratio for the Everbright P1.

(i) At the Board Meeting held on 27 May 2022, the dividend distribution of the Everbright P2 for the year ended 2022 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 2021, and are calculated using 4.01% of dividend yield ratio for the Everbright P2.

41 Involvement with structured entities

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

The types of 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 2023		31 December 2022	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial assets at fair value through profit or loss				
– Fund investments	297,799	297,799	214,031	214,031
– Asset management plans	59,391	59,391	52,909	52,909
Financial investments measured at amortised cost				
– Asset management plans	48,320	48,320	73,539	73,539
– Asset-backed securities	130,191	130,191	145,276	145,276
Total	535,701	535,701	485,755	485,755

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

41 Involvement with structured entities

(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 2023, 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 2023, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products which are sponsored by the Group was RMB1,223,648 million (31 December 2022: RMB1,185,241 million). The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2023 but matured before 30 June 2023 was RMB4,723 million (Six months ended 30 June 2022: RMB832 million).

For the six months ended 30 June 2023, the amount of fee and commission income received from the unconsolidated structured entities by the Group was RMB2,038 million (Six months ended 30 June 2022: RMB2,260 million).

For the purpose of asset-liability management, wealth management products may cause short-term financing needs to the Group and other banks. 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 2023, the balance of above transactions was Nil (31 December 2022: Nil). For the six months ended 30 June 2023, the amount of interest receivables from the above financing transactions was not material.

In addition, please refer to Note III 42 for the interests in the unconsolidated structured entities of asset securitisation transactions held by the Group as at 30 June 2023. For the six months ended 30 June 2023, 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 wealth management products with the principal guaranteed. The Group promises to provide investors with principal guarantee for the principal guaranteed wealth management products, which are sponsored and managed by the Group, regardless of their actual performance. 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 controls these entities when the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

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

42 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 was RMB30.00 million as at 30 June 2023 (31 December 2022: Nil).

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 2023, the Group has no continuing involvement in credit asset-backed securities (31 December 2022: 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 2023, 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 2023, loans with an original carrying amount of RMB1,998 million (31 December 2022: 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 2023, the carrying amount of assets that the Group continues to recognise amounted to RMB251 million (31 December 2022: RMB251 million).

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

43 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. The capital of the Group is divided 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 NAFR by the Group and the Bank quarterly.

With effect from 1 January 2013, the Group has started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations.

According to the Regulation Governing Capital of Commercial Banks (provisional), 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 basic indicator approach.

The Group has computed its capital adequacy ratios and related data in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". 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)

43 Capital management (continued)

The Group calculates the capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements are as follows:

	30 June 2023	31 December 2022
Total common equity tier-one capital	434,660	404,205
Share capital	59,086	54,032
Qualifying portions of capital reserve, other equity instruments and other comprehensive income	77,198	62,007
Surplus reserve	26,245	26,245
General reserve	81,554	81,401
Retained earnings	189,408	179,293
Qualifying portions of non-controlling interests	1,169	1,227
Common equity tier-one capital deductions	(4,864)	(4,809)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use rights	(3,531)	(3,475)
Net deferred tax assets arising from operating losses that depend on future profits	(52)	(53)
Net common equity tier-one capital	429,796	399,396
Additional tier-one capital	105,055	105,063
Additional tier-one capital instruments	104,899	104,899
Qualifying portions of non-controlling interests	156	164
Tier-one capital net	534,851	504,459
Tier-two capital	107,415	88,759
Qualifying portions of tier-two capital instruments issued and share premium	59,997	45,000
Excess loan loss provisions	46,062	42,287
Qualifying portions of non-controlling interests	1,356	1,472
Net capital base	642,266	593,218
Total risk-weighted assets	4,754,839	4,579,772
Common equity tier-one capital adequacy ratio	9.04%	8.72%
Tier-one capital adequacy ratio	11.25%	11.01%
Capital adequacy ratio	13.51%	12.95%

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

44 Notes to consolidated cash flow statements

(a) Net decrease in cash and cash equivalents

	For the six months ended 30 June	
	2023	2022
Cash and cash equivalents as at 30 June	122,023	125,765
Less: Cash and cash equivalents as at 1 January	136,664	222,583
Net decrease in cash and cash equivalents	(14,641)	(96,818)

(b) Cash and cash equivalents

	30 June 2023	30 June 2022
Cash on hand	8,229	7,712
Deposits with the central bank	40,679	33,321
Deposits with banks and other financial institutions	42,380	39,784
Placements with banks and other financial institutions	30,735	44,948
Total	122,023	125,765

45 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 45(b).

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

45 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 45(b).

The affiliated companies that have related party transactions with the Group are as follows:

Related parties

– Everbright Securities Asset Management Co., Ltd.
– Everbright Xinglong Trust Co., Ltd.
– Everbright Securities Company Limited
– China Everbright Group
– Sun Light Everbright Asset Management Co., Ltd.
– Everbright Jinou Asset Management Co., Ltd.
– Everbright Prudential Fund Management Co., Ltd.
– Everbright Life Insurance Co., Ltd.
– Everbright Financial Holdings Asset Management Co., Ltd.
– Everbright Futures Co., Ltd.
– Da Cheng Fund Management Co., Ltd.
– Shanghai Guangkong Jiaxin Equity Investment Management Co., Ltd.
– Beijing Financial Assets Co., Ltd.
– China Everbright industry (Group) Co., Ltd.
– CEL Elite Limited
– Tianjin Guangkong Investment Management Partnership (Limited Partnership)
– CDB Jinzhan Economic and Trade Co., Ltd.
– Huadian Financial Leasing Co., Ltd.
– China Everbright Limited
– China Everbright Real Estate Co., Ltd.
– Qingdao Light Control Low Carbon Xinneng Equity Investment Co., Ltd.
– Chengdu Rongjin MEDICINE &TRADE Co., Ltd.
– China Everbright Environment Group Limited.
– Shanghai Jiashi Minglun Medical Equipment Co., Ltd.
– Zhangjiakou Guanghe Xiangda Property Service Co., Ltd.
– State Alpha Limited
– Kunshan Development Zone Guangkong Digital Industry Fund of Funds Partnership (Limited Partnership)
– Jia Shi Guo Run(Shanghai) Medical Technology Co., Ltd.
– Shanghai Jiashi Jiayi Medical Equipment Co., Ltd.

(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.

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

45 Related party relationships and transactions (continued)

(a) Related parity relationships (continued)

(iii) Other related parties (continued)

The other related parties that have related party transactions with the Group are as follows:

Other related parties

– COSCO Shipping Group Finance Co., Ltd.
– COSCO Shipping Container Transportation Co., Ltd.
– Overseas Chinese Town Holding Company
– Zhongfei Leasing Finance Leasing Co., Ltd.
– China Cinda Asset Management Co., Ltd.
– Shenzhen Overseas Chinese Town Co., Ltd.
– Konka Group Co., Ltd.
– China Ocean Shipping (Group) Company
– COSCO SHIPPING Development (HONG KONG) Co., Ltd.
– Orient Securities Co., Ltd.
– Wuhan Qingshan Ancient Town Real Estate Co., Ltd.
– Shenneng Group Finance Co., Ltd.
– Zhongfei Baoqing Leasing (Tianjin) Co., Ltd
– Zhongfei Xianqing Leasing (Tianjin) Co., Ltd
– Beijing CYTS Trank Technology Co., Ltd.
– Shenzhen Zhaohua Exhibition Industry Co., Ltd.
– Xiangyang OCT Culture and Tourism Development Co., Ltd.
– Terminus Technology Group Co., Ltd.
– ZJ Yongle Leasing (Tianjin) Co., Ltd.
– CIMC Finance Leasing Co., Ltd.
– China Pacific Property Insurance Co., Ltd.
– Beijing Gubei Water Town Tourism Co., Ltd.
– Hunan OCT Cultural Tourism Investment Co., Ltd.
– CNOOC China Limited
– China Huarong Asset Management Co., Ltd.
– Beijing Huaheng Xingye Real Estate Development Co., Ltd.
– COSCO SHIPPING Holdings (Hong Kong) Limited
– China SHIPPING Cargo Services Co., Ltd.
– COSCO SHIPPING Investment Holdings Co., Limited
– Shandong Zhongkuang Group Co., Ltd.
– Huarong International Financial Holdings Limited
– Everbright Finance (Shanxi) Advanced Manufacturing Investment Partnership (Limited Partnership)
– China Huarong Financial Leasing Co., Ltd.
– Zhongkuang Gold Industry Limited Company
– China Merchants Securities Co., Ltd.
– Huarongtianze Investment Company Limited
– Sinopec China Railway Oil Products Sales Co., Ltd.
– China Aircraft Recycling & Remanufacturing Limited

The amounts and balances of transactions between the Group and other related parties are shown in Note III 45(b).

(Expressed in millions of Renminbi, unless otherwise stated)

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

45 Related party relationships and transactions

(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	
	2023	2022
Interest income	629	239
Interest expense	(4,428)	(1,876)

The Group's material balances with CIC, Huijin and its affiliates at the end of the reporting period are summarised as follows:

	30 June 2023	31 December 2022
Deposits with banks and other financial institutions	7,004	8,143
Precious metals	2,563	6
Placements with banks and other financial institutions	31,569	23,419
Derivative financial assets	3,903	3,128
Financial assets held under resale agreements	15,368	28
Loans and advances to customers	100	100
Financial investments	342,494	340,056
Financial assets at fair value through profit or loss	125,018	122,064
Debt instruments at fair value through other comprehensive income	54,130	51,592
Financial investments measured at amortised cost	163,346	166,400
Other assets	12,615	11,396
Total	415,616	386,276
Deposits from banks and other financial institutions	154,985	121,788
Placements from banks and other financial institutions	66,943	64,165
Derivative financial liabilities	4,085	3,215
Financial assets sold under repurchase agreements	124,185	17,281
Deposits from customers	94,795	108,483
Other liabilities	653	1,101
Total	445,646	316,033

(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.

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

45 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

(ii) Transactions with other PRC state-owned entities (continued)

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.

(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 2023:				
Interest income	–	1,023	411	1,434
Interest expense	(86)	(259)	(359)	(704)
Balances with related parties as at 30 June 2023:				
Precious metals	–	451	412	863
Placements with banks and other financial institutions	–	1,896	5,315	7,211
Derivative financial assets	–	–	23	23
Loans and advances to customers	–	4,063	12,969	17,032
Financial investments	1,997	6,205	6,236	14,438
Financial assets at fair value through profit or loss	1,997	6,090	1,187	9,274
Debt instruments at fair value through other comprehensive income	–	–	2,759	2,759
Financial investments at amortised cost	–	115	2,290	2,405
Other assets	–	372	2,463	2,835
Total	1,997	12,987	27,418	42,402
Deposits from banks and other financial institutions	–	11,772	10,819	22,591
Derivative financial liabilities	–	–	23	23
Deposits from customers	11,854	10,167	33,770	55,791
Total	11,854	21,939	44,612	78,405
Other significant items with related parties as at 30 June 2023:				
Guarantee granted (Note)	180	–	–	180

(Expressed in millions of Renminbi, unless otherwise stated)

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

45 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

(iii) Affiliated companies and other related parties (continued)

	China Everbright Group	Affiliated companies	Others	Total
Transactions with related parties for the six months ended 30 June 2022:				
Interest income	–	1,144	466	1,610
Interest expense	(36)	(149)	(454)	(639)
Balances with related parties as at 31 December 2022:				
Placements with banks and other financial institutions	–	3,100	2,000	5,100
Derivative financial assets	–	–	13	13
Loans and advances to customers	–	3,822	9,528	13,350
Financial investments	272	43,876	706	44,854
Financial assets at fair value through profit or loss	272	21,356	–	21,628
Debt instruments at fair value through other comprehensive income	–	41	77	118
Financial investments measured at amortised cost	–	22,479	629	23,108
Other assets	–	534	3,537	4,071
Total	272	51,332	15,784	67,388
Deposits from banks and other financial institutions	–	20,958	16,648	37,606
Derivative financial liabilities	–	–	20	20
Deposits from customers	5,164	10,387	22,138	37,689
Other liabilities	–	118	168	286
Total	5,164	31,463	38,974	75,601
Other significant items with related parties as at 31 December 2022:				
Guarantee granted (Note)	180	–	–	180

Note: As at 30 June 2023, the Bank has guarantee obligations relating to China Everbright Group's outstanding interest obligation of RMB180 million (31 December 2022: RMB180 million) due to one of the state-owned commercial banks.

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

45 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	
	2023 RMB'000	2022 RMB'000
Remuneration	9,335	12,754
– Retirement benefits	536	963
– Basic social pension insurance	306	280

(v) Loans to related natural persons

The aggregate amount of relevant loans outstanding as at 30 June 2023 to related natural persons amounted to RMB8 million (As at 31 December 2022: RMB9 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 2023 RMB'000	31 December 2022 RMB'000
Aggregate amount of relevant loans outstanding as at the end of period	4,759	8,199
Maximum aggregate amount of relevant loans outstanding during the period	4,960	8,308

(Expressed in millions of Renminbi, unless otherwise stated)

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

46 Statement of financial position of the Bank

	Note III	30 June 2023	31 December 2022
Assets			
Cash and deposits with the central bank		338,396	356,253
Deposits with banks and other financial institutions		35,780	28,279
Precious metals		6,817	7,187
Placements with banks and other financial institutions		161,476	137,450
Derivative financial assets		18,814	15,726
Financial assets held under resale agreements		90,040	–
Loans and advances to customers		3,655,043	3,489,051
Financial investments		2,186,329	2,031,064
– Financial assets at fair value through profit or loss		481,927	398,106
– Debt instruments at fair value through other comprehensive income		488,936	443,869
– Equity instruments at fair value through other comprehensive income		1,125	1,121
– Financial investments measured at amortised cost		1,214,341	1,187,968
Investments in subsidiaries	17(a)	12,983	12,983
Property and equipment		16,251	16,403
Right-of-use assets		9,429	10,122
Goodwill		1,281	1,281
Deferred tax assets		32,160	31,146
Other assets		67,533	32,121
Total assets		6,632,332	6,169,066

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

46 Statement of financial position of the Bank (continued)

	30 June 2023	31 December 2022
Liabilities and equity		
Liabilities		
Due to the central bank	99,240	63,231
Deposits from banks and other financial institutions	549,259	544,410
Placements from banks and other financial institutions	105,585	105,321
Derivative financial liabilities	19,440	14,257
Financial assets sold under repurchase agreements	202,796	89,959
Deposits from customers	4,155,806	3,915,781
Accrued staff costs	17,681	18,473
Taxes payable	6,157	9,836
Lease liabilities	9,292	9,993
Debt securities issued	910,925	872,278
Other liabilities	29,162	27,151
Total liabilities	6,105,343	5,670,690
Equity		
Share capital	59,086	54,032
Other equity instruments	104,899	109,062
of which: Preference shares	64,906	64,906
Perpetual bonds	39,993	39,993
Capital reserve	74,473	58,434
Other comprehensive income	2,791	(453)
Surplus reserve	26,245	26,245
General reserve	77,429	77,429
Retained earnings	182,066	173,627
Total equity	526,989	498,376
Total liabilities and equity	6,632,332	6,169,066

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

47 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.

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

47 Segment reporting (continued)

(a) Segment results, assets and liabilities

	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 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

	30 June 2023				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	2,632,251	1,676,487	2,408,225	5,949	6,722,912
Segment liabilities	3,089,400	1,315,145	1,797,730	3,727	6,206,002

(Expressed in millions of Renminbi, unless otherwise stated)

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

47 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	For the six months ended 30 June 2022				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income	11,635	32,986	12,054	–	56,675
Internal net interest income/ (expense)	13,604	(9,999)	(3,605)	–	–
Net interest income	25,239	22,987	8,449	–	56,675
Net fee and commission income	4,377	9,984	474	–	14,835
Net trading gains	–	–	1,319	–	1,319
Dividend income	–	–	–	2	2
Net gains arising from investment securities	260	–	4,821	(273)	4,808
Net gains on derecognition of financial assets measured at amortised cost	–	–	768	–	768
Foreign exchange gains/(losses)	118	22	(437)	–	(297)
Other net operating income	382	14	1	24	421
Operating income	30,376	33,007	15,395	(247)	78,531
Operating expenses	(8,890)	(10,124)	(1,170)	(73)	(20,257)
Credit impairment losses	(7,939)	(17,928)	(3,157)	–	(29,024)
Other impairment losses	3	(2)	(2)	–	(1)
Losses on investments in joint ventures	–	–	–	(32)	(32)
Profit before tax	13,550	4,953	11,066	(352)	29,217
Other segment information					
– Depreciation and amortisation	1,499	1,445	164	–	3,108
– Capital expenditure	918	1,106	115	–	2,139

	31 December 2022				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	2,453,436	1,673,543	2,133,844	5,703	6,266,526
Segment liabilities	2,977,717	1,176,387	1,632,788	3,582	5,790,474

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

47 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 2023	31 December 2022
Segment assets		6,722,912	6,266,526
Goodwill	20	1,281	1,281
Deferred tax assets	21	33,735	32,703
Total assets		6,757,928	6,300,510
Segment liabilities		6,206,002	5,790,474
Dividend payables	34	11,249	23
Total liabilities		6,217,251	5,790,497

(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;

(Expressed in millions of Renminbi, unless otherwise stated)

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

47 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								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Overseas	Total
For the six months ended 30 June 2023	13,480	13,815	10,893	13,117	10,876	9,362	3,148	1,840	76,531
For the six months ended 30 June 2022	14,659	14,110	11,401	13,399	11,078	9,292	3,038	1,554	78,531

	Non-current Assets (Note(i))								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Overseas	Total
30 June 2023	3,693	3,230	11,722	13,069	3,110	3,055	1,151	292	39,322
31 December 2022	3,704	3,408	12,191	12,995	3,241	2,763	1,214	491	40,007

Note:

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

48 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 systems 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)

48 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 control 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 supervision 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 supervision and performance evaluation.

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

48 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 evaluations, credit approval, loan payment and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit 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 approval and lending 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 control 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-loan process, client 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 client 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 loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as 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 credit assets of the Group in accordance with the Guidelines of the Risk Classification of Loans.

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

48 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:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

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 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 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 most effectively manage the effects of these changes on the Group's credit risk. 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, 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)

48 Risk Management (continued)

(a) Credit risk (continued)

Credit risk measurement

Measurement of ECL
The ECL 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 next 12 months;

- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage 3: Financial assets with objective evidence of impairment at the end of the reporting year are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

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 lifetime cumulative change in 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 loss or gain 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)

48 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. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group and external credit risk rating. 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

- At the reporting date, the absolute and relative changes in customer default probability exceeded an mount

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

48 Risk Management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)
Qualitative criteria (continued)

- 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)

48 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 there is an impairment of assets, 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)

48 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.

In the middle of 2023, 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 2024 is 5.75%, the optimistic predicted value is 6.43%, the pessimistic predicted value is 2.87%.

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.

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the predicted expected credit loss shall not exceed 5% of the current expected credit loss.

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.

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

48 Risk Management (continued)

(a) Credit risk (continued)

(i) 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 51(a).

	30 June 2023				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Deposits with the central bank	330,315	–	–	–	330,315
Deposits with banks and other financial institutions	42,888	–	–	–	42,888
Placements with banks and other financial institutions	150,385	–	119	–	150,504
Financial assets held under resale agreements	90,320	–	–	–	90,320
Loans and advances to customers	3,517,816	124,068	22,046	–	3,663,930
Finance lease receivables	99,084	2,805	709	–	102,598
Financial investments	1,691,687	6,271	14,742	123,656	1,836,356
Others (Note)	55,841	7,825	–	18,827	82,493
Total	5,978,336	140,969	37,616	142,483	6,299,404

	31 December 2022				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Deposits with the central bank	352,404	–	–	–	352,404
Deposits with banks and other financial institutions	32,073	–	–	–	32,073
Placements with banks and other financial institutions	129,845	–	134	–	129,979
Financial assets held under resale agreements	28	–	–	–	28
Loans and advances to customers	3,389,741	90,710	18,900	–	3,499,351
Finance lease receivables	104,043	3,505	464	–	108,012
Financial investments	1,618,886	5,192	17,791	129,863	1,771,732
Others (Note)	21,338	6,539	–	15,730	43,607
Total	5,648,358	105,946	37,289	145,593	5,937,186

Note: Others comprise derivative financial assets and assets from wealth management business, interests receivable, deposit margin, and other receivables recorded in other assets.

(Expressed in millions of Renminbi, unless otherwise stated)

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

48 Risk Management (continued)

(a) Credit risk (continued)

(ii) 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 2023	31 December 2022
Impaired		
Carrying amount	300	300
Provision for impairment losses	(181)	(166)
Subtotal	119	134
Neither overdue nor impaired		
– grade A to AAA	280,988	158,470
– grade B to BBB	179	900
– unrated (Note)	2,426	2,576
Subtotal	283,593	161,946
Total	283,712	162,080

Note: Mainly represent deposits with banks and other financial institutions.

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

48 Risk Management (continued)

(a) Credit risk (continued)

(ii) Credit rating (continued)

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 2023	31 December 2022
Impaired		
Carrying amount	26,511	27,292
Provision for impairment losses	(11,769)	(9,501)
Subtotal	14,742	17,791
Neither overdue nor impaired		
Bloomberg Composite		
– grade AAA	1,528	5,217
– grade AA- to AA+	11,064	9,355
– grade A- to A+	36,713	33,794
– grade lower than A-	27,854	26,151
Subtotal	77,159	74,517
Other agency ratings		
– grade AAA	1,420,389	1,384,698
– grade AA- to AA+	243,453	208,649
– grade A- to A+	18,003	15,561
– grade lower than A-	7,249	6,924
– unrated	55,361	63,592
Subtotal	1,744,455	1,679,424
Total	1,836,356	1,771,732

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

48 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 is 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.

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)

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

Basis risk
Basis risk, is caused by interest rates on different pricing basis on the on-and off- balance sheet business of bank books. The risk could be different because the basis risk changes no matter the term is the same or similar.

Trading interest rate risk
Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs basis point value methods to measure its interest rate sensitivity, which is expressed as changes in the fair value of its investment portfolios given a 1 basis point (0.01%) movement in the interest rates.

(Expressed in millions of Renminbi, unless otherwise stated)

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

48 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) *The following tables indicate the effective 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 2023						
	Effective interest rate *	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.49%	338,544	17,032	321,512	–	–	–
Deposits with banks and other financial institutions	0.79%	42,888	11	42,877	–	–	–
Placements with banks and other financial institutions	3.29%	150,504	734	62,590	84,381	2,799	–
Financial assets held under resale agreements	1.88%	90,320	19	90,301	–	–	–
Loans and advances to customers	4.87%	3,663,930	13,116	2,716,113	837,985	94,876	1,840
Finance lease receivables	5.16%	102,598	913	17,269	58,564	20,146	5,706
Financial investments	3.34%	2,202,425	388,248	103,764	250,555	1,103,166	356,692
Others	N/A	166,719	162,958	1,616	–	–	2,145
Total assets	N/A	6,757,928	583,031	3,356,042	1,231,485	1,220,987	366,383

	30 June 2023						
	Effective interest rate *	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%	99,281	1,365	2,893	95,023	–	–
Deposits from banks and other financial institutions	2.15%	547,445	1,628	485,513	60,304	–	–
Placements from banks and other financial institutions	3.70%	179,712	1,243	131,558	46,911	–	–
Financial assets sold under repurchase agreements	1.94%	206,231	161	197,269	8,801	–	–
Deposits from customers	2.35%	4,156,940	77,746	2,121,011	901,854	1,055,992	337
Debt securities issued	2.59%	914,749	3,387	275,479	437,014	188,870	9,999
Others	N/A	112,893	81,502	19,065	3,009	7,772	1,545
Total liabilities	N/A	6,217,251	167,032	3,232,788	1,552,916	1,252,634	11,881
Asset-liability gap	N/A	540,677	415,999	123,254	(321,431)	(31,647)	354,502

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

48 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) *The following tables indicate the effective 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 2022						
	Effective interest rate *	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.45%	356,426	14,922	341,504	–	–	–
Deposits with banks and other financial institutions	0.19%	32,073	19	32,054	–	–	–
Placements with banks and other financial institutions	2.56%	129,979	513	47,992	70,779	10,695	–
Financial assets held under resale agreements	1.62%	28	–	28	–	–	–
Loans and advances to customers	4.98%	3,499,351	12,589	2,647,346	756,364	81,450	1,602
Finance lease receivables	5.56%	108,012	1,122	20,983	60,173	19,863	5,871
Financial investments	3.48%	2,046,612	299,498	115,021	243,919	970,807	417,367
Others	N/A	128,029	124,407	1,420	–	–	2,202
Total assets	N/A	6,300,510	453,070	3,206,348	1,131,235	1,082,815	427,042

	31 December 2022						
	Effective interest rate *	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	2.93%	63,386	272	68	63,046	–	–
Deposits from banks and other financial institutions	2.06%	540,668	927	463,639	76,102	–	–
Placements from banks and other financial institutions	2.28%	188,601	892	106,837	80,872	–	–
Financial assets sold under repurchase agreements	1.63%	92,980	120	89,764	1,548	1,548	–
Deposits from customers	2.30%	3,917,168	76,352	2,161,300	811,022	868,413	81
Debt securities issued	2.62%	875,971	3,354	261,866	422,153	183,598	5,000
Others	N/A	111,723	80,815	29,523	–	1,358	27
Total liabilities	N/A	5,790,497	162,732	3,112,997	1,454,743	1,054,917	5,108
Asset-liability gap	N/A	510,013	290,338	93,351	(323,508)	27,898	421,934

* *The effective 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)

48 Risk Management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(ii) 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 2023, 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 RMB3,024 million (31 December 2022: decrease by RMB2,736 million), and equity to decrease by RMB13,306 million (31 December 2022: decrease by RMB12,553 million); a decrease in the estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB3,236 million (31 December 2022: increase by RMB2,908 million), and equity to increase by RMB14,083 million (31 December 2022: increase by RMB13,337 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.

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.

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

48 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:

	30 June 2023			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	330,952	7,018	574	338,544
Deposits with banks and other financial institutions	24,788	9,572	8,528	42,888
Placements with banks and other financial institutions	113,042	34,538	2,924	150,504
Financial assets held under resale agreements	90,320	–	–	90,320
Loans and advances to customers	3,507,380	82,123	74,427	3,663,930
Finance lease receivables	98,835	3,763	–	102,598
Financial investments	2,068,530	95,617	38,278	2,202,425
Others	144,909	18,691	3,119	166,719
Total assets	6,378,756	251,322	127,850	6,757,928
Liabilities				
Due to the central bank	99,281	–	–	99,281
Deposits from banks and other financial institutions	546,883	523	39	547,445
Placements from banks and other financial institutions	94,360	60,399	24,953	179,712
Financial assets sold under repurchase agreements	183,318	12,745	10,168	206,231
Deposits from customers	3,993,807	123,258	39,875	4,156,940
Debt securities issued	846,316	55,552	12,881	914,749
Others	99,182	11,214	2,497	112,893
Total liabilities	5,863,147	263,691	90,413	6,217,251
Net position	515,609	(12,369)	37,437	540,677
Off-balance sheet credit commitments	1,288,295	32,722	11,761	1,332,778
Derivative financial instruments (Note)	15,218	17,422	(15,029)	17,611

(Expressed in millions of Renminbi, unless otherwise stated)

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

48 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 2022			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	344,797	7,628	4,001	356,426
Deposits with banks and other financial institutions	14,275	10,286	7,512	32,073
Placements with banks and other financial institutions	99,693	25,085	5,201	129,979
Financial assets held under resale agreements	–	–	28	28
Loans and advances to customers	3,354,625	74,791	69,935	3,499,351
Financial lease receivables	104,687	3,325	–	108,012
Financial investments	1,906,805	105,825	33,982	2,046,612
Others	110,819	15,285	1,925	128,029
Total assets	5,935,701	242,225	122,584	6,300,510
Liabilities				
Due to the central bank	63,386	–	–	63,386
Deposits from banks and other financial institutions	534,696	3,924	2,048	540,668
Placements from banks and other financial institutions	97,935	58,477	32,189	188,601
Financial assets sold under repurchase agreements	74,725	8,343	9,912	92,980
Deposits from customers	3,731,263	153,797	32,108	3,917,168
Debt securities issued	816,898	51,913	7,160	875,971
Others	99,343	9,900	2,480	111,723
Total liabilities	5,418,246	286,354	85,897	5,790,497
Net position	517,455	(44,129)	36,687	510,013
Off-balance sheet credit commitments	1,331,943	34,169	13,312	1,379,424
Derivative financial instruments (Note)	(927)	43,772	(8,031)	34,814

Note: Derivative financial instruments reflect the net notional amounts of derivatives.

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

48 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 2023	31 December 2022
Exchange rates against RMB for the HKD	0.9275	0.8914
Exchange rates against RMB for the USD	7.2670	6.9509

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 2023, 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 RMB203 million (31 December 2022: increase by RMB31 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 RMB203 million (31 December 2022: decrease by RMB31 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)

48 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)

48 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 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 the central bank	289,506	49,038	–	–	–	–	–	338,544
Deposits with banks and other financial institutions	–	41,282	1,241	156	–	–	209	42,888
Placements with banks and other financial institutions	119	–	37,975	24,906	84,633	2,871	–	150,504
Financial assets held under resale agreements	–	–	90,320	–	–	–	–	90,320
Loans and advances to customers	47,238	425,777	154,353	227,880	1,002,410	931,664	874,608	3,663,930
Finance lease receivables	129	9	3,268	5,379	24,649	62,062	7,102	102,598
Financial investments	19,300	300,286	20,162	60,926	285,036	1,140,684	376,031	2,202,425
Others	83,446	62,302	2,701	2,829	8,511	4,462	2,468	166,719
Total assets	439,738	878,694	310,020	322,076	1,405,239	2,141,743	1,260,418	6,757,928

	30 June 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	–	–	–	2,903	96,378	–	–	99,281
Deposits from banks and other financial institutions	–	360,221	82,246	65,504	39,474	–	–	547,445
Placements from banks and other financial institutions	–	6	76,239	56,185	47,282	–	–	179,712
Financial assets sold under repurchase agreements	–	–	192,275	5,095	8,861	–	–	206,231
Deposits from customers	–	1,573,434	348,539	385,185	686,046	1,129,269	34,467	4,156,940
Debt securities issued	–	–	134,518	124,383	451,596	194,253	9,999	914,749
Others	–	55,496	3,208	3,928	13,752	31,370	5,139	112,893
Total liabilities	–	1,989,157	837,025	643,183	1,343,389	1,354,892	49,605	6,217,251
Net position	439,738	(1,110,463)	(527,005)	(321,107)	61,850	786,851	1,210,813	540,677
Notional amount of derivative financial instruments	–	–	341,065	230,817	715,106	687,991	4,598	1,979,577

(Expressed in millions of Renminbi, unless otherwise stated)

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

48 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 2022							
	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 the central bank	285,122	71,304	–	–	–	–	–	356,426
Deposits with banks and other financial institutions	–	29,321	269	2,231	80	–	172	32,073
Placements with banks and other financial institutions	134	–	37,301	10,778	70,999	10,767	–	129,979
Financial asset held under resale agreements	–	–	28	–	–	–	–	28
Loans and advances to customers	50,072	435,712	165,707	218,479	935,429	834,213	859,739	3,499,351
Finance lease receivables	33	46	4,371	5,486	23,607	67,841	6,628	108,012
Financial investments	25,405	216,233	35,753	53,166	268,783	1,013,567	433,705	2,046,612
Others	81,666	28,432	2,098	4,564	5,309	3,492	2,468	128,029
Total assets	442,432	781,048	245,527	294,704	1,304,207	1,929,880	1,302,712	6,300,510

	31 December 2022							
	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	–	–	25	71	63,290	–	–	63,386
Deposits from banks and other financial institutions	–	274,073	57,135	133,346	76,114	–	–	540,668
Placements from banks and other financial institutions	–	6	64,023	43,183	81,389	–	–	188,601
Financial assets sold under repurchase agreements	–	–	82,059	7,820	1,550	1,551	–	92,980
Deposits from customers	–	1,382,165	318,146	364,756	830,288	1,021,718	95	3,917,168
Debt securities issued	–	–	13,069	243,628	426,169	188,105	5,000	875,971
Others	–	59,873	3,013	5,312	8,015	30,022	5,488	111,723
Total liabilities	–	1,716,117	537,470	798,116	1,486,815	1,241,396	10,583	5,790,497
Net position	442,432	(935,069)	(291,943)	(503,412)	(182,608)	688,484	1,292,129	510,013
Notional amount of derivative financial instruments	–	–	235,347	218,141	574,524	699,711	2,035	1,729,758

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

48 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 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	99,281	100,496	–	–	2,944	97,552	–	–
Deposits from banks and other financial institutions	547,445	549,910	360,373	83,010	66,589	39,938	–	–
Placements from banks and other financial institutions	179,712	181,435	6	76,558	56,665	48,206	–	–
Financial assets sold under repurchase agreements	206,231	206,483	–	192,322	5,126	9,035	–	–
Deposits from customers	4,156,940	4,227,563	1,573,434	354,455	392,880	710,354	1,161,972	34,468
Debt securities issued	914,749	942,865	–	135,014	125,476	462,615	208,012	11,748
Other financial liabilities	66,480	72,481	29,705	292	694	4,911	29,493	7,386
Total non-derivative financial liabilities	6,170,838	6,281,233	1,963,518	841,651	650,374	1,372,611	1,399,477	53,602
Derivative financial liabilities								
Derivative financial instruments settled on net basis		633	–	41	81	(21)	216	316
Derivative financial instruments settled on gross basis								
– Cash inflow		870,906	–	308,448	159,346	384,453	18,659	–
– Cash outflow		(677,959)	–	(189,509)	(108,595)	(361,092)	(18,763)	–
Total derivative financial liabilities		192,947	–	118,939	50,751	23,361	(104)	–

(Expressed in millions of Renminbi, unless otherwise stated)

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

48 Risk Management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flows of financial liabilities at the end of the reporting period: (continued)

	31 December 2022							
	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	63,386	64,799	–	25	72	64,702	–	–
Deposits from banks and other financial institutions	540,668	543,019	274,209	57,357	134,598	76,855	–	–
Placements from banks and other financial institutions	188,601	190,663	6	64,091	43,520	83,046	–	–
Financial assets sold under repurchase agreements	92,980	93,084	–	82,102	7,863	1,566	1,553	–
Deposits from customers	3,917,168	3,978,082	1,382,165	324,008	376,136	862,226	1,033,433	114
Debt securities issued	875,971	904,053	–	13,211	251,786	433,688	199,530	5,838
Other financial liabilities	65,432	70,298	28,111	354	2,711	2,872	28,620	7,630
Total non-derivative financial liabilities	5,744,206	5,843,998	1,684,491	541,148	816,686	1,524,955	1,263,136	13,582
Derivative financial liabilities								
Derivative financial instruments settled on net basis		748	–	13	(2)	378	97	262
Derivative financial instruments settled on gross basis								
– Cash inflow		681,857	–	213,796	162,785	300,364	4,912	–
– Cash outflow		(489,327)	–	(106,413)	(128,164)	(249,837)	(4,913)	–
Total derivative financial liabilities		192,530	–	107,383	34,621	50,527	(1)	–

This analysis of the financial instruments by contractual undiscounted cash flows might diverge from actual results.

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

	30 June 2023			
	Within one year	Between one year and five years	More than five years	Total
Loan and credit card commitments	376,659	441	1,278	378,378
Guarantees, acceptances and other credit commitments	913,290	40,424	686	954,400
Total	1,289,949	40,865	1,964	1,332,778

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

48 Risk Management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of off-balance sheet assets of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period: (continued)

	31 December 2022			
	Within one year	Between one year and five years	More than five years	Total
Loan and credit card commitments	365,068	540	1,520	367,128
Guarantees, acceptances and other credit commitments	964,754	46,456	1,086	1,012,296
Total	1,329,822	46,996	2,606	1,379,424

(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.

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

49 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.

(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.

(b) Fair value measurement

(i) Financial assets

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

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

Loans and advances to customers 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.

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

49 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 period:

	Carrying value		Fair value	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Financial assets				
Debt securities and asset–backed instruments measured at amortised cost	1,170,964	1,118,734	1,196,299	1,135,161
Financial liabilities				
Debt securities issued	914,749	875,971	905,641	859,788

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 a discounted cash flow model is based on a current yield curve appropriate for the remaining term to maturity.

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

49 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. This level includes bonds and a majority of OTC derivative contracts.

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.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

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.

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

49 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 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– Currency derivatives	–	12,901	–	12,901
– Interest rate derivatives	4	5,921	–	5,925
Loans and advances to customers	–	238,207	–	238,207
Financial assets at fair value through profit or loss				
– Debt instruments held for trading	–	106,792	120	106,912
– Other financial assets at fair value through profit or loss	252,109	122,146	7,427	381,682
Debt instruments at fair value through other comprehensive income	–	493,393	24	493,417
Equity instruments at fair value through other comprehensive income	28	–	1,102	1,130
Total	252,141	979,360	8,673	1,240,174
Liabilities				
Derivative financial liabilities				
– Currency derivatives	–	14,014	–	14,014
– Interest rate derivatives	–	5,426	–	5,426
Total	–	19,440	–	19,440

(Expressed in millions of Renminbi, unless otherwise stated)

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

49 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 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– Currency derivatives	–	10,961	–	10,961
– Interest rate derivatives	1	4,768	–	4,769
Loan and advances to customers	–	214,253	–	214,253
Financial assets at fair value through profit or loss				
– Debt instruments held for trading	–	109,385	255	109,640
– Other financial assets at fair value through profit or loss	192,352	93,929	7,696	293,977
Debt instruments at fair value through other comprehensive income	–	449,532	64	449,596
Equity instruments at fair value through other comprehensive income	24	–	1,102	1,126
Total	192,377	882,828	9,117	1,084,322
Liabilities				
Financial liabilities at fair value through profit or loss	27	–	–	27
Derivative financial liabilities				
– Currency derivatives	–	9,743	–	9,743
– Interest rate derivatives	–	4,518	–	4,518
Total	27	14,261	–	14,288

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

49 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

The movements during the period ended 30 June 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	–	15	–	–	15	–	–
Total gains or losses:							
– Recognised in profit or loss	–	(600)	–	(40)	(640)	–	–
Purchases	–	495	–	–	495	–	–
Settlements	–	(314)	–	–	(314)	–	–
As at 30 June 2023	–	7,547	1,102	24	8,673	–	–
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	–	(600)	–	(40)	(640)	–	–

The movements during the year ended 31 December 2022 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
1 January 2022	1	10,318	1,102	67	11,488	–	–
Total gain or loss:							
– Recognised in the profit or loss	(1)	(1,237)	–	(3)	(1,241)	–	–
Purchases	–	2,964	–	–	2,964	–	–
Settlements	–	(4,094)	–	–	(4,094)	–	–
31 December 2022	–	7,951	1,102	64	9,117	–	–
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the reporting year	(1)	(1,237)	–	(3)	(1,241)	–	–

(Expressed in millions of Renminbi, unless otherwise stated)

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

49 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 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	–	1,196,273	26	1,196,299
Financial liabilities				
Debt securities issued	–	905,641	–	905,641

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	–	1,135,161	–	1,135,161
Financial liabilities				
Debt securities issued	–	859,788	–	859,788

(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 2023, 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.

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

50 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 2023	31 December 2022
Entrusted loans	86,058	92,724
Entrusted funds	86,058	92,724

51 Commitments and contingent liabilities

(a) Credit commitments

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

The contractual amounts of loans 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 2023	31 December 2022
Loan commitments		
– Original contractual maturity within one year	19,763	16,007
– Original contractual maturity more than one year (inclusive)	6,919	6,009
Credit card commitments	351,696	345,112
Subtotal	378,378	367,128
Acceptances	652,423	724,330
Letters of guarantee	123,867	116,297
Letters of credit	177,925	171,484
Guarantees	185	185
Total	1,332,778	1,379,424

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.

(Expressed in millions of Renminbi, unless otherwise stated)

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

51 Commitments and contingent liabilities (continued)

(b) Credit risk-weighted amount of credit commitments

	30 June 2023	31 December 2022
Credit risk-weighted amount of credit commitments	403,019	418,205

The credit risk-weighted amount of credit commitments represents the amount calculated with reference to 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 risk weights 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 2023	31 December 2022
Contracted but not paid		
– Purchase of property and equipment	4,059	3,939
Approved but not contracted for		
– Purchase of property and equipment	5,915	5,708
Total	9,974	9,647

(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 2023	31 December 2022
Redemption commitments	4,398	4,320

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

51 Commitments and contingent liabilities (continued)

(e) Outstanding litigations and disputes

As at 30 June 2023, the Group was the defendant or the third party in certain pending litigation and disputes with gross claims of RMB1,324 million (31 December 2022: RMB1,688 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 34). The Group considers that the provisions made are reasonable and adequate.

52 Subsequent Events

The Group has no significant subsequent events.

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, LEVERAGE 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 2023
Liquidity coverage ratio	116.48%
High Quality Liquid Assets	889,540
Net cash outflows in 30 days from the end of the reporting period	763,701

Liquidity Ratio*

	As at 30 June 2023	Average for the six months ended 30 June 2023	As at 31 December 2022	Average for the year ended 31 December 2022
RMB current assets to RMB current liabilities	60.40%	61.18%	74.44%	70.72%
Foreign current assets to foreign current liabilities	94.11%	100.52%	123.89%	136.46%

** Liquidity ratio is calculated in accordance with the banking level.*

1 LIQUIDITY COVERAGE RATIO, LIQUIDITY RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

Leverage Ratio

	30 June 2023
Leverage Ratio	6.90%

Pursuant to the Leverage Ratio Management of Commercial Banks which has been effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the NAFR 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 2023, the Group met the supervision requirement with the net stable funding ratio standing at 106.34%.

Indicators	30 June 2023
Available and stable funds	3,804,914
Required stable funds	3,577,939
Net stable funding ratio	106.34%

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	30 June 2023			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	251,322	56,824	71,026	379,172
Spot liabilities	(263,691)	(40,373)	(50,040)	(354,104)
Forward purchases	451,660	531	9,465	461,656
Forward sales	(434,238)	(9,583)	(15,442)	(459,263)
Net (short)/long position	5,053	7,399	15,009	27,461
Net structural position	–	212	91	303

	31 December 2022			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	242,225	51,952	70,632	364,809
Spot liabilities	(286,354)	(35,120)	(50,777)	(372,251)
Forward purchases	351,772	2,015	26,327	380,114
Forward sales	(308,000)	(12,136)	(24,237)	(344,373)
Net (short)/long position	(357)	6,711	21,945	28,299
Net structural position	–	201	107	308

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 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties overseas and claims in foreign currencies on third parties within the Mainland China as international claims.

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

3 INTERNATIONAL CLAIMS (CONTINUED)

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	As at 30 June 2023			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	79,787	11,581	78,407	169,775
– of which attributed to Hong Kong	24,096	8,245	61,204	93,545
Europe	34,558	50	20,671	55,279
North and South America	9,279	9,404	19,401	38,084
Total	123,624	21,035	118,479	263,138

	As at 31 December 2022			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	124,453	9,522	85,160	219,135
– of which: attributed to Hong Kong	24,794	4,769	54,965	84,528
Europe	25,259	257	24,536	50,052
North and South America	11,882	25,684	16,069	53,635
Total	161,594	35,463	125,765	322,822

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

(a) By geographical segment

	30 June 2023	31 December 2022
Pearl River Delta	9,565	8,542
Central	6,036	4,264
Yangtze River Delta	5,629	4,589
Bohai Rim	4,821	3,953
Northeastern	4,095	4,034
Overseas	3,735	1,656
Western	3,732	3,200
Head Office	7,946	7,483
Total	45,559	37,721

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)

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES (CONTINUED)

(b) By overdue day

	30 June 2023	31 December 2022
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	13,587	11,769
– between 6 months and 1 year (inclusive)	12,559	12,454
– over 1 year	19,413	13,498
Total	45,559	37,721
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.36%	0.33%
– between 6 months and 1 year (inclusive)	0.34%	0.35%
– over 1 year	0.52%	0.38%
Total	1.22%	1.06%

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 2023	31 December 2022
Covered portion of loans and advances past due but not impaired	10,410	10,392
Uncovered portion of loans and advances past due but not impaired	15,729	19,137
Total loans and advances past due but not impaired	26,139	29,529
Current market value of collateral	23,337	22,226

5 NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in the PRC with its banking business conducted in Mainland China. As at 30 June 2023, substantial amounts of the Group's exposures arose from businesses with Mainland China entities or individuals.

Designed & Produced by HeterMedia Services Limited

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