

# CZBANK 浙商银行

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

A Share Stock Code : 601916

H Share Stock Code : 2016



Interim Report 2024

## IMPORTANT NOTICE

1. The Board of Directors, the Supervisory Committee, Directors, Supervisors and Senior Management of the Company warrant that the contents in this report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will take legal responsibilities for such contents on a joint and several basis.
2. This interim report was approved at the 2024 second extraordinary meeting of the seventh session of the Board of the Company on August 29, 2024. The Company has 12 Directors, among which 12 Directors attended the meeting in person, which is in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company. 10 Supervisors of the Company attended the meeting.
3. As of the disclosure date of this report, the Company had no plans for interim profit distribution or transfer from reserves to share capital.
4. Unless otherwise illustrated in this report, the currency for any amount herein is RMB. Certain amounts and percentage numbers in this report have been rounded. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.
5. The interim financial report for 2024 of the Company is unaudited.
6. Lu Jianqiang (陸建強), Chairman of the Board of the Company, Hou Bo (侯波), Principal in charge of Finance and Peng Zhiyuan (彭志遠), Director of the Financial Department warrant that the financial report in the interim report is true, accurate and complete.

## SIGNIFICANT RISK WARNING

Please refer to the section headed “Management Discussion and Analysis – Risk Management” of this report for information about major risks faced and measures to be taken by the Company.

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



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## DEFINITIONS

**“Company”, “Bank”, “our Bank”,** China Zheshang Bank Co., Ltd.

**“China Zheshang Bank” or**

**“CZBank”:**

**“Former CBIRC”:** the Former China Banking and Insurance Regulatory Commission

**“CSRC”:** China Securities Regulatory Commission

**“Hong Kong Stock Exchange”:** The Stock Exchange of Hong Kong Limited

**“SFO”:** Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

**“Hong Kong Listing Rules”:** The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

**“Model Code”:** The Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 to Hong Kong Listing Rules

**“Zheyin Financial Leasing”:** Zhejiang Zheyin Financial Leasing Co., Ltd., a holding subsidiary of the Company, in which the Company holds 51% of equity interest

**“Group”:** the Company and its subsidiary

## COMPANY PROFILE

1.	<b>Company name in Chinese:</b> <b>Company name in English:</b>	浙商银行股份有限公司(Abbreviation in Chinese: 浙商银行) CHINA ZHESHANG BANK CO., LTD. (Abbreviation in English: CZBANK)
2.	<b>Legal Representative:</b>	Lu Jianqiang
3.	<b>Registered address:</b>  <b>Postcode:</b> <b>Principal office address:</b>  <b>Postcode:</b> <b>E-mail:</b> <b>Website:</b> <b>Customer service hotline:</b> <b>Tel for investor relations management:</b> <b>Fax:</b>	No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC 311200 No. 1 Minxin Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC 310020 ir@czbank.com www.czbank.com 95527 86-571-88268966 86-571-87659826
4.	<b>Principal place of business in Hong Kong:</b>	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong, the PRC
5.	<b>Authorized representatives:</b>	Lu Jianqiang, Luo Feng
6.	<b>Secretary to the Board:</b> <b>Joint Company Secretaries:</b> <b>Representative of securities affairs:</b>	Luo Feng Luo Feng, Chan Yin Wah Chen Sheng
7.	<b>A Shares</b> <b>Stock exchange where the securities are listed:</b> <b>Stock abbreviation:</b> <b>Stock code:</b>  <b>H Shares</b> <b>Stock exchange where the securities are listed:</b> <b>Stock abbreviation:</b> <b>Stock code:</b>	Shanghai Stock Exchange CZBANK 601916  Hong Kong Stock Exchange CZBANK 2016

## COMPANY PROFILE

8.	<b>Share registrar:</b>	
	<b>A Shares:</b>	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	<b>H Shares:</b>	No. 188 South Yanggao Road, Pudong New Area, Shanghai, the PRC Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, the PRC
9.	<b>Legal advisers:</b>	
	<b>As to Mainland PRC Laws:</b>	Zhejiang T&C Law Firm
	<b>As to Hong Kong PRC Laws:</b>	Freshfields Bruckhaus Deringer
10.	<b>Accounting firms engaged by the Company:</b>	
	<b>Domestic auditor:</b>	KPMG Huazhen LLP Office address: 8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, the PRC Signing certificated accountants: Chen Sijie, Jin Rui
	<b>International auditor:</b>	KPMG Office address: 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, the PRC
11.	<b>Sponsor institution performing continuous supervision and guidance duties:</b>	
	<b>Name of the institution:</b>	CITIC Securities Company Limited Office address: North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province, the PRC The undersigned sponsor representatives: Cheng Yue, Jiang Ying The period of continuous supervision and guidance: July 6, 2023 to December 31, 2024
12.	<b>Newspapers and websites designated for information disclosure:</b>	
	<b>Mainland China:</b>	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily Website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">www.sse.com.cn</a> ) Website of the Company ( <a href="http://www.czbank.com">www.czbank.com</a> )
	<b>Hong Kong:</b>	Website of the Hong Kong Stock Exchange ( <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> ) Website of the Company ( <a href="http://www.czbank.com">www.czbank.com</a> )
	<b>Place for inspection of the report:</b>	Office of the Board of the Company (No. 1 Minxin Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC)
13.	<b>Other information about the Company:</b>	Uniform social credit code: 91330000761336668H Financial institution license serial number: B0010H133010001 Registration date: July 26, 2004



## CORPORATE OVERVIEW

As one of the twelve nationwide joint-stock commercial banks, CZBank officially commenced business on August 18, 2004, with its head office in Hangzhou, Zhejiang Province. CZBank is the 13th “A+H” listed bank in China. Since its opening, CZBank has always gained a toehold in Zhejiang and steadily developed its businesses worldwide, and has developed into a high-quality commercial bank with a solid foundation, strong profitability and prudent risk control.

Under the guidance of the vision of being “a first-class commercial bank”, CZBank comprehensively establishes a five-word ecosystem, namely “integrity, simplicity, professionalism, cooperation and honesty”, vigorously carries forward the “four dos spirit”, exercises the three-word primer of “goodness, intelligence, and diligence”, adheres to its twelve-word operation approach of “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability”, and practices financial services for good. It also sticks to intelligent operation, develops assets with low sensitivity to economic cycle as a ballast stone and implements the “321” operation strategy in a steadfast manner. Based on the main line of digital reform, CZBank has conducted a customer-oriented, comprehensive and coordinated reform in all aspects, while taking “deepening the development in Zhejiang” as its first priority, launching brand-new wealth management, and leveraging the simultaneous and comprehensive synergistic development of the five major business segments, namely great retail, great corporate, great investment banking, great asset management and great cross-border. CZBank has implemented the four major consolidations, namely, “customer foundation, talent foundation, system foundation and investment and research foundation”, embarking on a new journey of high-quality development.

In the first half of 2024, CZBank’s operating income was RMB35.295 billion, representing a period-on-period increase of 6.16%; net profit attributable to shareholders of the Bank was RMB7.999 billion, representing a period-on-period increase of 3.31%. As at the end of the reporting period, the total assets were RMB3.25 trillion, representing an increase of 3.27% as compared with that at the end of last year, of which total loans and advances to customers were RMB1.81 trillion, representing an increase of 5.59% as compared with that at the end of last year; the total liabilities were RMB3.05 trillion, representing an increase of 3.31% as compared with that at the end of last year, of which balance of customer deposits were RMB1.94 trillion, representing an increase of 3.74% as compared with that at the end of last year; the non-performing loan ratio was 1.43% and allowance to non-performing loans was 178.12%; the capital adequacy ratio was 12.86%, representing an increase of 0.67 percentage point as compared with that at the end of last year; the core tier-one capital adequacy ratio was 8.38%, representing an increase of 0.16 percentage point as compared with that at the end of last year.

As of the end of June 2024, CZBank has established 350 branch outlets in 22 provinces, autonomous regions, municipalities directly under the Central Government and the Hong Kong Special Administrative Region, effectively covering Zhejiang, where its headquarters are located, the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Bohai Rim, Economic Zone on the Western Coast of the Taiwan Straits and certain areas in the Midwestern China. In the “Top 1000 World Banks 2023” ranking by The Banker, U.K., we ranked 87th in terms of tier-one capital. China Chengxin International gave CZBank the highest AAA corporate credit rating among financial institutions.



## DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS

By adhering to the concepts of guided by Party building and intensifying cultural forces brings success, thoroughly keeping the philosophies of “financial services for good” and “intelligent operation” in mind, firmly implementing the “1314N” strategic system and comprehensively advancing the new journey of high-quality development, CZBank strives to develop itself as a demonstration enterprise in terms of high-quality development in finance.

### (I) DEVELOPMENT CONCEPTS

**Ecosystem:** Establish a five-word ecosystem, namely “integrity, simplicity, professionalism, cooperation and honesty”.

**Development:** Practice the three-word primer of “goodness, intelligence and diligence” and make efforts on high-quality development.

**Practice:** Adhere to the keynote of strictness and develop the “four dos spirit” (do it, do good, do it well and do well in it).

### (II) STRATEGIC SYSTEM

The Bank is committed to implementing the 1314N strategic system:

**One general principle of development:** start a new journey of high-quality development with the vision of being “a first-class commercial bank”.

**Three major goals:** first-class social influence with positive behavior, first-class professional competitiveness in the industry, and first-class corporate cohesion of common progress and prosperity.

**One operation approach:** comprehensively implement the twelve-word operation approach of “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks and increasing corporate profitability”.

**Four strategic focuses:** introduce systematic digital transformation, deepen comprehensive development in all aspects, seek synergetic development of all five segments and embark on a new journey of wealth management.

**Numerous strategic measures:** stick to intelligent operation, develop assets with low sensitivity to economic cycle as a ballast stone and build a first-class operation system for high-quality development; win the four major battles, namely minimizing risk, expanding revenue, stabilizing stock price and introducing strategic investment, promoting the high-quality development; and make the four major breakthroughs of customer foundation, talent foundation, system foundation, and investment and research foundation, consolidating the foundation for high-quality development.





## DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS

### (III) CORE COMPETITIVENESS

**Clear and specific strategic positioning.** The Company has always adhered to General Secretary Xi's 99-word important instruction to CZBank as a guideline, and has taken the vision of being "a first-class commercial bank" as general principle. We have clarified the 12-word operation approach of "consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability" and the four strategic focuses of "digital reformation, deepening development, five major segments, and wealth management" and practice the three-word primer of "goodness, intelligence and diligence". The implementation is clear with a remarkable operating result.

**Sound and organized corporate governance.** The Company strengthens the establishment of modern corporate systems in all aspects and has improved the corporate governance level continuously with better governance systems. The Board of Directors, the Supervisory Committee and General Meetings and its Senior Management with specified and definite duties and responsibilities have formed a corporate governance structure appropriate for the Company. A three-tier capital structure comprising central state capital, local state capital and private capital have been established with a more stable and diversified equity structure. Through standard information disclosure processes, we have improved the quality of information disclosure continuously.

**Unique regional advantage.** The headquarters of the Company is located in Zhejiang Province which boasts strong economic foundation, high market-oriented system and mechanism, sound legal and regulatory environment, outstanding industrial cluster advantage, and complete urban system. The operating strategy of the Company is in line with the resource advantage and development plan of Zhejiang Province, so "deepening the development in Zhejiang with services nationwide" naturally enjoys excellent regional advantage and external environment.

**Improving business system.** The Company has focused on the coordinated development of its five major business segments, namely great retail, great corporate, great investment banking, great asset management and great cross-border, providing customers with comprehensive, three-dimensional and systematic financial services to achieve the diversified operation, global layout, comprehensive services and high-quality development. In particular, its professional service ability in many fields such as supply chain finance, intelligent manufacturing services, science and innovation finance, and small and micro enterprise business has been highly recognized by the market and customers.

**Prudent and steady risk management.** Oriented with serving the real economy, the Company adheres to a prudent and healthy risk appetite and the principle of "small and diversified" in granting credit in an appropriate manner, builds an asset structure with low sensitive assets of economic cycle as ballast stone, implements a distinctive risk control officer assignment system, and continuously improves the risk management system to maintain stable quality of assets.



## DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS

**Financial technology with distinctive edges.** The Company has systematically initiated the digital reform, built the “185N” reform system architecture, launched the “Digital Intelligence CZBank” (數智浙銀) brand and has taken the lead in exploring the deepened integration of the cutting-edge technologies with banking business, so as to build several major digital applications with CZBank identification and competitiveness in the industry.

**Scientific and reasonable talent reserves.** The Company strengthens the construction of its cadre team by comprehensively implementing the “123 Talent Plan” (123人才計劃) of CZBank. The management of the Company has broad strategic vision and extraordinary business management capability, as well as extensive experience in business operation, financial management, risk control and information technology. The employees of the Company are young, energetic, highly – educated with strong professional competence.

**Refreshed corporate culture.** The Company adheres to the cultural concept of “uprightness and goodness, and financing to all parties” and the entrepreneurial spirit of “seeing the action, seeing the heart, and seeing the future”, takes the “awe, gratitude, integrity, responsibility” as shared value and the “CZBank Motto” (《浙銀行訓》), “CZBank Song” (《浙銀之歌》) and “CZBank Convention Version 2.0” (《浙銀公約2.0版》) as a cultural consensus, takes “service culture, compliance culture, excellence culture and harmony culture” as basic cultural elements and implements the four key projects, namely culture rooting, culture nourishing, culture shaping and culture promotion, thus building the “four beams and eight pillars” of the Bank’s corporate culture system as well as building the two cultural brands of “being the advocate and practitioner of happy life” and “being a bank popular among young people”.

**Innovation-led concept of “financial services for good”.** The Company fulfills the mission of “national priorities” in finance, reshaping financial logic based on social value. Led by the concept of financial services for good, the Company proactively supports the “financial consulting system”, with the launch of CSGS and implements the trust project for “financial services for good”. In addition, we practice the intra-county comprehensive financial ecological construction and acts as the “financial army” of the government, the “financial family doctor” of enterprises and the “financial consultant” of residents, exploring a new paradigm for Chinese-style modernization of financial services.

## FINANCIAL SUMMARY

(The financial data and indicators set forth in this report are prepared in accordance with IFRSs, are consolidated data of the Bank and its subsidiaries and presented in RMB, unless otherwise specified.)

### KEY FINANCIAL DATA AND INDICATORS

Operating results (RMB million)	January to June 2024	January to June 2023	Increase (decrease) (%)	January to June 2022
Operating income	35,295	33,248	6.16	31,778
Profit before taxation	9,741	9,378	3.87	8,489
Net profit attributable to shareholders of the Bank	7,999	7,743	3.31	6,974

Per share (RMB)	January to June 2024	January to June 2023	Increase (decrease) (%)	January to June 2022
Basic earnings per share attributable to shareholders of the Bank <sup>(1)</sup>	0.29	0.34	(14.71)	0.27
Diluted earnings per share attributable to shareholders of the Bank <sup>(1)</sup>	0.29	0.34	(14.71)	0.27

Profitability indicators (%)	January to June 2024	January to June 2023	Increase/ decrease	January to June 2022
Return on average total assets <sup>(2)</sup>	0.52	0.58	Decrease by 0.06 percentage point	0.60
Return on average equity <sup>(3)</sup>	9.78	10.71	Decrease by 0.93 percentage point	10.29
Net interest margin <sup>*</sup>	1.82	2.14	Decrease by 0.32 percentage point	2.28
Net interest spread <sup>*</sup>	1.61	1.95	Decrease by 0.34 percentage point	2.08
Net non-interest income to operating income	33.02	27.91	Increase by 5.11 percentage points	26.88
Cost-to-income ratio <sup>(4)</sup>	28.91	27.96	Increase by 0.95 percentage point	24.09

Scale indicators (RMB million)	June 30, 2024	December 31, 2023	Increase (decrease) (%)	December 31, 2022
Total assets	3,246,610	3,143,879	3.27	2,621,930
Total loans and advances to customers	1,812,163	1,716,240	5.59	1,525,030
Total liabilities	3,052,236	2,954,302	3.31	2,456,000
Customer deposits	1,938,479	1,868,659	3.74	1,681,443
Equity attributable to shareholders of the Bank	190,798	186,245	2.44	162,933
Net assets per share at the end of the period attributable to shareholders of the Bank <sup>(5)</sup> (RMB)	6.04	5.87	2.90	6.49

## FINANCIAL SUMMARY

Asset quality indicators (%)	June 30, 2024	December 31, 2023	Increase/ decrease	December 31, 2022
Non-performing loan ratio <sup>(6)</sup>	1.43	1.44	Decrease by 0.01 percentage point	1.47
Allowance to non-performing loans <sup>(7)</sup>	178.12	182.60	Decrease by 4.48 percentage points	182.19
Allowance to total loans <sup>(7)</sup>	2.54	2.63	Decrease by 0.09 percentage point	2.67

Capital adequacy indicators (%)	June 30, 2024	December 31, 2023	Increase/ decrease	December 31, 2022
Core tier-one capital adequacy ratio <sup>(8)</sup>	8.38	8.22	Increase by 0.16 percentage point	8.05
Tier-one capital adequacy ratio <sup>(8)</sup>	9.68	9.52	Increase by 0.16 percentage point	9.54
Capital adequacy ratio <sup>(8)</sup>	12.86	12.19	Increase by 0.67 percentage point	11.60

### Notes:

\* Annualized return rate.

- (1) Basic earnings per share attributable to shareholders of the Bank = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to other equity instruments of the Bank) divided by weighted average number of ordinary shares outstanding. The Bank completed the A-share right issue and the H-share right issue on June and July 2023, respectively. As a result of the Right Issue, the earnings per share for the first half of 2022 have been recalculated.
- (2) Return on average total assets = Net profit divided by the average balance of total assets at the beginning and at the end of the period.
- (3) Return on average equity = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to other equity instruments of the Bank) divided by average balance of equity attributable to shareholders of ordinary shares of the Bank at the beginning and at the end of the period (excluding other equity instruments).
- (4) Cost-to-income ratio = Operating expenses (excluding taxes and surcharges) divided by operating income.
- (5) Net assets per share attributable to shareholders of the Bank = (Equity attributable to shareholders of the Bank minus other equity instruments) divided by the total number of ordinary shares at the end of the period.
- (6) Since the 2023 annual report, the Bank has calculated the non-performing loan ratio and allowance to total loans in accordance with the Guidelines for the Calculation of Major Financial Indicators in China's Banking Industry (Yin Xie Fa [2023] No. 34) 《中國銀行業主要財務指標計算指引》(銀協發[2023]34號)) issued by the China Banking Association, where: Non-performing loan ratio = Balance of non-performing loans divided by total loans and advances to customers (excluding interest accrued).
- (7) Allowance to non-performing loans = Balance of the allowance for ECLs of loans divided by balance of non-performing loans; allowance to total loans = Balance of the allowance for ECLs of loans divided by total loans and advances to customers (excluding interest accrued). There is no difference between the indicator for the Group and the Bank. According to the Notice on the Regulatory Requirements on Adjusting Allowances for Loan Impairment Losses of Commercial Banks (Yin Jian Fa [2018] No. 7) 《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發[2018]7號)), the regulatory policy of differentiated dynamic adjustment of allowances was practiced for joint-stock banks. The regulatory standards for allowance to non-performing loans and allowance to total loans appropriate to the Group are 140% and 2.1%.
- (8) Since 1 January 2024, the Group calculates the capital adequacy indicators in accordance with the requirements under the Administrative Measures for the Capital of Commercial Banks (No. 4 Order [2023] of National Financial Regulatory Administration) 《商業銀行資本管理辦法》(國家金融監督管理總局令2023年第4號)).



## FINANCIAL SUMMARY

### EXPLANATION OF DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING POLICIES

The net profit attributable to shareholders of the Bank for the reporting period ended June 30, 2024 and the equity attributable to shareholders of the Bank as at the end of the reporting period presented in the financial statements prepared by the Group under the China Accounting Standards are the same with that presented in the financial statements prepared by the Group under the International Financial Reporting Standards.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (I) ANALYSIS OF OVERALL OPERATION PERFORMANCE

During the reporting period, the Group earnestly implemented the decisions and deployments of the Central Committee of the Communist Party of China, the State Council and the Zhejiang Provincial Party Committee and Provincial Government. Under the guidance of the vision of being “a first-class commercial bank”, the Group adhered to the twelve-word operation approach, practiced financial services for good, deeply promoted the four major strategic priorities, stuck to intelligent operation strategy, developed assets with low sensitivity to economic cycle as a ballast stone, implemented the “321” operation strategy in a steadfast manner, focused on the main line of digital reform, and conducted a customer-oriented, comprehensive and coordinated reform in all aspects, thereby advancing its high-quality development to a new stage.

**Steady increase of business scale.** Adhering to the fundamental purpose of providing financial services to the real economy. As at the end of the reporting period, total assets of the Group amounted to RMB3,246.610 billion, representing an increase of RMB102.731 billion or 3.27% as compared to that at the end of last year, of which total loans and advances to customers amounted to RMB1,812.163 billion, representing an increase of RMB95.923 billion or 5.59% as compared to that at the end of last year. Striving to enhance the stability of liabilities and improve the quality of liabilities. Total liabilities amounted to RMB3,052.236 billion, representing an increase of RMB97.934 billion or 3.31% as compared to that at the end of last year, of which customer deposits amounted to RMB1,938.479 billion, representing an increase of RMB69.820 billion or 3.74% as compared to that at the end of last year.

**Steady improvement in operating quality and profitability.** Firmly promoting 321 revenue expansion with comprehensive empowerment by intelligent operation. During the reporting period, operating income of the Group amounted to RMB35.295 billion, representing a period-on-period increase of RMB2.047 billion or 6.16%, of which net interest income amounted to RMB23.642 billion, representing a period-on-period decrease of RMB327 million or 1.36%, and net non-interest income amounted to RMB11.653 billion, representing a period-on-period increase of RMB2.374 billion or 25.58%. Net profit attributable to shareholders of the Bank amounted to RMB7.999 billion, representing a period-on-period increase of RMB256 million or 3.31%.

**Positive trend in asset quality.** Strengthening the management and control of financial risks and improving risk-resistance capacity. As at the end of the reporting period, the non-performing loan ratio was 1.43%, representing a decrease of 0.01 percentage point as compared to that at the end of last year; allowance to non-performing loan ratio was 178.12%, representing a decrease of 4.48 percentage points as compared to that at the end of last year; the allowance to total loans ratio was 2.54%, representing a decrease of 0.09 percentage point as compared to that at the end of last year.

**Slight increase of capital adequacy ratio.** Continuing to optimize the business structure and strengthen the management of capital adequacy. As at the end of the reporting period, the capital adequacy ratio of the Group amounted to 12.86%, representing an increase of 0.67 percentage point as compared with that at the end of last year. The tier-one capital adequacy ratio amounted to 9.68%, representing an increase of 0.16 percentage point as compared with that at the end of last year, and the core tier-one capital adequacy ratio amounted to 8.38%, representing an increase of 0.16 percentage point as compared with that at the end of last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (II) ANALYSIS OF FINANCIAL STATEMENTS

### 1. Analysis of Consolidated Statement of Profit or Loss

During the reporting period, the Group achieved a net profit attributable to shareholders of the Bank of RMB7.999 billion, representing an increase of 3.31% on a period-on-period basis; the return on average total assets was 0.52% and the return on average equity was 9.78%. Operating income was RMB35.295 billion, representing an increase of 6.16% on a period-on-period basis, including net interest income of RMB23.642 billion, representing a decrease of 1.36% on a period-on-period basis; net non-interest income of RMB11.653 billion, representing an increase of 25.58% on a period-on-period basis. Operating expenses were RMB10.627 billion, representing an increase of 10.07% on a period-on-period basis; cost-to-income ratio was 28.91%, representing an increase of 0.95 percentage point on a period-on-period basis. Provision for expected credit losses was RMB14.927 billion, representing an increase of 5.01% on a period-on-period basis. The income tax expense was RMB1.498 billion, representing an increase of 6.02% on a period-on-period basis.

#### Changes of the main items in the consolidated statement of profit or loss

*In RMB million, except percentages*

Item	January to June 2024	January to June 2023	Amount of increase (decrease)	Increase (decrease) (%)
Net interest income	23,642	23,969	(327)	(1.36)
Net non-interest income	11,653	9,279	2,374	25.58
Operating income	35,295	33,248	2,047	6.16
Less: operating expenses	10,627	9,655	972	10.07
Less: expected credit losses	14,927	14,215	712	5.01
Profit before taxation	9,741	9,378	363	3.87
Less: income tax expense	1,498	1,413	85	6.02
Net profit	8,243	7,965	278	3.49
Attributable to: Shareholders of the Bank	7,999	7,743	256	3.31
Non-controlling interests	244	222	22	9.91

## MANAGEMENT DISCUSSION AND ANALYSIS

### (1) Net interest income

During the reporting period, net interest income was RMB23.642 billion, representing a decrease of RMB327 million or 1.36% on a period-on-period basis, accounting for 66.98% of operating income. Interest income was RMB56.890 billion, representing an increase of RMB2.773 billion or 5.12% on a period-on-period basis; interest expenses was RMB33.248 billion, representing an increase of RMB3.100 billion or 10.28% on a period-on-period basis.

During the reporting period, net interest spread was 1.61%, representing a decrease of 34 basis points on a period-on-period basis; and net interest margin was 1.82%, representing a decrease of 32 basis points on a period-on-period basis. The main reasons were as follows: the Group proactively responded to the national policy guidance to provide benefits for the real economy, and continued to promote the reduction of corporate financing costs, thus the yield on interest-earning assets decreased by 36 basis points on a period-on-period basis. In order to actively respond to operation challenges, the Group continued to cultivate the core capability to obtain low-cost liabilities and optimize the debt structure, thus the cost of interest-bearing liabilities decreased by 2 basis points on a period-on-period basis.

#### Average yields on interest-earning assets and average costs of interest-bearing liabilities

*In RMB million, except percentages*

Item	January to June 2024			January to June 2023		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	1,782,084	40,954	4.62	1,611,522	39,520	4.95
Investments <sup>(1)</sup>	826,172	13,261	3.23	647,347	12,141	3.78
Due from banks and other financial institutions <sup>(2)</sup>	155,277	1,710	2.21	134,905	1,431	2.14
Balances with central bank <sup>(3)</sup>	138,672	965	1.40	144,588	1,025	1.43
<b>Total interest-earning assets</b>	<b>2,902,205</b>	<b>56,890</b>	<b>3.94</b>	<b>2,538,362</b>	<b>54,117</b>	<b>4.30</b>
Item	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
<b>Interest-bearing liabilities</b>						
Customer deposits	1,834,442	19,936	2.19	1,721,112	19,100	2.24
Due to banks and other financial institutions <sup>(4)</sup>	526,519	6,818	2.60	443,991	5,601	2.54
Due to central bank	69,239	793	2.30	62,173	747	2.42
Debt securities issued <sup>(5)</sup>	435,429	5,636	2.60	355,110	4,624	2.63
Lease liabilities	3,144	65	4.16	3,309	76	4.63
<b>Total interest-bearing liabilities</b>	<b>2,868,773</b>	<b>33,248</b>	<b>2.33</b>	<b>2,585,695</b>	<b>30,148</b>	<b>2.35</b>
Net interest income		23,642			23,969	
Net interest spread			1.61			1.95
Net interest margin <sup>(6)</sup>			1.82			2.14



## MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) including financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and finance lease receivables.
- (2) including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets purchased under resale agreements.
- (3) including statutory deposit reserves, surplus deposit reserves, foreign exchange deposit reserves and fiscal deposits.
- (4) including deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.
- (5) including issued inter-bank certificates of deposits, financial bonds and subordinated bonds, etc.
- (6) Net interest margin: the income generated from the business of financial assets measured at fair value through profit or loss was not classified as interest income categorized by accounting item, and its corresponding interest-bearing liabilities and interest expenses shall be adjusted accordingly.

### Analysis of changes in interest income and interest expenses

*In RMB million*

Item	Comparison between		
	January to June 2024 and January to June 2023		
	Factors for increase (decrease)	Net increase	
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	(decrease) <sup>(3)</sup>
<b>Interest-earning assets</b>			
Loans and advances to customers	4,183	(2,749)	1,434
Investments	3,354	(2,234)	1,120
Due from banks and other financial institutions	216	63	279
Balances with central bank	(42)	(18)	(60)
<b>Changes in interest income</b>	<b>7,711</b>	<b>(4,938)</b>	<b>2,773</b>
<b>Interest-bearing liabilities</b>			
Customer deposits	1,258	(422)	836
Due to banks and other financial institutions	1,041	176	1,217
Due to central bank	85	(39)	46
Debt securities issued	1,046	(34)	1,012
Lease liabilities	(4)	(7)	(11)
<b>Changes in interest expenses</b>	<b>3,426</b>	<b>(326)</b>	<b>3,100</b>
<b>Changes in net interest income</b>	<b>4,285</b>	<b>(4,612)</b>	<b>(327)</b>

Notes:

- (1) Change in volume represents the average balance for the reporting period minus the average balance for the same period of last year, multiplied by the average yield or average interest-bearing rate for the same period of last year.
- (2) Change in interest rate represents the average yield or average interest-bearing rate for the reporting period minus the average yield or average interest-bearing rate for the same period of last year, multiplied by the average balance for the reporting period.
- (3) Net increase or decrease represents interest income (expenses) for the reporting period minus interest income (expenses) for the same period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (2) Interest income

#### *Interest income from loans and advances to customers*

Interest income from loans and advances to customers was RMB40.954 billion, representing an increase of RMB1.434 billion or 3.63% on a period-on-period basis, mainly due to the fact the Group adhered to the fundamental purpose of providing financial services to the real economy, and increased credit investment in key areas such as manufacturing and green finance. During the reporting period, the average balance of loans and advances to customers was RMB1.78 trillion, representing an increase of 10.58% on a period-on-period basis.

#### **Analysis of average income from loans and advances to customers by business type**

*In RMB million, except percentages*

	January to June 2024			January to June 2023		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	1,192,528	26,444	4.46	1,062,537	24,900	4.73
Personal loans and advances	481,766	13,224	5.52	429,212	13,212	6.21
Discounted bills	107,790	1,286	2.40	119,773	1,408	2.37
<b>Total loans and advances to customers</b>	<b>1,782,084</b>	<b>40,954</b>	<b>4.62</b>	<b>1,611,522</b>	<b>39,520</b>	<b>4.95</b>

#### *Interest income from investments*

Interest income from investments was RMB13.261 billion, representing an increase of RMB1.120 billion or 9.22% on a period-on-period basis, mainly due to the increase in the average balance of investments of 27.62% on a period-on-period basis.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (3) Interest expenses

#### *Interest expenses on customer deposits*

Interest expenses on customer deposits amounted to RMB19.936 billion, representing an increase of RMB836 million or 4.38% on a period-on-period basis, primarily due to the steady growth of the Group's customer deposits, the active guidance to expand low-cost deposits, and the continuous decrease in the interest payment rate of deposits. As at the end of the reporting period, the average balance of customer deposits was RMB1.83 trillion, representing an increase of 6.58% on a period-on-period basis; the interest payment rate of deposits during the reporting period was 2.19%, representing a decrease of 5 basis points on a period-on-period basis.

*In RMB million, except percentages*

	January to June 2024			January to June 2023		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
<b>Corporate deposits and other deposits<sup>(1)</sup></b>						
Time	1,040,057	13,030	2.52	908,339	11,683	2.59
Demand	514,074	3,424	1.34	585,822	4,666	1.61
<b>Subtotal</b>	<b>1,554,131</b>	<b>16,454</b>	<b>2.13</b>	<b>1,494,161</b>	<b>16,349</b>	<b>2.21</b>
<b>Personal deposits</b>						
Time	226,310	3,417	3.04	172,731	2,654	3.10
Demand	54,001	65	0.24	54,220	97	0.36
<b>Subtotal</b>	<b>280,311</b>	<b>3,482</b>	<b>2.50</b>	<b>226,951</b>	<b>2,751</b>	<b>2.44</b>
<b>Total</b>	<b>1,834,442</b>	<b>19,936</b>	<b>2.19</b>	<b>1,721,112</b>	<b>19,100</b>	<b>2.24</b>

Note:

(1) Other deposits include remittance payables, temporary deposits and outward remittance, etc.

#### *Interest expenses on due to banks and other financial institutions*

Interest expenses on due to banks and other financial institutions amounted to RMB6.818 billion, representing an increase of RMB1.217 billion or 21.73% on a period-on-period basis, primarily due to the increase in amount due to banks and other financial institutions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (4) Net non-interest income

During the reporting period, net non-interest income of the Group amounted to RMB11.653 billion, representing an increase of RMB2.374 billion or 25.58% on a period-on-period basis, and accounting for 33.02% of operating income, representing an increase of 5.11 percentage points on a period-on-period basis, with income structure gradually improved. Among which, the net fee and commission income was RMB2.784 billion, representing a decrease of RMB168 million on a period-on-period basis; while other net non-interest income was RMB8.869 billion, representing an increase of RMB2.542 billion on a period-on-period basis.

#### Net fee and commission income

*In RMB million, except percentages*

Item	January to June 2024	January to June 2023	Amount of increase (decrease)	Increase (decrease) (%)
Agency and entrustment service	1,199	949	250	26.34
Commitment and guarantee service	654	848	(194)	(22.88)
Underwriting and consultation service	598	671	(73)	(10.88)
Settlement and clearing service	389	371	18	4.85
Custodian and fiduciary service	348	301	47	15.61
Fee from bank cards	101	105	(4)	(3.81)
Others	51	158	(107)	(67.72)
<b>Total fee and commission income</b>	<b>3,340</b>	<b>3,403</b>	<b>(63)</b>	<b>(1.85)</b>
Less: fee and commission expense	556	451	105	23.28
<b>Net fee and commission income</b>	<b>2,784</b>	<b>2,952</b>	<b>(168)</b>	<b>(5.69)</b>

Net fee and commission income was RMB2.784 billion, representing a decrease of RMB168 million or 5.69% on a period-on-period basis. Among which, fee income from agency and entrustment service was RMB1.199 billion, representing an increase of RMB250 million or 26.34% on a period-on-period basis, primarily due to the increased income of the agency business; fee income from commitment and guarantee service was RMB654 million, representing a decrease of RMB194 million on a period-on-period basis, primarily due to the decreased income of letter of guarantee business; fee income from underwriting and consultation service was RMB598 million, representing a decrease of RMB73 million on a period-on-period basis, primarily due to the decreased income of the bond underwriting business.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other net non-interest income

*In RMB million, except percentages*

Item	January to June 2024	January to June 2023	Amount of increase (decrease)	Increase (decrease) (%)
Net trading gains	4,709	4,901	(192)	(3.92)
Net gains on financial investments	3,607	778	2,829	363.62
Other operating income	553	648	(95)	(14.66)
<b>Total</b>	<b>8,869</b>	<b>6,327</b>	<b>2,542</b>	<b>40.18</b>

Other net non-interest income was RMB8.869 billion, representing an increase of RMB2.542 billion or 40.18% on a period-on-period basis, primarily due to the increase in the income of financial assets measured at fair value through profit or loss on a period-on-period basis as the Group strengthened the research of market trend, and optimized the size of its financial portfolio and trading strategy.

### (5) Operating expenses

*In RMB million, except percentages*

Item	January to June 2024	January to June 2023	Amount of increase (decrease)	Increase (decrease) (%)
Staff costs	6,507	6,069	438	7.22
General and administrative expenses	2,424	2,148	276	12.85
Depreciation and amortization	990	949	41	4.32
Tax and surcharges	422	358	64	17.88
Others	284	131	153	116.79
<b>Total</b>	<b>10,627</b>	<b>9,655</b>	<b>972</b>	<b>10.07</b>

Operating expenses amounted to RMB10.627 billion, representing an increase of RMB972 million or 10.07% on a period-on-period basis, primarily due to that the Group increased its investments in strategic focuses and financial technology. It continued to improve the efficiency of the use of financial resources by enhancing the level of refined management and relying on digital transformation to reduce costs and increase efficiency.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (6) Expected credit losses

*In RMB million*

Item	January to June 2024	January to June 2023
Deposits with banks and other financial institutions	(6)	4
Placements with banks and other financial institutions	(1)	(176)
Financial assets purchased under resale agreements	(5)	8
Loans and advances to customers	14,267	9,592
Financial investments	(223)	3,901
Finance lease receivables	284	260
Off-balance sheet items	502	409
Other assets	109	217
<b>Total</b>	<b>14,927</b>	<b>14,215</b>

Expected credit losses amounted to RMB14.927 billion, representing an increase of RMB712 million or 5.01% on a period-on-period basis, please see “Note III to Financial Statements – 7 Expected credit losses; 23 Allowance for ECLs”.

### (7) Income tax expenses

Income tax expenses were RMB1.498 billion, representing an increase of RMB85 million or 6.02% on a period-on-period basis, and the effective tax rate was 15.38%. For the reconciliation statement of the income tax expense calculated at statutory tax rate and the actual income tax expense, please see “Note III to Financial Statements – 8 Income Tax Expense”.

### (8) Segment information

#### Segment operating results by business line

*In RMB million, except percentages*

Item	January to June 2024		January to June 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate banking	18,139	51.39	17,023	51.20
Retail banking	6,671	18.90	6,978	20.99
Treasury operations	9,199	26.07	8,070	24.27
Others	1,286	3.64	1,177	3.54
<b>Total operating income</b>	<b>35,295</b>	<b>100.00</b>	<b>33,248</b>	<b>100.00</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Segment operating results by geographic region

*In RMB million, except percentages*

Item	January to June 2024		January to June 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta Region	20,020	56.72	18,664	56.14
Bohai Rim Region	5,895	16.70	5,806	17.46
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	3,268	9.26	3,142	9.45
Midwestern China Region	6,112	17.32	5,636	16.95
<b>Total operating income</b>	<b>35,295</b>	<b>100.00</b>	<b>33,248</b>	<b>100.00</b>

For details of business segment and regional division, please see “Note V to Financial Statements – Segment Reporting”.

## 2. Analysis on Consolidated Statement of Financial Position

### (1) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB3,246.610 billion, representing an increase of RMB102.731 billion or 3.27% as compared to that at the end of last year, of which net loans and advances to customers amounted to RMB1,767.957 billion, representing an increase of RMB94.685 billion or 5.66% as compared to that at the end of last year. Financial investments amounted to RMB1,013.766 billion, representing an increase of RMB13.129 billion or 1.31% as compared to that at the end of last year. In terms of the structure, net loans and advances to customers accounted for 54.46% of total assets, increased by 1.24 percentage points as compared to that at the end of last year, and the financial investments accounted for 31.22% of total assets, decreased by 0.61 percentage point as compared to that at the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Assets utilization

*In RMB million, except percentages*

Item	June 30, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	1,812,163		1,716,240	
Less: allowance for ECLs of loans <sup>(1)</sup>	44,206		42,968	
Net loans and advances to customers	1,767,957	54.46	1,673,272	53.22
Financial investments <sup>(2)</sup>	1,013,766	31.22	1,000,637	31.83
Cash and balances with central bank	138,183	4.26	164,723	5.24
Precious metals	23,283	0.72	9,756	0.31
Due from banks and other financial institutions <sup>(3)</sup>	141,602	4.36	154,025	4.90
Other assets	161,819	4.98	141,466	4.50
<b>Total assets</b>	<b>3,246,610</b>	<b>100.00</b>	<b>3,143,879</b>	<b>100.00</b>

Notes:

- (1) Allowance for ECL of loans represents allowance made for the loss of loans and advances to customers measured at amortized cost.
- (2) The financial investments include financial assets at fair value through profit or loss, financial assets measured at amortized cost and financial assets at fair value through other comprehensive income.
- (3) Due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements.

### *Loans and advances to customers*

As the Group actively implemented the plans of the CPC Central Committee, the State Council and the regulatory authorities in relation to serving the real economy, proactively practiced the concept of financial services for good, vigorously supported the development of new quality productive forces, focused on credit for the “five finances” (五篇大文章), small diversified and weakly cyclical industries, continued to strengthen high quality financial services to key areas and industries supported by the State, and continuously intensified its development in our stronghold in Zhejiang Province, total loans and advances to customers maintained stable growth. As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB1,812.163 billion, representing an increase of RMB95.923 billion or 5.59% as compared to that at the end of last year.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Loans and advances to customers structure by business type

*In RMB million, except percentages*

Item	June 30, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate loans and advances	1,192,870	65.82	1,128,170	65.74
Personal loans and advances	501,362	27.67	476,692	27.78
Discounted bills	108,574	5.99	102,195	5.95
Changes in fair value through other comprehensive income	1,087	0.06	1,417	0.08
Interest accrued	8,270	0.46	7,766	0.45
<b>Total</b>	<b>1,812,163</b>	<b>100.00</b>	<b>1,716,240</b>	<b>100.00</b>

#### Corporate loans and advances

The Group strengthened the construction of basic corporate customer base, continued to deepen the corporate customer credit cooperation, optimized and strengthened talent bank, science and innovation finance, energy finance, vigorously promoted the supply chain finance scenario, introduced competitive credit products to customers, and promoted the growth of the corporate loan business. As at the end of the reporting period, total corporate loans and advances amounted to RMB1,192.870 billion, representing an increase of 5.73% as compared to that at the end of last year.

#### Personal loans and advances

Focusing on household debt scenarios, the Group expanded its consumer loans, card installments and mortgage, explored online digital scenarios to expand the coverage and improve the quality of personal customers, strengthened cross line collaboration and linkage, and promoted the growth of the personal loan business. As at the end of the reporting period, total personal loans and advances amounted to RMB501.362 billion, representing an increase of 5.18% as compared to that at the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Financial investments*

The Group made better use of capital and optimized the structure of its investment portfolio to ensure the security of liquidity, and maintained the overall stability of the scale of financial investments. As at the end of the reporting period, balance of financial investments amounted to RMB1,013.766 billion, representing an increase of 1.31% as compared to that at the end of last year.

### **Financial investment composition**

*In RMB million, except percentages*

Item	June 30, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Fund investments	171,903	16.96	147,430	14.73
Bond investments	749,826	73.96	760,103	75.96
Trust schemes and asset management plans	99,982	9.86	104,798	10.47
Other financial investments	5,097	0.50	5,869	0.59
Interest accrued	13,871	1.37	10,155	1.02
Allowance for ECLs	(26,913)	(2.65)	(27,718)	(2.77)
<b>Total</b>	<b>1,013,766</b>	<b>100.00</b>	<b>1,000,637</b>	<b>100.00</b>

Note: Other financial investments include equity investments, other debt instruments and wealth management products.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (2) Liabilities

The Group fully implemented regulatory requirements, improved the stability of liabilities, broadened the sources of liabilities, optimized the structure of liabilities, strengthened the management of liabilities portfolio to control costs, and continued to improve the quality of liabilities. As at the end of the reporting period, total liabilities of the Group amounted to RMB3,052.236 billion, representing an increase of RMB97.934 billion or 3.31% as compared to that at the end of last year.

#### Liabilities Composition

*In RMB million, except percentages*

Item	June 30, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Due to central bank	69,828	2.29	119,915	4.06
Customer deposits	1,938,479	63.51	1,868,659	63.25
Due to banks and other financial institutions	501,225	16.42	508,441	17.21
Debt securities issued	471,112	15.43	395,938	13.40
Others	71,592	2.35	61,349	2.08
<b>Total liabilities</b>	<b>3,052,236</b>	<b>100.00</b>	<b>2,954,302</b>	<b>100.00</b>

Note: Due to banks and other financial institutions include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under purchase agreements.

#### *Customer deposits*

The Group continued to consolidate its deposit base, expand the basic customer base of the deposits, and optimize the deposit source structure to enhance stability. As at the end of the reporting period, balance of customer deposits of the Group amounted to RMB1,938.479 billion, representing an increase of RMB69.820 billion or 3.74% as compared to that at the end of last year. With respect to customer structure, corporate deposits increased by RMB35.555 billion or 2.27%; and personal deposits increased by RMB30.414 billion or 11.28%. With respect to term structures, the demand for investment in time deposit products increased due to the decline in customer risk appetite, and time deposits increased by RMB291.998 billion or 25.81%; and demand deposits decreased by RMB226.029 billion or 32.04%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Structure of our customer deposits by business type

*In RMB million, except percentages*

Item	June 30, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits				
Demand	416,890	21.51	653,026	34.95
Time	1,185,866	61.18	914,175	48.92
Subtotal	1,602,756	82.69	1,567,201	83.87
Personal deposits				
Demand	62,470	3.22	52,363	2.80
Time	237,464	12.25	217,157	11.62
Subtotal	299,934	15.47	269,520	14.42
Other deposits	4,338	0.22	4,170	0.22
Interest accrued	31,451	1.62	27,768	1.49
<b>Total</b>	<b>1,938,479</b>	<b>100.00</b>	<b>1,868,659</b>	<b>100.00</b>

### (3) Shareholder's equity

As at the end of the reporting period, equity attributable to shareholders of the Bank amounted to RMB190.798 billion in total, representing an increase of RMB4.553 billion or 2.44% as compared to that at the end of last year. Please see "Financial Statements – Condensed Consolidated Statement of Changes in Equity".

## MANAGEMENT DISCUSSION AND ANALYSIS

### (III) ANALYSIS OF LOAN QUALITY

#### 1. Loans distribution by risk classification

*In RMB million, except percentages*

Item	June 30, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Pass	1,737,253	96.30	1,647,378	96.43
Special mention	39,786	2.21	35,083	2.05
Non-performing	25,767	1.43	24,596	1.44
Substandard	11,065	0.61	13,956	0.82
Doubtful	11,375	0.63	7,479	0.44
Loss	3,327	0.19	3,161	0.18
Changes in fair value through other comprehensive income	1,087	0.06	1,417	0.08
<b>Subtotal loans and advances to customers</b>	<b>1,803,893</b>	<b>100.00</b>	<b>1,708,474</b>	<b>100.00</b>
Interest accrued	8,270	N/A	7,766	N/A
<b>Total loans and advances to customers</b>	<b>1,812,163</b>	<b>N/A</b>	<b>1,716,240</b>	<b>N/A</b>

The overall loan quality of our Group was kept at a stable level. As at the end of the reporting period, according to the risk classification of the supervision system, the pass loans amounted to RMB1,737.253 billion, representing an increase of RMB89.875 billion as compared with that at the end of last year. Loans classified as special mention were RMB39.786 billion, representing an increase of RMB4.703 billion as compared with that at the end of last year, and the percentage of loans classified as special mention was 2.21%, representing an increase of 0.16 percentage point as compared with that at the end of last year. The non-performing loans were RMB25.767 billion, representing an increase of RMB1.171 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.43%, representing a decrease of 0.01 percentage point as compared with that at the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Distribution of loans and non-performing loans by business type

*In RMB million, except percentages*

Item	June 30, 2024				December 31, 2023			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	1,192,870	66.13	16,514	1.38	1,128,170	66.04	15,510	1.37
Personal loans	501,362	27.79	9,253	1.85	476,692	27.90	9,086	1.91
Discounted bills	108,574	6.02	–	–	102,195	5.98	–	–
Changes in fair value through other comprehensive income	1,087	0.06	N/A	N/A	1,417	0.08	N/A	N/A
<b>Subtotal loans and advances to customers</b>	<b>1,803,893</b>	<b>100.00</b>	<b>25,767</b>	<b>1.43</b>	<b>1,708,474</b>	<b>100.00</b>	<b>24,596</b>	<b>1.44</b>
Interest accrued	8,270	N/A	N/A	N/A	7,766	N/A	N/A	N/A
<b>Total loans and advances to customers</b>	<b>1,812,163</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1,716,240</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

As at the end of the reporting period, our corporate non-performing loans amounted to RMB16.514 billion, representing an increase of RMB1.004 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.38%, representing an increase of 0.01 percentage point as compared with that at the end of last year. The personal non-performing loans were RMB9.253 billion, representing an increase of RMB167 million as compared with that at the end of last year, with a non-performing loan ratio of 1.85%, representing a decrease of 0.06 percentage point as compared with that at the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Distribution of loans and non-performing loans by industry

*In RMB million, except percentages*

Item	June 30, 2024				December 31, 2023			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
<b>Corporate loans</b>	1,192,870	66.13	16,514	1.38	1,128,170	66.04	15,510	1.37
Manufacturing	256,427	14.22	2,873	1.12	239,911	14.04	1,971	0.82
Leasing and commercial services	254,379	14.10	4,410	1.73	240,018	14.05	4,804	2.00
Wholesale and retail trade	194,130	10.76	3,041	1.57	201,420	11.79	1,925	0.96
Real estate	187,179	10.38	2,361	1.26	177,749	10.40	4,408	2.48
Administration of water conservancy, environment and public facilities	67,395	3.74	36	0.05	63,377	3.71	15	0.02
Construction	66,426	3.68	775	1.17	68,798	4.03	816	1.19
Financing	42,846	2.38	–	–	19,593	1.15	–	–
Accommodation and Catering	18,098	1.00	964	5.33	15,328	0.90	195	1.27
Transportation, storage and postal service	15,796	0.88	1,129	7.15	15,144	0.89	1,029	6.79
Electricity, heat, gas and water production and supply	12,961	0.72	86	0.66	12,835	0.75	37	0.29
Mining	12,247	0.68	–	–	14,757	0.86	–	–
Others <sup>(1)</sup>	64,986	3.59	839	1.29	59,240	3.47	310	0.52
<b>Personal loans</b>	501,362	27.79	9,253	1.85	476,692	27.90	9,086	1.91
<b>Discounted bills</b>	108,574	6.02	–	–	102,195	5.98	–	–
<b>Changes in fair value through other comprehensive income</b>	1,087	0.06	N/A	N/A	1,417	0.08	N/A	N/A
<b>Subtotal loans and advances to customers</b>	<b>1,803,893</b>	<b>100.00</b>	<b>25,767</b>	<b>1.43</b>	<b>1,708,474</b>	<b>100.00</b>	<b>24,596</b>	<b>1.44</b>
<b>Interest accrued</b>	8,270	N/A	N/A	N/A	7,766	N/A	N/A	N/A
<b>Total loans and advances to customers</b>	<b>1,812,163</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1,716,240</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Note:

- (1) Others include various industries such as public administration and social organization; culture, sports and entertainment; information transmission, computer service and software; agriculture, forestry, animal husbandry and fishery; household services and other services; scientific research, technology services and geological exploration; education; health, social security and social welfare.

In the first half of 2024, adopting a “prudent and solid” risk appetite and adhering to the principle of “small and diversified” credit granting, the Group is committed to serving the real economy, following the concept of “financial services for good”, focusing on scenarios, improving investment and research capabilities, strengthening the credit-guidance, optimizing the asset allocation, strengthening the customer base, and developing assets with low sensitivity to economic cycle as a ballast stone.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Distribution of loans and non-performing loans by geographic region

*In RMB million, except percentages*

Item	June 30, 2024				December 31, 2023			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta Region	961,742	53.31	13,524	1.41	903,104	52.86	10,589	1.17
Midwestern China Region	349,667	19.38	3,896	1.11	333,316	19.51	4,541	1.36
Bohai Rim Region	266,886	14.80	4,591	1.72	269,494	15.78	5,505	2.04
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	224,511	12.45	3,756	1.67	201,143	11.77	3,961	1.97
Changes in fair value through other comprehensive income	1,087	0.06	N/A	N/A	1,417	0.08	N/A	N/A
<b>Subtotal loans and advances to customers</b>	<b>1,803,893</b>	<b>100.00</b>	<b>25,767</b>	<b>1.43</b>	<b>1,708,474</b>	<b>100.00</b>	<b>24,596</b>	<b>1.44</b>
Interest accrued	8,270	N/A	N/A	N/A	7,766	N/A	N/A	N/A
<b>Total loans and advances to customers</b>	<b>1,812,163</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1,716,240</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

As at the end of the reporting period, the region where the Group incurred a relatively large volume of non-performing loans was the Yangtze River Delta Region. Based on a continuous tracking of the development trends in the macro economy and the industry, and taking into account economic characters of various regions, the Group continued to optimize the regional credit allocation to enhance the competitiveness of key regions, actively prevent regional risks and support regional development.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5. Distribution of loans and non-performing loans by security type

*In RMB million, except percentages*

Item	June 30, 2024				December 31, 2023			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Mortgage loans	789,497	43.77	15,604	1.98	752,103	44.02	14,309	1.90
Pledged loans	75,443	4.18	542	0.72	61,147	3.58	320	0.52
Guaranteed loans	365,251	20.25	3,832	1.05	326,813	19.13	4,316	1.32
Unsecured loans	464,041	25.72	5,789	1.25	464,799	27.21	5,651	1.22
Discounted bills	108,574	6.02	–	–	102,195	5.98	–	–
Changes in fair value through other comprehensive income	1,087	0.06	N/A	N/A	1,417	0.08	N/A	N/A
<b>Subtotal loans and advances to customers</b>	<b>1,803,893</b>	<b>100.00</b>	<b>25,767</b>	<b>1.43</b>	<b>1,708,474</b>	<b>100.00</b>	<b>24,596</b>	<b>1.44</b>
Interest accrued	8,270	N/A	N/A	N/A	7,766	N/A	N/A	N/A
<b>Total loans and advances to customers</b>	<b>1,812,163</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1,716,240</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

The secured loan structure of the Group basically remained stable. As at the end of the reporting period, the mortgage loans had a relatively high percentage; the mortgage loans balance was RMB789.497 billion, representing an increase of RMB37.394 billion compared with that at the end of last year; the balance of non-performing loans among mortgage loans was RMB15.604 billion, with the non-performing loan ratio of 1.98%, representing an increase of 0.08 percentage point compared with that at the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 6. Top ten borrowers

*In RMB million, except percentages*

Top ten borrowers	Industry	Amount	Proportion (%)
A	Information transmission, computer services and software	7,556	0.42
B	Real estate	5,354	0.30
C	Real estate	5,088	0.28
D	Real estate	3,992	0.22
E	Leasing and commercial services	3,860	0.21
F	Financing	3,638	0.20
G	Real estate	3,055	0.17
H	Leasing and commercial services	3,038	0.17
I	Manufacturing	2,979	0.17
J	Financing	2,685	0.15
<b>Total</b>		<b>41,245</b>	<b>2.29</b>

As at the end of the reporting period, the balance of loans to the single largest borrower of the Group was RMB7.556 billion, representing 3.02% of the Group's net capital. The total loans to our top ten single borrowers amounted to RMB41.245 billion, representing 16.46% of the net capital of the Group.

### 7. Overdue loans

*In RMB million, except percentages*

Overdue period	June 30, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Overdue by 1 day to 90 days	16,490	0.91	8,271	0.49
Overdue by 90 days to one year	13,621	0.76	12,813	0.75
Overdue by one year to three years	7,916	0.44	5,782	0.34
Overdue by more than three years	1,086	0.06	920	0.05
<b>Total</b>	<b>39,113</b>	<b>2.17</b>	<b>27,786</b>	<b>1.63</b>

As at the end of the reporting period, the balance of overdue loans amounted to RMB39.113 billion, representing an increase of RMB11.327 billion as compared with that at the end of last year. Specifically, loans overdue by more than 90 days amounted to RMB22.623 billion, representing an increase of RMB3.108 billion as compared with that at the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 8. Renegotiated loans

The Group conducted strict and prudent control over loan renegotiation. As at the end of the reporting period, the Group's total renegotiated loans and advances as classified under the "Measures for Classification of Financial Assets Risks of Commercial Banks" 《商業銀行金融資產風險分類辦法》, amounted to RMB9.945 billion, representing an increase of RMB2.972 billion as compared with that at the end of last year. Among them, total renegotiated loans and advances that were overdue by more than 3 months amounted to RMB1.410 billion, representing an increase of RMB1.030 billion as compared with that at the end of last year.

### 9. Repossessed assets and provision for impairment

As at the end of the reporting period, the balance of repossessed assets (non-financial instruments) of the Group was RMB1.407 billion, and the net book value was RMB1.089 billion after deducting the provision for impairment of RMB318 million.

### 10. Movements in the expected credit loss ("ECL") allowance on loans

<i>In RMB million</i>	
Item	Amount
Balance at the beginning of the period <sup>(1)</sup>	44,910
Charge for the period	14,267
Unwinding of discount on allowance for ECLs	(39)
Write-offs	(7,406)
Transfer out	(6,978)
Recoveries of loans and advances previously written off	1,136
Impact of exchange rate fluctuations	8
<b>Balance at the end of the period <sup>(1)</sup></b>	<b>45,898</b>

Note:

- (1) Includes provision made for the loss of loans and advances to customers measured at amortized cost and measured at fair value through other comprehensive income.

## (IV) CAPITAL MANAGEMENT

In the first half of 2024, the Group calculated and disclosed the capital regulatory indicators in accordance with the relevant provisions of the Administrative Measures for the Capital of Commercial Banks (No. 4 Order [2023] of National Financial Regulatory Administration) 《商業銀行資本管理辦法》國家金融監督管理總局令 2023 年第 4 號), among which credit risk-weighted assets were measured by using weight method, market risk- and operational risk-weighted assets were measured by using standardized approach. In 2023, the Group calculated and disclosed the capital regulatory indicators in accordance with the relevant provisions of the Administrative Measures for the Capital of Commercial Banks (Trial) (No. 1 Order [2012] of CBRC)《商業銀行資本管理辦法(試行)》中國銀監會令 2012 年第 1 號), among which credit risk-weighted assets were measured by using weight method, market risk-weighted assets were measured by using standardized approach, and operational risk-weighted assets were measured by using the basic indicator approach.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at June 30, 2024, capital adequacy ratio of the Group was 12.86%, tier-one capital adequacy ratio was 9.68%, core tier-one capital adequacy ratio was 8.38%, and leverage ratio was 4.91%, all of which met regulatory requirements<sup>(1)</sup>.

### Capital adequacy ratio (the Group)

*In RMB million, except percentages*

Item	June 30, 2024	December 31, 2023
Net core tier-one capital	163,351	159,789
Other tier-one capital	25,339	25,312
Net tier-one capital	188,690	185,102
Tier-two capital	61,881	51,856
Net capital base	250,571	236,958
Risk-weighted assets	1,948,476	1,943,402
Among which: credit risk-weighted assets	1,818,482	1,810,583
market risk-weighted assets	20,298	22,155
operational risk-weighted assets	109,696	110,663
Minimum capital requirement (%)	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50
Additional capital requirement (%)	—	—
Core tier-one capital adequacy ratio (%)	8.38	8.22
Tier-one capital adequacy ratio (%)	9.68	9.52
Capital adequacy ratio (%)	12.86	12.19

### Leverage ratio (the Group)

*In RMB million, except percentages*

The Group	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
Net tier-one capital	188,690	192,269	185,102	181,215
Adjusted asset balance inside and outside the balance sheet	3,840,678	3,740,182	3,715,031	3,493,810
Leverage ratio (%)	4.91	5.14	4.98	5.19

Note:

- (1) The Pillar 3 Information Disclosure Report for the Half Year of 2024 of China Zhesang Bank Co., Ltd. (《浙商银行股份有限公司 2024 年半年度第三支柱信息披露报告》) is available for inspection on the website of the Bank ([www.czbank.com](http://www.czbank.com)).

## MANAGEMENT DISCUSSION AND ANALYSIS

As at June 30, 2024, capital adequacy ratio of the Company was 12.87%, tier-one capital adequacy ratio was 9.68%, core tier-one capital adequacy ratio was 8.35%, and leverage ratio was 4.83%, all of which met regulatory requirements.

### Capital adequacy ratio (the Company)

*In RMB million, except percentages*

Item	June 30, 2024	December 31, 2023
Net core tier-one capital	157,068	153,990
Other tier-one capital	24,995	24,995
Net tier-one capital	182,063	178,984
Tier-two capital	59,940	50,126
Net capital base	242,003	229,111
Risk-weighted assets	1,880,309	1,878,285
Among which: credit risk-weighted assets	1,752,605	1,748,917
market risk-weighted assets	20,221	22,155
operational risk-weighted assets	107,484	107,213
Minimum capital requirement (%)	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50
Additional capital requirement (%)	–	–
Core tier-one capital adequacy ratio (%)	8.35	8.20
Tier-one capital adequacy ratio (%)	9.68	9.53
Capital adequacy ratio (%)	12.87	12.20

### Leverage ratio (the Company)

*In RMB million, except percentages*

Item	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
Net tier-one capital	182,063	185,872	178,984	175,233
Adjusted asset balance inside and outside the balance sheet	3,771,405	3,674,636	3,650,203	3,434,647
Leverage ratio (%)	4.83	5.06	4.90	5.10

# MANAGEMENT DISCUSSION AND ANALYSIS

## (V) RISK MANAGEMENT

### 1. Comprehensive risk management system

Adopting a “prudent and solid” risk appetite and adhering to the principle of “small and diversified” credit granting, under the guidance of the vision of being “a first-class commercial bank”, the Company is committed to serving the real economy, following the concept of finance for good, and viewing scenario as the core. We keep improving investment and research capabilities, strengthening the credit-guidance, optimizing asset allocation, and strengthening customer bases. The Company also strengthens the risk prediction, enhances the risk management of the whole process and the risk control of key areas, consolidates credit foundation management, and improves post-loan monitoring system and mechanism. We also strictly control the risk of new business and accelerate the disposal of existing risk assets to maintain stable asset quality, deepen the application of financial technology to improve the digital risk control system, create an intelligent risk control system to continuously enhance the ability of forward-looking identification and control of risks. The Company endeavors to promote the transformation of risk control logic from gatekeeping to accompanying, aiming to enhance the ability to manage, guide and control risk management, thus safeguarding the high-quality development of the Bank as a whole.

The Board of Directors takes the ultimate responsibility for comprehensive risk management; the Supervisory Committee is responsible for supervision of comprehensive risk management; and the Senior Management is responsible for implementing comprehensive risk management. The Company establishes the position of chief risk officer. The Senior Management has established special committees including the Risk Management and Internal Control Committee, Asset and Liability Management Committee, Credit Review Committee, Asset Risk Classification Review Committee and Business Continuity Management Committee.

The Risk Management Department at our head office is the coordination department for comprehensive risk management and the leading executive department for management of the credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The Asset and Liability Management Department at our head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The Internal Control and Compliance and Legal Affairs Department at our head office is the leading executive department for operational risk and compliance risk management. The Publicity Department of the Party Committee is the leading executive department for reputational risk management. The Development and Planning Department at our head office is the leading executive department for strategic risk management.

The Company assigns risk monitoring officers to certain departments at our head office according to comprehensive risk management needs. Risk monitoring officers help leading officers of accrediting departments organize comprehensive risk management. They are independent of such departments in making business judgment and reporting on risk issues. The Company assigns to its branches risk monitoring officers, who help presidents of such branches organize comprehensive risk management with a focus on credit risk management, strengthen the supervision and evaluation of risk management of branches and are independent of such branches and directly report to our head office. They make business judgment and report on risk issues independently.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Credit risk management

Credit risk refers to the risk of the Company suffering from losses due to defaults of debtors or counterparties or a decline in their credit. The Company's credit risk primarily lies in on- and off-balance sheet business, including loans, inter-bank lending, bond investments, bill acceptances, letters of credit, letters of guarantee and special purpose vehicle investments.

The objectives of our credit risk management are to control our credit risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's credit risk management system consists of the Board of Directors, the Supervisory Committee, the Senior Management, the Risk Management and Internal Control Committee, the Credit Review Committee of the head office, the Credit Review Committee of the branches, the Credit Review Teams of sub-branches, the Risk Management Department of the head office and other credit risk control departments, Business Operation and Management Departments, Technology Management Department, Audit Department, branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the credit risk management as well as the formulation and implementation of systems and policies relating to credit risk management.

The Company formulates credit policies based on changes in external operating environment, internal operating and risk conditions. Such policies expressly set out guidance on certain aspects of our credit business, such as customer structure, industry structure, product structure, regional structure and key strategic areas. In addition, the Company adjusts its credit policies in due course based on a continuous tracking of the development trends in the macro economy and the industry. In the face of the complex and volatile economic environment at home and abroad, where opportunities and challenges coexist, the Company adheres to a "prudent and solid" risk appetite, insists on taking the real economy as the focus and growth point of the business of granting assets, and gives full play to the new competitive advantages of integrated synergies among the five business segments, namely, large retail, large corporations, large investment banks, large capital management and large cross-border business, and continues to push forward on the customer base, effectively applies the "CSGS", and consolidates the cornerstone of the credit business, takes the primary strategy of "deepening the development in Zhejiang", enhance the competitiveness of key regions. We insist on intelligent risk control, highlight precise credit risk identification and forward-looking prevention and resolution, strictly control new non-performing products, and comprehensively optimize the structure of credit assets.

The Bank classifies its credit assets in accordance with the criteria set forth in the "Measures for Classification of Financial Assets Risks of Commercial Banks" (《商業銀行金融資產風險分類辦法》), taking into account factors such as the debtor's ability to perform, financial condition, willingness to repay, and repayment record; the risk classification process of the Company's credit assets implements a five-tiered procedure of "initial classification, review, examination, deliberation, and approval".



## MANAGEMENT DISCUSSION AND ANALYSIS

### *(1) Credit risk management for corporate customers*

The Company conducts a unified credit management of corporate customers, and determines maximum comprehensive credit lines and business credit lines for customers based on comprehensive evaluation of customers and according to certain standards and procedures.

The Company strictly complies with regulatory requirements and puts loans (including trade financing), bill acceptances and discounting, overdrafts, bond investments, special purpose vehicle investments, opening letters of credit, factoring, guarantees, loan commitments and other businesses where credit risks are essentially borne by the Company under our unified credit extension management. In the full coverage of various types of credit businesses, the Company continues to improve the credit risk limit indicator system, and reasonably determines limit indicators of single corporate customers and group customers.

The Company continuously enhances the construction of our credit system, formulates a unified credit quota management system for our corporate customers, intensifies our comprehensive management and unified control of the total credit quota amount of our corporate customers, improves standardized and normalized credit approval procedures, authorization system and position risk accountability mechanism, adjusts our credit policies in time and takes effective measures to prevent credit risks.

The Company further improves the concentration risk management, formulates the concentration risk management related systems, clarifies the responsibilities allocation and main methods of concentration risk management, and continues to promote the construction of concentration risk management.

The Company continuously enhances the management of credit risks related to financing platforms of local governments (defined in the Company's policy as state-owned enterprises in urban construction and public services categories; similarly hereinafter), strictly complies with various policies and regulatory requirements of the State Council and the Financial Administration on financing platforms of local governments, makes dynamic adjustments to credit strategies, and further optimizes the credit business structure of financing platforms to prevent credit risks that may arise from local governments' financing platforms; sets credit limits to local governments' financing platforms and enhances our monitoring and management on the credit risks. Focusing on high-risk areas and sensitive debts, the Group cooperated with local governments to implement the "one package solution" (一攬子化債方案) based on the existing assets, and promoted the implementation of local debt risk resolution.

The Company continuously enhances the management of real estate loan risks. The Company engages in real estate related credit business prudently, and adjusts our credit extension orientation for the real estate industry in a duly manner according to national policy and industrial operation situation. The Company sets credit limits for loans we grant to the customers in the real estate industry and adopts the name list system management in a dynamic manner, and continuously adjusts and optimizes the asset structure, as well as strengthens the monitoring and management of risks relating to existing loans.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ***(2) Credit risk management for small and micro enterprises***

The Company conducts unified credit extension management for small and micro enterprise customers, and integrates all types of credit business of small and micro enterprise customers into our unified credit extension management. The Company actively explores a professionalized operating model, continuously improves our management system and further combs out and standardizes the procedures and requirements for credit extension to gradually cultivate a featured and standard credit extension model of the Company.

The Company continuously strengthens the management of credit risks of small and micro enterprise business. In conjunction with regional and business development, it has constructed a differentiated control mechanism, optimized the operating procedures of the credit business of small and micro enterprises, improved the risk control system in the three segments of pre-credit, credit and post-credit, and made use of the big data risk control model to identify, assess and classify the risks, while strengthening the risk management requirements and enhancing the proactivity of risk control, so as to continuously improve the credit risk management and control system for the credit business of small and micro enterprises.

### ***(3) Credit risk management for retail customers***

Based on different scenarios, the Company formulates differentiated entry standards, credit lines management and guarantee selection for different customer base, creating corresponding personal loan products to enhance risk-resistant capability. Combining traditional risk control experience, the Company establishes a risk model based on big data to enhance credit risk identification capability; and implements an intensive approval model across the Bank, standardizing and specializing the approval of personal loan business, thus ensuring the quality and efficiency of risk control. We have improved the post-credit management system and strengthened follow-up management, such as risk warning, risk monitoring, overdue collection, and non-performing disposal, so as to effectively address related risks.

The Company continues to optimize the whole process, i.e. pre-credit, credit, and post-credit, risk management system for credit card business, strengthen the comprehensiveness and systematicity of risk management, and actively use financial technology methods to continuously improve the assessment ability of credit card default risk. We will timely adjust and optimize risk control strategies based on the dynamic changes in the external economic situation and market environment, improving the accuracy of risk identification and the timeliness of early warning.

### ***(4) Credit risk management for financial institution customers***

The Company includes financial institution customers in unified credit management. The Company has formulated unified management measures and relevant operating procedures for the unified line of credit of financial institution customers, improved a series of systems and procedures for the investigation, examination and approval of unified credit extension to financial institution customers.

The Company's business with financial institution customers involving customer credit risk is covered in our unified credit extension management. When conducting business, the Company will draw up the customers' credit lines in accordance with relevant policies.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Market risk management

Market risk refers to the risk of losses of on- and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk. The term “market risk” in this section refers specifically to market risk other than interest rate risk of banking book (for the interest rate risk of banking book, please refer to the relevant content of “7. Interest rate risk management of banking book” below).

The objectives of our market risk management are to control our market risks within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company’s market risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Capital Operation Center, Audit Department, other departments, as well as branches, subbranches and subsidiaries. The Senior Management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Company can effectively identify, measure, monitor and control a series of market risks borne by various businesses.

The market risk measurement methods adopted by the Company include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Company to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Company has established a market risk management system pursuant to the relevant measures of the regulatory authority. The Company has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be borne by the Company.

The Company regularly updates and improves its market risk appetite and limit management system, continues to improve the market risk management systems and market risk measurement systems. The Company conducts market risk measurement, monitoring and routine management by using the independent market risk management platform. The Company values positions of our trading book on a daily basis, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

### 4. Liquidity risk management

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. External factors include domestic and foreign financial conditions, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. Internal factors include maturities of assets and liabilities, business structures, stability of deposits, and market financing capacity and various unexpected events, etc.

The objectives of our liquidity risk management are to ensure our liquidity needs can be satisfied in time at reasonable costs and to control our liquidity risks within a reasonable range acceptable to us.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company's liquidity risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Asset and Liability Management Committee, Risk Management Department, Planning and Finance Department, Asset and Liability Management Department, Capital Operation Center, Audit Department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Company managed the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Company can effectively identify, measure, monitor, control and report its liquidity risk, continuously strengthen liquidity risk management, and continue to improve the foresight and initiative of liquidity management. Specific measures for liquidity risk management include: paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting our asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund and continuously increasing the proportion of stable liabilities; driving the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts; strengthening the management of high quality liquid assets to ensure that the size of high quality liquid assets matches the potential financing needs of the whole bank, and enhance its ability to mitigate liquidity risk; strengthening the early-warning monitoring and management of liquidity, optimizing our emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a quarterly basis, identifying weak links in the Company's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies if necessary, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism.

As at the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 72.42%. Our liquidity coverage ratio was 170.13%, among which, high quality liquid assets amounted to RMB344.697 billion, and the net cash outflows over the next 30 days was RMB202.609 billion. The Company's net stable fund ratio was 113.13%, among which, stable fund available was RMB1,819.645 billion and stable fund required was RMB1,608.483 billion.

As at the end of the reporting period, the Group's total liquidity ratio of the local currencies and foreign currencies was 72.03%. Our liquidity coverage ratio was 165.78%, among which, the high-quality liquid assets amounted to RMB344.697 billion, and the net cash outflows over the next 30 days was RMB207.918 billion. The relevant information on the net stable fund ratio of the Group in the last two quarters was set out below:

*Currency: combined of domestic and foreign currency*

Date	Net stable fund ratio (%)	Stable fund available (in 100 million of RMB)	Stable fund required (in 100 million of RMB)
As at June 30, 2024	111.03	18,419.55	16,590.11
As at March 31, 2024	106.25	17,628.62	16,591.93

## MANAGEMENT DISCUSSION AND ANALYSIS

### 5. Operational risk management

Operational risk refers to the risk of losses that may be incurred due to problematic internal procedures, personnel and information technology systems, as well as external events, including legal risks but excluding strategic risks and reputational risks. Types of incidents of losses due to operational risks that the Company may expose to mainly include seven categories, i.e. internal fraud incidents, external fraud incidents, employment systems and safety incidents at working places, incidents related to clients, products and business activities, damage to real property, incidents related to information technology system and incidents related to execution, closing and procedure management.

The Company's operational risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Asset and Liability Management Department, Audit Department, other departments of the head office, as well as branches, sub-branches and subsidiaries. The Board of Directors takes the ultimate responsibility for operational risk management, and the Supervisory Committee is responsible for supervision of operational risk management. The Senior Management is responsible for implementing and organizing the Company's operational risk management as well as formulation and implementation of basic systems and policies of the Bank for operational risk management, and setting operational risk preferences and their transmission mechanisms.

The objectives of our operational risk management are to "control our operational risks within a reasonable range acceptable to us, enhance the ability to respond to internal and external events, ensure stable business operations and maximize comprehensive benefits of the Bank after risk adjustment". The Company has established an operational risk management system which was matched with our business nature, scale and complexity. The Company exercises a whole-process management of operational risks, and effectively identifies, evaluates, monitors, measures and controls/mitigates the operational risks by enhancing our internal control as an effective mean to operational risk management.

During the reporting period, the Company followed the management principles of "risk-based, full coverage, clearly defined duties, quick response and honest reporting", adjusted its management strategies and priorities in due time according to the operating strategy and management philosophy of the Company as well as changes in internal and external financial situations, to effectively identify, evaluate, monitor and control/mitigate operational risks. We actively implemented the requirements of the National Financial Regulatory Administration on operational risk management and operational risk capital measurement, increased the allocation of operational risk management resources, established a sound organizational structure for operational risk management; consolidated the operational risk management system, combed and optimized the process; improved digital management functions in key areas to ensure daily operation and maintenance of information systems, and enhanced the rigid control and service capabilities of these systems; actively prevented and mitigated legal risks, and carried out legal publicity and education; improved staff behavior management and launched various business training; strengthened safety and security management, and implemented safety and security work at important points by carrying out safety inspections to eliminate potential risks hazards in a timely manner. During the reporting period, the Company's operational risk management systems operated stably and the operational risk was generally under control.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 6. Country risk management

Country risk refers to the risk incurred due to any economic, political or social change and incident in a country or region which results in the borrowers or debtors in such country or region being unable or refusing to repay their debts or results in any losses to the business presence of the Company in such country or region or any other losses to the Company.

The objectives of our country risk management are to control our country risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's country risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management Department, Development and Planning Department, Planning and Finance Department, International Business Department, Capital Operation Center, Retail Credit Department, Credit Card (Consumer Finance) Department and other business operation and management departments of the head office, Technology Management Department and Audit Department, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the country risk management as well as the formulation and implementation of relevant systems and policies for country risk management.

The Company continuously advances the country risk management work pursuant to the relevant measures of the regulatory authority. The Company has formulated basic country risk management systems, quota management measures and schemes, clarified the organizational structure and division of responsibilities, limit framework, management mechanism, etc., with respect to country risk limit management, and set the index and threshold of country risk limits. We regularly assess and monitor the country risks and make provision for country risks.

### 7. Interest rate risk management of banking book

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gain of the banking book arising from adverse changes in interest rate levels and term structure etc., mainly including gap risk, benchmark risk and option risk.

The objectives of our interest rate risk management of banking book are to control our interest rate risk of banking book within a reasonable range acceptable to us and reduce fluctuations in net interest income and economic value of banking book to maximize the comprehensive benefits across the Bank.

The Company's interest rate risk management system of banking book consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Asset and Liability Management Committee, Risk Management Department, Planning and Finance Department, Asset and Liability Management Department, Capital Operation Center, Audit Department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company measures and evaluates our interest rate risk of banking book mainly through gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc., and formulates strategies for interest rate risk management of the banking book by taking into account factors such as the risk appetite and risk profile of the Bank, macroeconomic environment and the market changes. During the reporting period, the Company dynamically and flexibly adjusts the scale and term structure of assets and liabilities, and optimizes the term management plan of assets and liabilities based on the interest rate risk appetite target of banking book and internal operation management needs across the whole bank, combined with changes in the macroeconomic situation and monetary policy orientation. As at the end of the reporting period, the Company's interest rate risk in the banking book was controlled within its risk management and control objectives and the interest rate risk in the banking book was generally under control.

### 8. Reputational risk management

Reputational risk refers to the risk of negative evaluation of the Company by stakeholders, the public and the media as a result of the Company's behavior, the conduct of its employees or external events, thereby damaging the Company's brand value, adversely affecting the Company's normal operation and even affecting market stability and social stability.

Reputational risk management refers to the establishment of a whole-process reputational risk management system covering various processes such as prior assessment, risk monitoring, classification and evaluation, response and disposal, information reporting, assessment and accountability, and evaluation and conclusion, in order to achieve the objectives of reputational risk management and build up a good social image of the Company, which enables the realization of a closed loop of reputational risk management, and also contributes to promoting the daily management of reputational risk from the aspects of risk identification and inspection, emergency drills, joint mechanism, social supervision, accumulation of reputation capital, internal audit and interbank collaboration.

The objectives of our reputational risk management are to correctly handle news and public opinions on us, public relations and our relationships with customers, actively and effectively prevent reputational risks and respond to reputational events, so as to minimize the losses and negative impacts caused by such events on the Company, interested parties and the public. The Company has included reputational risk management in its corporate governance and comprehensive risk management system.

The Company's reputational risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, General Executive Office, Publicity Department of the Party Committee, the Board Executive Office, Risk Management Department, other relevant departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for managing and organizing the reputational risk management across the Bank as well as the formulation and improvement of relevant systems and policies for reputational risk management of the Company.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company took preventing and mitigating reputational risks as its first priority, focused on front-end research, evaluation, identification and investigation, improved internal institutional mechanisms and optimized emergency response processes. By actively conducting hidden danger identification, developing response plans, and strengthening monitoring and response, the Company has been able to properly handle various key hidden risks related to public opinions. Through all these efforts, the quality and effectiveness of reputational risk prevention and control have been remarkably improved, with the number of negative reports significantly reduced as compared to that of the previous reporting period. Meanwhile, keeping the mission of “national priorities” in mind, the Company continued to boost positive publicity systematically and innovatively, and issued continuous reports focusing on “enhancing the social value of finance”, the intelligent operation strategy, performance highlights and service for the “five finances”, contributing to the fact that the Company’s brand image is deeply rooted in everyone’s hearts and promoting “a positive narrative about the bright prospects of the Chinese economy” (中國經濟光明論).

### 9. Strategic risk management

Strategic risk refers to the risk arising from any improper operational strategy or change in the external business environments, including improper strategic design, inappropriate strategic implementation and inapplicable stated strategy as a result of changes in the internal and external environments.

The objective of our strategic risk management is to control our strategic risk within a reasonable range acceptable to us by continuously improving the strategic risk management system.

The Company’s strategic risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Development and Planning Department, Audit Department, Financial Technology Department, other relevant departments of the head office, as well as domestic and foreign branches, sub-branches and subsidiaries.

Adhering to the principle of “clear responsibilities, proactive prevention, overall evaluation and timely adjustment”, the Company constantly improves and refines the strategic risk management system suitable for the scale and features of its business, and has realized effective management of strategic risks. Main management measures include: guided by the thought of Socialism with Chinese Characteristics in the new era of Xi Jinping, fully implementing the spirit of the 20th CPC National Congress and the spirit of the Central Financial Work Conference, proactively practicing the political and people-oriented nature of the financial work, taking the vision of being “a first-class commercial bank” as the leading role, anchoring on the “three first-class”, carrying forward the “four dos spirit”, constructing the “five-word ecosystem” and practicing the three-word primer of “goodness, intelligence and diligence”. We will actively explore the innovation of “financial services for good” theory and practice, under the flag of finance for good, enhance the social value of finance, and lead a new industry trend; focus on and serve “five finances”, follow the core big picture of party committee and government, take deepening the development in Zhejiang as its first priority, truly become a bank for Zhejiang, Zhejiang merchants and Zhejiang people; deepen intelligent operation, develop assets with low sensitivity to economic cycle as a ballast stone, implement the “321” operation strategy, promote the four fundamental major battles, continuously deepen digital reform, take scenario-based finance as the driver, and create distinctive competitiveness. In addition, we will set up a keynote of strictness with strict internal management, and standardize the relationship between banks and enterprises, and strengthen the management of work style, so as to comprehensively build the ecological soil for high-quality development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 10. Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational losses that may result from the failure to comply with laws, rules and standards.

The objectives of our compliance risk management are to establish a sound compliance risk management framework and promote the development of a comprehensive risk management system which enables us to operate in a lawful and compliant manner.

The Company's compliance risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Audit Department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the compliance risk management as well as the formulation and implementation of each basic system and policy for compliance risk management.

During the reporting period, the Company paid close attention to the changes in the economic and financial situation, conscientiously pursued various national policies and regulatory requirements, clarified the compliance management plan, solidly promoted the implementation of various internal control and compliance management initiatives to continuously improve its compliance risk management quality and effectiveness. Building a "compliance culture" with compliance operation as the bottom line, it launched the "Year of Compliance Image Enhancement" activities on a regular basis, established a compliance oath mechanism, continuously implemented the compliance commitment system, and strengthened the reporting of typical cases, so as to make proactive compliance, comprehensive compliance, and value-based compliance a consensus. It continued to improve the rules and regulations system, internalized external regulations, strengthened system implementation and supervision and evaluation, and created a new paradigm of intelligent system management. The Company strengthened internal supervision, inspection and problem rectification, and firmly promoted the grassroot management to effectively manage and control compliance risks. Adhering to technological empowerment, the Company has strengthened the information technology construction on compliance management with intensified efforts to enhance the level of compliance management intelligence. Adhering to the mission of "finance for good and people-oriented consumer protection", the Group solidly promotes consumer protection on a whole-process basis.

### 11. Large exposure administration

According to the Measures for the Administration of the Large Exposures of Commercial Banks (《商業銀行大額風險暴露管理辦法》) (No. 1 Order [2018] of Former CBIRC (原銀保監會 2018 年第 1 號令)), large exposure means the exposure of a commercial bank to a single client or a group of connected clients exceeding 2.5% of its net tier 1 capital. The Company has established a sound mechanism for the administration of large exposures, continued to improve the functions of the large exposure administration system, and commenced the measurement, monitoring and reporting of large exposures in an orderly manner. As of the end of the reporting period, all indicators of the Company's large exposures were in compliance with the regulatory limits.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 12. Information technology risk management

Information technology risk refers to any operational, legal and reputational risk arising from natural factors, human factors, technical bugs and management defects in connection with the application of information technologies by the Company.

The objectives of our information technology risk management are to control our information technology risk within a reasonable range acceptable to us, promote business innovation, enhance application level of information technology, and intensify core competence and sustainable development capability.

The Company's information technology risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Chief Information Officer (CIO), cyber security leadership team, Risk Management and Internal Control Committee, digital reform promotion committee, data governance committee, information technology management committee, business continuity management committee, the Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Technology Management Department, Audit Department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the information technology risk management as well as organizing the formulation and implementation of relevant systems and policies for information technology risk management.

The Company has established a relatively well-organized information technology risk management mechanism and process system, and comprehensively formulated relevant system processes and implementation rules in accordance with the ISO20000, ISO22301, ISO27001 and ISO27701 management system and regulatory requirements; established relatively well-organized systems for business continuity management, information technology outsourcing risk management, network security management, data security management, information technology services management etc. and a relatively well-standardized information technology risk monitoring and assessment mechanism.

During the reporting period, the Company has continued to consolidate the "data + technology" digital infrastructure, focus on financial scenarios, strengthen data governance, and promote the in-depth digitalization reform; continued to improve the network security, data security and customer information protection system, by relying on the "CZBank Network Security Innovation Workshop", strengthening innovation and talent cultivation and enhancing intelligent risk prevention and control of network security and data security as well as compliance governance; continued to carry out monitoring, assessment, measurement, control and reporting of the operational risks of important information systems, and plan for the construction of a new-generation digital intelligence operation and maintenance system, so as to strengthen the resilience of its scientific and technological operations; continued to improve the disaster preparedness system of "three centres in two cities" so as to enhance the dual-active availability and coverage of the disaster preparedness in the same city; continued to push forward the digital and online construction of emergency management, and conduct large-scale, long-term dual-center rotation operation of information system and complete batch cycle drills, so as to further enhance the capabilities of the important information system to recover quickly. During the reporting period, the system has operated stably without major information technology risks occurring.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 13. Anti-money laundering management

The Company has improved the money laundering risk management mechanism under the comprehensive risk management framework in accordance with the anti-money laundering laws and regulations, including the Anti-money Laundering Law of the People's Republic of China 《中華人民共和國反洗錢法》, the Administrative Measures for Anti-money Laundering and Counter-terrorist Financing of Financial Institutions in the Banking Sector 《銀行業金融機構反洗錢和反恐怖融資管理辦法》 and the Guidelines for the Management of Money Laundering and Terrorist Financing Risks for Corporate Financial Institutions (for Trial Implementation) 《法人金融機構洗錢和恐怖融資風險管理指引(試行)》, so as to further solidify the foundation of anti-money laundering works and continuously improve the quality and effectiveness of anti-money laundering management.

During the reporting period, the Company has strictly complied with the laws and regulations on anti-money laundering, seriously fulfilled its legal obligations and social responsibilities in anti-money laundering; optimized the money laundering risk management policies and procedures and improved the anti-money laundering operational mechanism; strengthened customer money laundering risk management to enhance the effectiveness of customer identification; submitted the monitoring and reporting of large-amount transactions and suspicious transactions, improved monitoring model with respect to suspicious transaction; implemented “risk-based” management strategy to strengthen the monitoring and control of high-risk businesses and customers; pushed forward the construction of the new-generation anti-laundering system to enhance digital level; advanced in-depth anti-money laundering data governance to enhance data quality; provided business risk warnings to relevant departments, strengthened anti-money laundering supervision and inspection and risk investigation; and organized anti-money laundering publicity and training, and actively cooperated with anti-money laundering investigations and co-inspections to comply with all regulatory requirements in respect of anti-money laundering.

## (VI) BUSINESS SUMMARY

During the reporting period, centering on the twelve-word operation approach of “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability”, the Company has continued to practice the philosophy of “financial services for good” and make further achievements in financial technology innovation by focusing on digitalization reform. Meanwhile, by rendering wholehearted services for the real economy, the Company has further created and developed the new development pattern for the simultaneous and synergistic development of the five major business segments, namely “great retail, great corporate, great investment banking, great asset management, and great cross-border”.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. Great Retail Segment

### (1) Retail Business

During the reporting period, the Company adhered to intelligent management. With scenario-based operation as the core, it consolidated the foundation of the customer base, focused on building eight major customer bases such as the payroll agency customer base, the silver-haired customer base and the platform customer base, and simultaneously constructed and perfected the customer service system featuring different levels and categories. The Company built the ecology of the customer acquisition scenarios, pushed forward the cooperation of online platforms and cooperation with key enterprises, solidly advanced the cooperation channels in scenarios for purchasing vehicles, home decoration, etc., and actively established cooperation relationships with third-party platforms to provide customers with diversified service experiences through the combination of financial services and lifestyle services. The Company continued to strengthen digital construction, enhance digital operation and management capabilities, and empower institutions and personnel to improve customer service efficiency.

During the reporting period, the Company achieved significant infrastructure construction results of retail customer base. As at the end of the reporting period, the Company had a total of 30.7535 million retail customers, representing an increase of 14.84% from the beginning of the year.

#### (1) Individual deposits and loans business

During the reporting period, the Company made great efforts to expand the base of individual customers, actively broadened the sources of low-cost funds and continuously optimized the structure of individual deposits. As at the end of the reporting period, the Company's individual deposits balance was RMB299.934 billion, representing an increase of 11.28% from the beginning of the year. In particular, the balance of individual demand deposits was RMB62.470 billion, representing an increase of 19.30% from the beginning of the year, which exceeded the growth rate of individual deposits, so the deposit structure was significantly improved.

During the reporting period, the Company proactively implemented the requirements of the urban real estate financing coordination mechanism, supported the recovery of the real estate market and vigorously promoted the development of its mortgage business. As at the end of the reporting period, the Company's personal housing loan balance was RMB155.304 billion, representing an increase of 12.66% from the end of last year. The Company adhered to the "customer-oriented" service philosophy, continuously optimized and upgraded its retail credit products according to market demand, and streamlined the approval process. Insisting on leveraging scenario-based customer acquisition, the Company continuously enhanced the quality, efficiency and coverage of its retail loan services, thus maintaining a steady growth trend in its retail credit business.

As at the end of the reporting period, the Company's retail loans (including personal housing loans and personal consumer loans) amounted to RMB292.286 billion, representing an increase of 2.71% from the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *(2) Wealth management*

During the reporting period, the Company increased the market-oriented talent acquisition, increased investment in strategic resources such as technological resources and management resources, and improved its market position to break the narrow positioning of wealth management being equivalent to product sales. The Company has formed a “three-in-one” synergy among investment, products and sales, and optimized the selection of “good companies, good teams and good products”.

In the face of downward pressure on revenue, the Company was determined to accelerate the pace of product shelf and digital transformation. The key product categories introduced such as wealth management agency, standard bond trusts and asset management were widely praised for their stable yields and outstanding performance. The Company followed market opportunities closely and promoted product innovation. It has successfully issued innovative structured products and shelved overseas products such as US dollar wealth management, global credit bonds and high-yield bonds. Relying on the institute of wealth management, the Company has been actively promoting the construction of investment research infrastructure to strengthen the investment and research foundation and focus on major asset allocation. By integrating the cutting-edge visions of internal and external experts and focusing on changes in the economic situation and customers’ needs, the Company has formed and expressed a full-system investment and research strategy and viewpoints from macro to micro and from major asset allocation to analysis of subcategories of products. The Company has established the 1+N radiation mechanism on specialized investment consultant empowerment and companion by region and insisted on expanding retail customer base with high-quality products and professional services, aiming to build up a wealth management brand with first-class influence.

The Company’s wealth management agency business increased at a moderate rate. As at the end of the reporting period, the retained wealth agency business amounted to RMB192.641 billion, representing an increase of RMB22.094 billion or 12.95% from the beginning of the year. The retained standard bond trust products amounted to RMB74.249 billion, representing an increase of RMB10.477 billion or 16.43% from the beginning of the year. The retained wealth management agency sub-products amounted to RMB20.124 billion, representing an increase of RMB5.164 billion or 34.52% from the beginning of the year. The retained structured products amounted to RMB5.257 billion, representing an increase of RMB1.274 billion or 31.99% from the beginning of the year.

### *(3) Private banking*

During the reporting period, by adhering to the philosophy of “passing of wealth and wisdom for sustainable development”, the Company’s private banking business provided three-dimensional financial services and featured value-added services for individuals and their family of private banking customers as well as their career development. The Company continuously promotes the construction of the six major systems including private banking customer base, products, rights and benefits, team, assessment and service. With the vision of building a first-class commercial bank, the Company has established a set of advanced private banking operation mode and built a leading digital intelligent private banking mode.

## MANAGEMENT DISCUSSION AND ANALYSIS

Through optimizing the management structure of the private banking business of the Company and strengthening professional training and qualification certification, the Company has created a private banking team with high quality and professional competency. We have improved the staff assessment and realized visual assessment of teams including private banking account managers, investment advisors and branch management teams with digital systems. At the same time, we have built a customer rights and benefits system of private banking “with distinctive features that is recognized by clients”, based on the eight major themes of “food, clothing, housing, utilities, transportation, medical care, education, and entertainment”. We fulfill the Company’s service concept of “financial services for good” and improve the private banking service system through the 1+N financial consultant modes to empower financial service. Meanwhile, we have built a multi-strategy and full range of private banking products, including cash management, fixed income, equity and non-standard products, based on the clients’ diversified needs of asset allocation in order to enhance the experience of private banking clients. Through the construction of six systems, namely customer base, products, rights and benefits, team, assessment and service, we have built an influential private banking brand of CZBank.

As at the end of the reporting period, the Company had 14,084 private banking customers, representing an increase of 15.55% as compared to the beginning of the year; the financial asset balance of the private banking customers amounted to RMB204.915 billion, representing an increase of 11.87% as compared to the beginning of the year.

### *(4) Credit card (consumer finance) business*

During the reporting period, the Company proactively responded to the national policy of consumption stimulation to innovate products and services by focusing on the diversified financial needs of daily consumption scenarios of “clothing, food, housing and transportation”. The Company issued the Yangtze River Delta theme card to facilitate the integrated development of the Yangtze River Delta Region; issued the “Red Salary” (紅薪) card to enhance the suitability of the payroll agency clientele service; launched more than 20 promotional activities, such as purchase for coffee and milk tea at least RMB0.01, travel discounts, daily discounts on consumption, large-value full-rate discounts, full-rate discounts on installments, to enrich the benefits of customers’ use of the card; launched the full-rate discounts on consumption and full-rate discounts on installments of “trade-in for new products” activities on the Jingdong platform to enhance financial services for trade-in scenario of consumer goods. The Company vigorously promoted the installment business of vehicle purchase, parking space, home decoration and home furnishing, and explored the installment business of weddings and other niche scenarios, so as to enrich the special installment products and create a differentiated competitive advantage.

As at the end of the reporting period, the Company had issued a total of 4,339.4 thousand credit cards, representing an increase of 111.0 thousand credit cards from the beginning of the year; balance of credit card (consumer finance) loans amounted to RMB32.256 billion, representing an increase of RMB1.720 billion from the beginning of the year. During the reporting period, the Company achieved income from the credit card (consumer finance) business of RMB885 million, representing a year-on-year increase of 15.03%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (2) *Small Enterprises Business*

During the reporting period, the Company thoroughly implemented the spirit of the economic and financial work conference of the CPC Central Committee, conscientiously practiced the spirit of “being political, people-oriented and professional” in financial work, endeavored to carry out inclusive finance, comprehensively implemented digital and scenario-based business transformation, and provided high-quality financial services to small and micro enterprise market entities.

As at the end of the reporting period, the Company had 214 specialized institutions for small enterprises, with balance of small and micro enterprise loans under inclusive finance <sup>Note 1</sup> of RMB326.363 billion, representing an increase of RMB6.235 billion or 1.95% from the beginning of the year. Interest rates for newly issued small and micro enterprise loans under inclusive finance fell by 49 basis points year-on-year with a non-performing ratio of small and micro enterprise loans under inclusive finance of 1.35%.

**Consolidate the customer base and strive to improve the supply structure.** The Company intensified the development of inclusive small and micro businesses, strengthened the promotion and application of advantageous products, and improved the quality and efficiency of small and micro financial services. In the first half of the year, the number of customers of small and micro enterprise loans under inclusive finance continued to increase. As at the end of the reporting period, it reached 145.6 thousand, representing an increase of 5.8 thousand from the beginning of the year. Meanwhile, regulatory responsibilities have been completed in terms of important indicators such as credit loans, non-principal repayment renewals and inclusive agriculture-related loans.

**Focus on key areas and vigorously promote scenario-based finance.** Firstly, centering on “government cooperation, supply chain, small and micro industrial parks, equipment renewal” and other universal scenario-based finance, the Company served various target industries with respect to various scenarios and segments of production and operation of target customer base, so as to make financial products reach small and micro enterprises. Secondly, making key breakthroughs in the scenario of small and micro industrial parks, the Company promoted comprehensive financial service programs for small and micro industrial parks and increases medium- and long-term credit supply for small and micro manufacturing enterprises to support equipment renewal, technological transformation, green transformation and development, etc. As at the end of the reporting period, the Company has developed 2,237 park projects, with balance of mortgage loans to small and micro industrial parks and industrial real estates increasing by RMB10.204 billion from the beginning of the year to RMB77.521 billion. Thirdly, in combination with regional economic characteristics and resource endowment, the Company actively innovated and designed financial products and services that met the production and operation characteristics and capital needs of local small and micro market entities, and strengthened credit support for local advantageous or characteristic industries. The Company has launched 63 customized products such as common prosperity loans for Longyou pigs (龍遊生豬), Jiangshan intelligent manufacturing (江山智造) and Sanmen green crab (三門青蟹) in 26 counties in mountainous areas of Zhejiang Province. “CZBank’s Common Prosperity Loan” (浙銀共富貸) products had balance of RMB12.242 billion, representing an increase of RMB904 million from the beginning of the year, and served 7,315 customers, representing an increase of 789 customers from the beginning of the year.

Note:

<sup>1</sup> According to information on small and micro enterprise loans under inclusive finance from the Former CBIRC, the “small and micro enterprise loans under inclusive finance” and “loans” exclude the discounted and inter-bank discounted bills business.



## MANAGEMENT DISCUSSION AND ANALYSIS

**Practice intelligent operation and speed up the construction of digital inclusion.** Firstly, aiming at scientific and technological innovation, specialization, refinement, uniqueness and innovation, green and low-carbon development, as well as small and micro enterprises in the upstream and downstream of key industrial chain and supply chain, foreign trade, wholesale and retail, cultural tourism, transportation, logistics and other fields, the Company strengthened the analysis and application of operation cash flow and transaction data, so as to optimize service mode. Secondly, adhering to the “online + offline” model, the Company promoted the “1+1+N” comprehensive digital business product service system with “Shuke Loans” (數科貸), “Shuyi Loans” (數易貸) and “Digital Cooperation Projects” (數字化合作項目) as the core, and achieved comprehensive coverage of multiple scenarios and multiple types of customers, achieving preliminary results in digital transformation. Thirdly, deepening the cooperation with the Market Supervision and Administrative Bureau of Zhejiang Province (浙江省市場監管局), the Company promoted the use of “Shuyi Loans” (數易貸) and other products around the scenario of “market supervision + finance” for small and micro customer base, and increased financial support for individual businesses and individual workers, so as to improve the quality and efficiency of financial services.

### 2. Great Corporate Segment

#### *Corporate business*

The Company strictly implements the decisions and deployments of the CPC Central Committee and the State Council, focuses on the “three first-class” target positioning and four strategic focuses, coordinates the relationship of “customer, talent, system, and investment research”, increases support to the real economy, fully pushes forward the expansion of basic customer base, strives for high-quality development, and plays a key role of the great company segment in revenue growth and profit generation.

**Continuously optimize loan scale and structure.** As at the end of the reporting period, the Company maintained a steady development trend in its corporate business. It had RMB-dominated corporate assets on the balance sheet of RMB980.4 billion, representing an increase of RMB40.0 billion from the beginning of the year. It served industries with low sensitivity to economic cycle with balance of loans amounting to RMB199.71 billion, representing an increase of RMB20.03 billion from the beginning of the year.

**Continue to improve capabilities to serve real customer base and promote the construction of the provincial base camp.** Adhering to the orientation of finance serving the real economy, the Company deeply cultivated the manufacturing customer base and continuously promoted the high-quality development of the manufacturing industry. As at the end of the reporting period, the balance of the Bank’s manufacturing loans amounted to RMB256.427 billion, representing an increase of 6.88% from the beginning of the year. At the same time, the Company fully implemented the strategy of “deepening the development in Zhejiang” (深耕浙江) to serve the construction of the provincial base camp. Actively contacting with the Economy and Information Technology Department of Zhejiang, the Zhejiang Provincial Development and Reform Commission and other departments, the Company promoted the implementation of major projects such as “one hundred billion yuan technological reforms” (千億技改) and “1,000 trillion-yuan projects” (千項萬億). As at the end of the reporting period, the financing balance for major projects in the province exceeded RMB10 billion, outperforming the three-year (2022-2024) action target ahead of schedule.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Continuously upgrade supply chain finance digitalization to create differentiated service advantages.** The Company continues to upgrade its supply chain digital intelligence of finance service by integrating supply chain finance services into the entire production and transaction landscape of the industrial chain, fully utilizing its professional capabilities and digital means, and creating a “whole chain, full landscape, all products” supply chain financial service solution through the four major innovations of process restructuring, credit innovation, technological empowerment, and service leapfrogging, to solve the financing difficulties of medium, small and micro enterprises in the upstream and downstream of the industrial chain, and facilitate the development of the industrial chain with high quality. At present, the Company has formed characteristic and differentiated supply chain finance solutions in nearly 30 industries, including power, energy, new energy vehicle, modern communications, aerospace and electronic information. As at the end of the reporting period, the Company served over 3,000 digital supply chain projects, serving over 55,000 upstream and downstream customers, of which 76% were small and micro enterprises under inclusive finance.

**Continue to practice technology finance, serve new quality productive forces, and deliver an outstanding performance on technology finance.** The Company explored a differentiated technology finance management system, and distributed more financial resources to technological innovation through dedicated organizational systems, professional personnel, exclusive product services, exclusive risk policies, special operation policies and specialized information systems. The Company iteratively launched “full-cycle, all-chain and all-around” comprehensive technology financial service schemes to meet diversified financial needs of enterprises at different growth stages, and achieved common development together with technological innovation enterprises through strong financial ecology. As at the end of the reporting period, the Company had served more than 15,000 technological innovation talent enterprises, with a financing balance of more than RMB260.0 billion; and served more than 3,400 high-level talents and more than 2,500 talent enterprises.

**Continuously improve the professional operation level and comprehensive service capability of energy finance.** The Company accelerated the layout of financial support for the new energy industry chain, expanded the key service scope of the industrial chain, and strengthened the support for key projects. Focusing on power production, power transmission and distribution, and power consumption, the Company comprehensively enhanced the competitive advantages of specialization, characterization and scenarios, and continuously explored the corporate financing demand under the deep integration of various segments of new energy and new quality productive force. As at the end of the reporting period, the Company had served more than 3,000 energy enterprises, with a financing balance of more than RMB120.0 billion, and established strategic cooperation with key customers such as State Grid.

### 3. Great Investment Banking Segment

#### *(1) Investment banking business*

The investment banking business adhered to its essential principle of serving the real economy. Focusing on the parallel operation strategy of transaction investment banks and industrial investment banks, the Company integrated various financial instruments in the direct financing market and indirect financing market to meet the multi-level financing needs of customers. Leveraging the tools and means of “underwriting, investment, sales, transfer and collection” (承投銷轉撮) of transaction investment banks, the Company connected the market and customers to create value; the head office and branches of industrial investment banks faced customers directly and established trading scenarios to provide comprehensive and professional services for industrial customers.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company used its investment banking products to serve 887 clients, including central state-owned enterprises and private enterprises, representing an increase of 14% over the same period last year. The investment banking realized FPA of RMB275.2 billion, remaining basically unchanged with the same period last year, including bond underwriting of RMB81.2 billion; contribution from the credit enhancement business of RMB2.1 billion, maintaining the first place in the market; as the first bank in the market to promote resale business in a systematic manner, the Company launched resale business of RMB72.8 billion, with a participating share of RMB9.3 billion, outperforming its peers in the market; credit assets turnover of RMB2.8 billion; and, in terms of asset building, major assets placement of RMB40.0 billion.

### **(2) Financial market business**

During the reporting period, the Company proactively enhanced its effectiveness in serving the real economy, strengthened the customer service capability of its financial market business, and continued to strictly implement various risk management measures for its financial market business to ensure its steady development.

In local currency market, during the reporting period, the Company actively performed its market maker responsibilities by providing high-quality quotations and customer services for various products. The Company maintained a high degree of activity in various segments such as bonds and interest rate derivatives, and actively participated in market product innovation. In the first half of 2024, the Company increased its underwriting and investment efforts in special treasury bonds and municipal bonds, providing sufficient support for major project investment and achieving high-quality development. The underwriting volume of municipal government bonds increased by 22.64% year-on-year. The Company actively participated in Zhejiang bond underwriting, and accumulatively underwrote Zhejiang bonds of RMB17.06 billion, ranking first. The Company had outstanding influence in the inter-bank local currency market and won awards such as “Market Influential Institution of the Year” (年度市場影響力機構) (core dealer, money market dealer, issuer of interbank certificates of deposits, opening-up participating institution (bond)) and “Market Innovation Business Institution” (市場創新業務機構) from China Foreign Exchange Trading System (中國外匯交易中心).

In the foreign currency market, the Company insisted on providing high-quality quotations to the market, enhancing its capability in serving the real economy and helping customers improve their exchange rate risk management level. During the reporting period, the Company won a number of important institutional awards, including the “Member Award for Excellent Service Enterprise Exchange Rate Risk Management” (優秀服務企業匯率風險管理會員獎), “Excellent Foreign Currency Exchange Offering Quotation Bank” (優秀外幣拆借報價行), and “Excellent Foreign Currency Exchange Offering Member” (優秀外幣拆借會員).

In the area of precious metals business, during the reporting period, the Company ranked first among market-making banking categories in both gold and silver futures in the Shanghai Futures Exchange, and ranked second in the bidding market of the Shanghai Gold Exchange.

## MANAGEMENT DISCUSSION AND ANALYSIS

In respect of digitalization, during the reporting period, the Company continued to deepen its digitalization capability construction, with remarkable effect in supporting FICC's investment, research, delivery and sales businesses. Significant progresses have been made in its digital operation in terms of market research, market-making transactions, portfolio management, customer profile management and other fields.

### **(3) Financial institution business**

Fully strengthen customer base. The Bank deepens the implementation of its operational concepts of “financial services for good” and intelligent operation, continuously promotes the establishment of a “customer-oriented” comprehensive service system, to improve the quality and expand the business of the integrated operation of key customer base.

Solidly promote interbank balance sheet business. The Bank enhances market research and judgment and improves its investment research capabilities in respect of standardized asset investment, to effectively serve the Company's high-quality clients in real enterprises. Meanwhile, it has revitalized and upgraded the “Common Benefit” (同有益) asset pool to provide one-stop integrated services to financial institution clients, with cumulative transaction volume exceeding RMB750.0 billion on the platform. The client base of interbank liabilities continues to expand, and the cost has been reduced. In the first half of 2024, the interest payment rate for RMB interbank liabilities decreased by 4 basis points as compared to last year.

Promote the financial bond issuance. During the reporting period, the Bank successfully issued RMB40.0 billion of small and micro finance bonds and RMB10.0 billion of tier 2 capital bonds, and actively explored the use of low-cost, long-term capital to better serve the real economy.

Contribute to the expansion of the capacity and volume of assets with low sensitivity to economic cycle. The Bank pushed forward to continue to expand the standardized ABS investment and accelerated the promotion of the interactivity of “investment, custodian, sales and collection” (投、託、銷、撮), with all-product sales service during the reporting period amounting to RMB260.368 billion, representing a 16.6% growth year-on-year.

### **(4) Bill business**

The Company proactively responded to the changes in the market resulted from the new capital regulations, insisted on its original aspiration of serving the real economy, adhered to financial services for good, and strengthened the intelligent operation of the bill business.

**Intensify key businesses to achieve remarkable results.** During the reporting period, the Company's discount volume amounted to RMB259.4 billion, representing a year-on-year increase of 94%; the commercial paper discounting volume was RMB154.1 billion, representing a year-on-year increase of 96%, ranking second in the whole market and first among the joint-stock banks, with a market share of 13.25%, reaching the leading level in the industry.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Focus on scenario-based finance and serve real enterprises.** The Company continued to explore the scenario-based and digital application of bills to improve the quality and efficiency of bills serving real economy. During the reporting period, the Company created distinctive advantages by focusing on key scenarios and broke through “Double Hundred” (雙百) in the “1+N” commercial bill model by accumulating 110 core enterprises and a discount amount of RMB14.3 billion. The Company launched online “Intelligent Bill Steward” (票據智管家) for corporate customers to create an online one-stop integrated service platform, thus comprehensively improving user experience by redesigning a minimalist operation interface to greatly simplify customer operation processes; new visual report analysis, commercial bill maturity management and other personalized functions were added to help enterprises “manage bills well and use them well” (管好票、用好票). During the reporting period, the Company served 18.7 thousand corporate customers through acceptance, discounting, bill guarantee and guarantee services, representing a year-on-year increase of 50%.

**Strengthen investment research capability and deepen brand building.** The Company solidly promoted theoretical research in the areas of trading strategies, risk management and products designing to empower operational decisions; proactively strengthened communication with regulatory authorities, the Shanghai Commercial Paper Exchange and industry associations, further strengthened regulatory communication and enhanced support recognition; conducted in-depth visits and research between corporate customers and banks, promoted two-way customer development between enterprises and banks, and strengthened the brand of “Zheyin Bill” (浙銀票據). According to the evaluation results of Shanghai Commercial Paper Exchange in 2023, the Company received five major awards including the “Outstanding Specialized Business Organization – Outstanding Discounting Organization” (優秀專項業務機構 – 優秀貼現機構), “Outstanding Discounting Participating Organization” (優秀貼現通參與機構), “Outstanding Supply Chain Bill Participating Organization” (優秀供應鏈票據參與機構), “Outstanding Organization for Enterprise Promotion of New Generation System” (優秀新一代系統企業推廣機構) and “Outstanding Commercial Bill Information Disclosure Service Organization” (優秀商票信息披露服務機構).

### **(5) Asset custodian business**

The Company focused on intelligent revenue generation and digital empowerment, conducted in-depth collaboration, marketing and customer engagement, and optimized processes, thereby making every effort to promote the high-quality development of asset custodian business. During the reporting period, the Company’s asset custodian business performed well, with key indicators continuing to outperform the general trend. The Company ranked first among major state-owned banks and joint-stock banks in terms of the year-on-year growth rate of custodian income during the reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company actively explored new business growth modes, constantly enriched and improved the custodian product line, focused on customer bases such as funds, banks, securities, insurance and trusts, established asset custodian business cooperation relationships with nearly 350 licensed financial institutions, and continued to strengthen the comprehensive and coordinated development of the “five business segments”, thereby significantly enhancing the market influence of the asset custodian business. As at the end of the reporting period, the Company’s assets under custody grew steadily, with a balance of RMB2.4 trillion, representing an increase of 6.85% from the beginning of the year; in the first half of 2024, the Company realized asset custodian income of RMB348 million, representing a year-on-year increase of 15.61%.

During the reporting period, the public funds under the custody of the Company kept a good growth. As at the end of the reporting period, there were 264 public funds under the custody of the Company. Size of public funds under the custody amounted to RMB482.594 billion, representing an increase of 11.15% from the beginning of the year.

In the meantime, the Company accelerated the iteration of various custodian system functions and the application of RPA technology, continuously improved the functions of CZBank’s “intelligent custodian” (智託管) service platform to establish a one-stop operation service platform. It achieved remarkable results in digital construction, significantly increased the overall business capacity, and improved the quality and efficiency of customer service, thus providing safe, professional and efficient custodian services to custodian customers.

#### 4. Great Asset Management Segment

The Company has continuously strengthened its investment research capabilities, enriched net-value product system, improved its risk management capabilities and strengthened financial technology support, striving to build a brand of asset management business featuring “professional management, customer-first approach, differentiated competition and giving priority to efficiency”. During the reporting period, the Company proactively carried out the preparatory work for the establishment of CZB Wealth Management Co. Ltd. (浙銀理財有限責任公司).

The Company has launched series of wealth management products such as “Shengxin Win” (升鑫贏), “Juxin Win” (聚鑫贏), “Yongxin” (涌薪), “Yongying” (涌盈), “Xinze” (昕澤), “Mingquan” (鳴泉), “Yongyi” (涌益) covering cash management, fixed income, “Fixed Income Plus” and hybrid products. As at the end of the reporting period, the balance of the Company’s wealth management products amounted to RMB147.248 billion, with net-value wealth management products accounting for 100% of wealth management products, of which 92.36% and 7.64% were funds of individual and institutional clients respectively. During the reporting period, the Company issued a total of RMB123.638 billion of wealth management products and realized income from asset management services fee of RMB271 million.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5. Great Cross-border Segment

The Company has consistently responded to “The Belt and Road Initiative” and continuously intensified cross-border financial diversified products innovation. Relying on the two platforms, namely the sub-accounting unit in free trade zone and Hong Kong Branch, the Company has been able to provide foreign trade enterprises with high-quality cross-border comprehensive financial service integrating local and foreign currencies, domestic and foreign trade, and offshore and onshore, aiming to fully support the development of the real economy of foreign-funded or foreign trade industries.

The Company has taken various measures, such as promoting a high level of financial opening-up, focusing on new sectors and new models of foreign trade, centering on subsectors including cross-border e-commerce, new payment mode and market procurement, as well as continuously facilitating cross-border financial services tailored to local conditions, in order to contribute to maintaining the stability and improving the quality of foreign trade, and continuously increase the scale of international business services. During the reporting period, the Company provided international clearing services amounting to US\$260.6 billion, representing an increase of 35% as compared to the same period of last year; and customer foreign exchange trading services amounting to US\$97.4 billion, representing an increase of 48% as compared to the same period of last year, of which, the transaction volume of “Zheshang Trading Treasure” (浙商交易寶) amounted to US\$26.0 billion.

The Company also increased its credit allocation to foreign trade enterprises and boosted the quality and efficiency of cross-border financial service. During the reporting period, the balance of assets investment under the international business amounted to RMB171.6 billion, representing an increase of 40% as compared to the same period of last year, among which, the balance of cross-border investment and financing amounted to RMB104.7 billion, representing an increase of 35% as compared to the same period of last year, and the balance of liquidity released amounted to RMB66.8 billion, representing an increase of 48% as compared to the same period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (VII) FINANCIAL TECHNOLOGY

During the reporting period, focusing on key strategies, highlighting the strategy of “propelling the Bank with technology”, guided by the vision of a being “a first-class commercial bank” and centered on the development of scenario-based finance, the Company promoted in-depth digitalization reform, strengthened the driving force of technological innovation and research, steadily consolidated our technological foundation, earnestly carried out safe production and safe operation, comprehensively improved the effectiveness of technological service, as well ceaselessly enhancing the brand reputation of “Digital Intelligence CZBank”, thereby providing digital intelligence support for high-quality development of the entire industry.

#### **1. Gather force to make a breakthrough in digital transformation, creating a characteristic ecosystem featured scenario-based finance**

The Company has thoroughly implemented the spirit of the Central Financial Work Conference. Specifically, based on the bank-wide positioning of “a year to deepen implementation” and being in the new stage of digital transformation, we move firmly towards our goals and development direction, deeply push forward the breakthrough on system foundation, deliver characteristic service featured scenario-based finance and facilitate the formation of new sectors and new quality productive forces driven by the development of new technology, so as to earnestly advance the development of real economy. In addition, the Company strengthens top-level design and strategic planning by establishing working groups to advance “five finances”, with the technology department making coordinated efforts to boost digital finance. The Company also optimizes and improves the “185N” digital system structure, deepens the implementation of the ITBP working mechanism, and collaboratively promote the awareness enhancement and capability improvement of entire-process digitalization from operation, management to risk control. Furthermore, the Company continuously develops the characteristic ecosystem featured scenario-based finance by working together with the three parties, namely “G, B, C”, actively integrating into digital platform at government level, launching featured business scenario tailored to local condition, and serving the fields of livelihood such as public administration, commerce and trade, and health care, thus providing efficient and contactless digital financial service for government, business and the public, thereby achieving a win-win scenario-based finance ecosystem.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **2. The fruitful results generated by technological innovation are gradually emerging, contributing to the enhancement of intelligent operation in terms of both quantity and quality**

Focusing on “digital operation and digital value”, the Company explores development path driven by digital innovation, so as to promote all-around enhancement of the scale, quality and effectiveness of intelligent operation. Firstly, the Company builds a product system featured digital finance. Specifically, it fully exploits the value of internal and external data in terms of industry and commerce, taxation and other aspects, creates and markets digital products such as scene certificate, digital technology loan, Zheshang Trading Treasure (浙商交易寶) and sci-tech innovation bonus point loan, consolidates and expands its advantages in supply chain finance, inclusive finance and cross-border finance, as well as facilitating steady development of technology finance, green finance and pension finance. Secondly, the Company intensifies the construction of key systems, iterates and upgrades treasury system, large digital and intelligent supervisory platform, digital and intelligent anti-fraud platform and CZBank Office (浙銀辦公), so as to continuously strengthen the supporting capability of risk control, intelligent decision making and precision management. Thirdly, by building diversified and integrated service channel and rebuilding intelligent and efficient service process, as well as iterating and upgrading comprehensive digital and intelligent operation system, digital and intelligent operation and management platform, mobile banking, remote banking and other platforms, the Company aims to provide customers with all-field, three-dimensional, convenient and professional intelligent operation service. Fourthly, the Company steadily advances the research projects combining financial technology with scenario-based finance such as the large AIGC model, graph processing, digital RMB, industrial park finance, plans the implementation of the MaaS computing power management platform, IP construction project for digital human, AI-aided analysis platform and intelligent wealth investment research assistants, aiming to accelerate the implementation and application of artificial intelligence.

### **3. Basic technological capabilities continuously enhanced, consolidating the foundation of high-quality development**

The Company spares no efforts to push forward the breakthrough on system foundation, and gives play to the function of “data + technology” serving as two-wheel drivers, so as to boost the supporting and empowerment functions of technology. Firstly, the Company comprehensively kicks off the project of “replacing core system to consolidate our foundation”. In this regard, the Company makes an overall plan for the construction of the next generation of core system with intensified efforts on system structure, route design, etc., to develop clear and matched roadmap and operating plan, striving to construct a new core system that is more efficient, agile, synergic as well as autonomous and controllable. Secondly, the Company continuously optimizes and upgrades technology and structure. In this connection, it makes a forward-looking deployment in distributed database, micro-service and cloud native, makes an overall plan to improve the enterprise-level basic capability framework, intensifies virtualization and cloudification construction of infrastructure, as well as developing a public service competence system with more than 80 service capabilities under 4 major categories including business service and technology components. Thirdly, the Company constantly perfects the data governance system and mechanism with intensified efforts on data governance, unifies and improves data standard throughout the Bank, as well as comprehensively enhancing its capabilities in the management and control of data quality. Furthermore, the Company enriches and improves its data asset system, enabling itself to provide stable data support for more than 200 application system throughout the Bank, and to thoroughly explore and make use of the value of data. For example, the pilot project of “One Statement Connect” (一表通) was repeatedly and highly recognized by the regulatory authorities and the Company was designated as the leading bank nationwide to adopt HIVE version.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Safety production gradually improved, reinforcing a safety shield for steady business operation

The Company continuously enhances its capabilities in lean, automatic, intelligent operation and maintenance, devotes all-out efforts to reinforce the shield against safety risk, and further improves production and operation safety. On one hand, we build a “1+5” network security protection system based on one foundation and five platforms, and construct a “continuously running, automatic and comprehensive” operation mechanism for network security protection, enabling whole-chain, all-asset-covered, fully perceptive and whole-process network security protection featured fast alert, fast response and fast disposal. We also step up our efforts in safety construction by establishing a “three-in-one” data security protection system that integrates management, operation with technology, thus our data safety protection work is normalized and under safe operation. On the other hand, the Company further enhances its capability in lean operation and maintenance, accelerates the structure construction of integrated and intelligent operation and maintenance system with a focus on improving emergency response capability, constantly normalizes and improves its emergency plan and emergency response process and mechanism, highlights the establishment of disaster recovery system, as well as promoting normalized operation of dual active. In this regard, we continued to carry out drills for intra-city disaster recovery switchover covering our important information systems including the core system. In the future, we will steadily improve our takeover capability to secure the long-cycle, independent and reliable running of important intra-city disaster recovery system.

### 5. System and mechanism continuously improved, comprehensively enhancing the efficiency of technology management

We iteratively improve the mechanism of technology management, gear up our efforts in system development and implementation and strengthen the building of talent team, so as to comprehensively enhance the efficiency of technology management. Firstly, we continuously reinforce the overall management of technology sector. Under the guidance of the information technology management committee, the Technology Management Department takes charge of the overall management of information technology works such as establishment of information system, application research, system operation and maintenance, information security and risk management throughout the Bank, so as to empower innovation in business model and operation management in an all-round manner. Meanwhile, a data management department was established to make overall arrangements for data management work throughout the Bank. We also gradually improved the data governance system and intensify data asset construction. Secondly, we edge up our efforts in the development of the technology management system. For that purpose, we carry out various campaigns to improve the technology management system. Specifically, we thoroughly sort the systems on seven aspects including production and operation, project management, structure management and quality assurance testing, regularly evaluate and upgrade relevant systems, organize system-related training on a regular basis, intensify inspection on the implementation of system and strengthen system guarantee, thereby effectively enhancing management quality and efficiency. Thirdly, under the requirements of Zhejiang Provincial Committee on the establishment of “Three Teams” (三支隊伍), the Company implements the “123 Talent Plan” (123 人才計劃), which emphasizes whole-process and systematic management on the “selection, employment, cultivation, retention and dismissal” of digital talents. According to the plan, we regularly and sustainably organize professional trainings and on-job trainings, in order to boost the professional competence and professional knowledge reserve of technological talents, further implement the inter-departmental two-way exchange mechanism of technological talents from head office to branches, as well as offering more paths for the development of digital talents, thus establishing a top-notch team comprised of innovative talents.



## MANAGEMENT DISCUSSION AND ANALYSIS

### (VIII) E-FINANCE SERVICES

During the reporting period, the Company has formed a complete E-finance service system consisting of online banking, mobile banking, remote banking, WeChat banking and online settlement business. The replacement rate of transactions via electronic channels reached 99.9%, taking a leading position in the industry. During the reporting period, the Company vigorously promoted the construction of E-finance channels, strengthened the building of customer experience and improved risk control measures, resulting in steady growth of channel customers, continuous improvement in the quality and efficiency of business scale and sustained enhancement of channel service capability.

#### Online banking

During the reporting period, being customer-oriented, the Company continuously optimized personal online banking experience, simplified the operations of frequently used functions, enriched channel service scenarios and extended customer channel services. As of the end of the reporting period, the Company had 1.7375 million customers with personal online banking certificates, representing a period-on-period increase of 3.12%. During the reporting period, the Bank conducted 231.9357 million transactions totaling RMB223.689 billion via personal online banking.

During the reporting period, based on the genuine need of enterprises, the Company launched the “2.0 English Version” (英文 2.0 版) and the demo edition of corporate online banking; comprehensively optimized core and commonly used functions of corporate online banking such as payroll agency and transfer services through the enhancement of browser compatibility for corporate online banking; and continued to simplify the operation of frequently used functions to further reduce customer operations and enhance customer experience. As of the end of the reporting period, the Company had 267.7 thousand customers with corporate online banking certificates, representing a period-on-period increase of 15.63%. During the reporting period, the Bank conducted 59.3379 million transactions totaling RMB6,683.115 billion via corporate online banking.

#### Mobile banking

During the reporting period, the Company practiced the concept of “financial services for good” by setting up the “Good Deeds by CZBank” (浙銀善行) column in mobile banking, and expanded the scenario-based special areas to provide featured financial service tailored to the branches. Besides, the Company optimized functions such as registration and login, transfer and remittance and account details to continuously enhance customer experience. As of the end of the reporting period, the Company had 6,650.9 thousand personal mobile banking customers, representing a period-on-period increase of 18.40%. During the reporting period, the Company conducted 62.1801 million transactions totaling RMB462.901 billion via mobile banking.

#### Remote banking

The Company upheld the service philosophy of “customer-oriented, beyond expectation”. By applying multi-channel service platform, big data and intelligent technology, and leveraging on intelligent voice devices, intelligent online robot, telephone operator service, online manpower service, WeChat, email and other means, the Company provided customers with rapid, comprehensive and professional high-quality services. Focusing on the three core functions, namely “24-hour intelligent customer service”, “digital-intelligent customer marketing and maintenance” and “intelligent operation management”, the Company is committed to establishing a comprehensive, digital and value oriented remoted banking integrating “intelligent service, digital-intelligent operation, and smart operation” as a 7\*24 comprehensive one-stop service platform.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Bank received 1,893 thousand customer inquiries, with 21.25% increase period on period and an overall connection rate of 96.53%. In particular, it received 1,257.4 thousand calls, with manned telephone connection rate of 91.64% and customer satisfaction rate of 99.80%; served online customers for 635.6 thousand times, with online connection rate of 99.87%. The Bank set up a green channel to provide services for the elderly and continuously reinforce the provision of more convenient and heart-warming services for aged customers. During the reporting period, the Bank provided services for 15.4 thousand elderly customers, with 121.21% increase period on period, effectively fulfilling its social responsibilities.

Besides, the Company has been exploring the establishment of a layered customer management system featuring a combination of “manual+intelligent” and “online+offline” through diversified remote business channels such as SMS, intelligent outbound calls, and manual outbound calls customers. During the reporting period, the Bank reached 2,846.4 thousand customers by remote outbound calls, representing a period-on-period increase of 144.79%, which continuously empowered our business and supported the business expansion of the whole bank.

### **Bank-enterprise direct connection and inter-bank cash management**

During the reporting period, the Company continued to optimize the functions of bank-enterprise direct connection and inter-bank cash management by launching a new treasury service platform, which enables interconnection among the account center, the settlement center, the foreign exchange center, the bill center, the asset pool, the fundamental management platform and the bank-enterprise interconnection platform, representing the successful implementation of the first pilot customer business. As of the end of the reporting period, the Company had 1,472 core customers of bank-enterprise direct connection, representing a period-on-period increase of 13.41%. During the reporting period, the customers of the Company handled 177.3 thousand transfers via bank-enterprise direct connection, and the transfer amount was RMB1,008.790 billion.

### **WeChat banking**

During the reporting period, the Company was committed to developing WeChat banking into an important platform for the introduction of new financial services and brand marketing. Its WeChat banking consists of CZBank’s Cloud Branch WeChat official account and CZBank’s Cloud Branch WeChat official mini program. CZBank’s Cloud Branch WeChat official account offers functions including credit cards and personal, small and micro enterprises and corporate, and recruitment and other services. CZBank’s Cloud Branch WeChat official mini program’ functions include outlet appointment, personal loans, and featured activities.

### **Online settlement business**

During the reporting period, the Company proactively explored business innovation, developed well-established system of scenario-based service on industrial payment and settlement, and strengthened its five major capabilities, namely “collection, payment, management, distribution and control”, during which process the Company accumulated solutions for sixteen scenarios in six industries. In addition, guided by the demands of government authorities and real enterprises and public institutions, the Company strengthened the support and application promotion of online settlement services, and realized innovative application expansion of multiple scenarios such as deposit payment, supply chain finance, e-government and school bill payment, thus creating a brand effect through the acquisition of a group of central state-owned enterprises.



## MANAGEMENT DISCUSSION AND ANALYSIS

### (IX) BUSINESS OF OVERSEAS BRANCH

The Company's Hong Kong Branch was established in 2018 and is the first branch of the Company established overseas. Hong Kong Branch has persisted in implementing the Bank's development strategy, given full play to the strategic synergy, proactively seized the opportunities arising from cross-border business, strategically developed customer base of the head office and branches, and fully enhanced its comprehensive cross-border financial services capabilities. Through these efforts, various business segments of the Company including banking, institutional business, financial market and investment banking have achieved high-quality and stable development. Serving as the "model branch" of the Group to conduct internationalized business operation, Hong Kong Branch has constantly stepped up its efforts in the establishment of the comprehensive cross-border financial service platform, and consolidated its market position and advantages in offshore US dollar bond underwriting and cross-border secured financing, striving to enhance its ability to take the lead in syndicated loan origination and distribution, its cross-border cash management capability, and foreign exchange trading agency capability. Besides, Hong Kong Branch also leverages on the Company's featured advantages on supply chain finance, scenario-based finance and other aspects to continuously accelerate business innovation, while improving the effectiveness of cross-border financial services by exerting its service capability in digital and online transactions. Based on the demands for cross-border finance from five major customer bases, Hong Kong Branch fosters the innovation in such businesses including the "Belt and Road" special financing, cross-border supply chain and active foreign exchange management, in order to proactively enhance its international service capability, thus developing it into a great cross-border brand on financial service with distinctive features and differentiated competitive advantages. Furthermore, Hong Kong Branch deepens linkage between domestic and overseas businesses, intensifies its development in Guangdong-Hong Kong-Macao Greater Bay Area, and implements the concept of "financial services for good", aiming to serve for people's livelihood and social development in Hong Kong. Relying on its comprehensive services of "integrating finance + intelligence" (融資+融智), Hong Kong Branch also expresses its value pursuit to strengthen exchange among entities by virtue of its good deeds.

As of the end of the reporting period, the total assets of Hong Kong Branch of the Company were HK\$57.547 billion, of which financial assets at fair value through other comprehensive income amounted to HK\$18.739 billion, accounting for 32.56%; and net loans and advances to customers amounted to HK\$29.078 billion, accounting for 50.53%. During the reporting period, the net profit was HK\$533 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (X) MAJOR SUBSIDIARY AND EQUITY PARTICIPATION COMPANIES

#### 1. Major Subsidiary

Zhejiang Zheyin Financial Leasing Co., Ltd. (“Zheyin Financial Leasing”) is a 51%-owned subsidiary of the Bank, with paid-in capital of RMB4 billion, and is a national non-bank financial institution approved for establishment by and under the supervision of the Former CBIRC. Established on January 18, 2017, the principal business scope of Zheyin Financial Leasing covers leasing, transfer and grant of financial leasing assets, investment in fixed-income securities, acceptance of lease deposits from lessees, acceptance of fixed deposits of 3 months (inclusive) or longer from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowing, sale and disposal of leasehold, economic consulting as well as other businesses approved by the Former CBIRC. Since its establishment, Zheyin Financial Leasing has upheld its mission of serving entity and the philosophy of prudent operation, and has comprehensively implemented professional transformation strategy by energetically embracing financial technology and continuously innovating financial services. It has formed a “5+2” professional customer service system focusing on the “five specialized industries” of smart manufacturing, modern agriculture and husbandry, marine economy, environment protection and energy industries, and the “two specialized models” of manufacturer supply chain and financial leasing-commercial leasing cooperation (租租合作). As the corporate governance structure and management system got better, the innovation capability and research and development strength gradually improved as well as the profitability and development quality enhanced year by year, Zheyin Financial Leasing has currently built itself a team comprising talents with high comprehensive quality and strong professional ability, and blazed a trail of development featuring professional services and distinctive operations, thus gradually developing itself into a new force in financial leasing industry in China. It has been repeatedly awarded the “Advanced Unit in Supporting Economic and Social Development of Zhejiang Province” (支持浙江經濟社會發展先進單位) for consecutive years, and has won honors such as the “May Day Labor Award of China” (全國五一勞動獎狀), the “May Day Labor Award of Zhejiang Province” (浙江省五一勞動獎狀), the “Special Contributing Enterprise for the 10th Anniversary of the Construction of the New Area of Zhoushan Islands in Zhejiang Province” (浙江舟山群島新區建設 10 週年特別貢獻企業), the “Outstanding Contributing Enterprise for the 5th Anniversary of the Construction of the Zhejiang Pilot Free Trade Zone” (浙江自貿試驗區五週年建設突出貢獻企業), the “Outstanding Contributing Enterprise of Yangtze River Delta Financial Leasing” (長三角融資租賃突出貢獻企業) and other important awards, highly recognized by all sectors of the society.

As of the end of the reporting period, Zheyin Financial Leasing had 258 employees, with total assets of RMB72.878 billion and net assets of RMB7.298 billion. It realized a net profit of RMB496 million during the reporting period.

#### 2. Equity Participation Companies

Equity Participation Companies	Place of Incorporation	Date of Incorporation	Number of Shares	Investment Amount
China UnionPay Co., Ltd.	Shanghai	2002-3-26	34 million	RMB25 million
National Financing Guarantee Fund Co., Ltd.	Beijing	2018-7-26	1 billion	RMB1 billion



## MANAGEMENT DISCUSSION AND ANALYSIS

### (XI) OUTLOOK

Looking forward to the second half of 2024, though facing numerous challenges such as insufficient effective demand, slow recovery of real estate market and rising trade protectionism at a global scale, Chinese economy will continue to retain its upward trend in the long run. To this end, China is accelerating the cultivation of new quality productive forces, with steady growth seen in the contribution of manufacturing industry to economic growth, especially the high-tech manufacturing such as high-end equipment manufacturing. Subsequently, the growth momentum of Chinese economy will be gradually switched. It is expected that, in the second half of the year, fiscal policy and monetary policy will play a key role, and that China will strike a balance between economic growth and risk prevention.

In the second half of 2024, the Company will thoroughly study and implement the spirit of the Third Plenary Session of the 20th Central Committee of the Communist Party of China, while earnestly implementing the decisions and deployments of the Central Committee of the Communist Party of China, the State Council and the Zhejiang Provincial Party Committee and Provincial Government. Based on the new starting point and the new stage, the Company will comprehensively implement its philosophies of financial services for good and intelligent operation, conduct customer-oriented, comprehensive and coordinated reform, carry out the “321” operation strategy, strengthen digital reform with a focus on scenario-based finance, and create its distinctive advantages on five segments. Additionally, the Company will implement the “123” talent plan, optimize the composition of its talent team, and intensify internal management and risk prevention and control. Taking the opportunity of the celebration for the 20th anniversary of the Bank, the Company will promote cultural construction throughout the Bank, and make efforts to establish two cultural identities of “being a bank popular among young people” and “being the advocate and practitioner of happy life”. What’s more, it will stimulate further momentum for high-quality development underpinned by new concept, new model, novel technology and fresh talents.



## CORPORATE GOVERNANCE

### I. OVERVIEW OF CORPORATE GOVERNANCE

Improving corporate governance is the first and foremost task of the Company to achieve high-quality development. The Company always makes unremitting efforts to pursue standardized business operation and extraordinary corporate governance. The Company continuously improves corporate governance structure consisting of the general meeting, the Board, the Supervisory Committee and the Senior Management according to the relevant laws, regulations and regulatory requirements. Each corporate governance body operates independently, with effective checks and balances, cooperating with each other and functioning in a coordinated manner.

The Board of the Company takes corporate governance legality and compliance as the bottom line, draws on the best practices of outstanding companies as the direction, improves the system of corporate governance mechanism as the basis and gives full play to the decision-making role of the Board as the core, so as to strives to build a corporate governance mechanism with clear boundaries of responsibilities, orderly checks and balances and collaboration, democratic and scientific decision-making, and standardized and efficient operation.

In the first half of 2024, the Company continued to integrate the Party's leadership into the process of corporate governance and play a key role of Party Committee in grasping the direction, planning for the big picture, formulating policies and promoting development. While improving the terms of reference of the special committees of the Board and the Supervisory Committee to give full play to the role of special committees as a gatekeeper for certain major decisions; the Company proactively responds to the supervisory requirements by amending and publishing the "Measures for the Administration of Independent Directors of China Zhesang Bank Co., Ltd." 《浙商銀行股份有限公司獨立董事管理辦法》, aiming to continuously enhance the effectiveness of independent Directors in performing their duties and fully protect the core interests of the minority shareholders.

### II. GENERAL MEETING

Pursuant to the Articles of Association, the shareholders' general meeting is the top governing body of the Company, which manages and supervises the Company through the Board and the Supervisory Committee. The Company raised an independent resolution for each actually independent matter at the general meeting, and voted by ballot to ensure that all shareholders fully and equally enjoy the right to know, the right to speak, the right to raise questions, the right to vote and other rights.

During the reporting period, the Company held the 2023 Annual General Meeting on June 12, 2024. For details of relevant proposals and relevant announcements on resolutions adopted at the meeting, please refer to the circular on the general meeting and the poll results announcement of the general meeting published by the Company on the websites of the Hong Kong Stock Exchange and the Company.

The convening, notifying, holding and voting procedures for the above-mentioned meetings are in compliance with the relevant provisions of the Company Law, the listing rules of both the domestic and overseas listing venues of the Company and the Articles of Association. The Chairman of the meetings has explained the detailed procedures for voting by poll to the Shareholders at the general meetings. Lawyers were invited to witness onsite and provide legal opinions for the meetings.



## CORPORATE GOVERNANCE

### III. MEETINGS OF THE BOARD AND ITS SPECIAL COMMITTEES

During the reporting period, the Board of the Company organized and convened 4 Board meetings, at which 49 resolutions were considered and approved and reports on related matters were heard.

During the reporting period, the special committees under the Board of the Company organized and convened a total of 12 meetings, including two meetings by the Strategic and Sustainable Development Committee, two meetings by the Audit Committee, three meetings by the Risk and Related Party Transaction Control Committee, three meetings by the Nomination and Remuneration Committee, and two meetings by the Consumer Rights Protection Committee, at which 48 resolutions were considered and approved and reports on related matters were heard.

### IV. MEETINGS OF THE SUPERVISORY COMMITTEE AND ITS SPECIAL COMMITTEES

During the reporting period, the Company held six meetings of the Supervisory Committee, at which 29 resolutions were considered and 15 resolutions were heard and reviewed; the Nomination Committee under the Supervisory Committee held five meetings and 9 resolutions were considered thereat; and the Supervision Committee under the Supervisory Committee convened two meetings and 9 resolutions were considered and 2 resolutions were heard and reviewed thereat.

### V. BOARD DIVERSITY POLICY

The Company considers the diversity of the members of the Board as an important impetus to support the Company in enhancing the corporate governance level and achieving sustainable development. The Company has formulated the Board Diversity Policy of China Zheshang Bank Co., Ltd. according to the relevant provisions of the Hong Kong Listing Rules. It is expressly provided in the Policy that the Board shall consider various aspects and diversified factors when determining the composition of the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or service period, thus ensuring the Board have diversified viewpoints and angles in performing their duties, and forming into a composition model of the Board matched with the Company's development model.

The Board Diversity Policy of the Company comprises of chapters such as purpose, philosophy, policy statement, expected objective, supervision and reporting, with the main purpose of recognizing and accepting the philosophy of building a diversified Board to strengthen the execution of the Board, and affirming the importance of diversity of the Board to achieve strategic objectives. During the reporting period, the geographical distribution, educational background and professional experience of members of the Board are relatively diversified. Among the current 12 Directors of the Company, one is female, and 10 are with post graduate diploma or master's degree or above, including 4 with doctoral diploma. The diversified composition of the Board brings a broad vision and a high level of professional experience to the Board and maintains an independent element within the Board to ensure that the Board is able to effectively make independent judgments and scientific decisions when studying and considering material issues.





## CORPORATE GOVERNANCE

### VI. IMPLEMENTATION OF INFORMATION DISCLOSURE

During the reporting period, the Company faithfully performed the obligation of information disclosure, constantly improved regular reporting disclosures, and disclosed temporary announcements in a more active and timely manner. With continuous improvement of the effectiveness and transparency of information disclosure, the Company has received the highest rating of Class A in respect of annual information disclosure from the Shanghai Stock Exchange for three consecutive years since the listing of its A Shares.

The Company prohibits its staff from trading or recommending others to trade by making use of inside information. The Company established information disclosure management system, which has identified the department responsible for inside information disclosures, to disclose information in a timely and compliant manner according to the requirements and provisions of Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules.

The Company truly, accurately and completely carried out information disclosure work in a timely manner, strictly in accordance with the requirements of relevant information disclosure laws and regulations. During the reporting period, the Company disclosed a total of 51 various announcements for A Shares on the newspapers designated by the CSRC, including China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily, the websites of the Shanghai Stock Exchange and the Company, and disclosed a total of 70 various announcements for H Shares on the websites of the Hong Kong Stock Exchange and the Company, which ensured that all shareholders had equal opportunity to get relevant information of the Company.

### VII. INVESTOR RELATIONS MANAGEMENT

During the reporting period, the Company adhered to its investor-oriented approach and continued to focus on investor relations management by working hard toward its established annual priorities and objectives, keeping up with market trends, enhancing the depth and breadth of its communication and exchanges with various types of investors, and updating them with the latest information on its operation and development in an accurate and objective manner to improve market recognition. At the end of June 2024, the Company won the 15th “Tianma Award” (天馬獎) for investor relations management of Chinese listed companies.

During the reporting period, the Company held two annual results conferences in Hong Kong and Shenzhen addressing concerns raised by domestic and overseas investors and the media in a timely manner, and the on-site exchanges were recorded as minutes for public inspection. Nearly 40 foreign investment institutions and media companies were invited to attend the Hong Kong results conference; nearly 60 domestic investment institutions and media companies were invited to attend the Shenzhen results conference, and other investors attended the conference via webcast. At the annual results conferences, the senior management provided comprehensive and in-depth answers to market concerns such as the Company’s philosophy and practice of finance for good, the effectiveness of the intelligent operation strategy, and the specific measures taken to implement the “five finances”.



## CORPORATE GOVERNANCE

During the reporting period, the Company intensified its communication with the market by organizing a number of roadshows, online and offline surveys and investor open days after the results conferences, covering all types of capital market participants, which earned increased market attention for the Company. In the first half of the year, after the release of the annual report and first quarterly report of the Company, the leading securities companies in the market gave positive comments on the Company in the first instance, and at the end of May 2024, the Company was included in the SSE 180 Index, another significant milestone of the Company following its inclusion in the CSI 300 Index at the end of November 2023.

In order to improve the satisfaction of small and medium investors, during the reporting period, the Company made full use of digital methods and means, including enriching the content of its Tongshun Hao (同順號) account “CZBank”, answering questions of investors on SSE E-interactive on a regular basis, and providing interpretations on key strategies with living streaming. Meanwhile, the Company launched various activities, including implementing the spirit of the “National Nine Articles” (國九條) and protecting the legitimate rights and interests of investors by placing posters on its official webpage, “Tongshun Hao” and other platforms.

### VIII. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct for securities transactions by Directors and Supervisors, which is not less rigorous than the Model Code set out in Appendix C3 of the Hong Kong Listing Rules. The Company has confirmed with all Directors and Supervisors and hereby acknowledged that they had complied with the aforesaid code during the period from January 1, 2024 to June 30, 2024.

### IX. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE UNDER THE HONG KONG LISTING RULES

The Company agrees to the principles set out in the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules. From January 1, 2024, to June 30, 2024, the Company has been in full compliance with the code provisions under the Code, except for the following:

In accordance with provision C.1.6 of the Corporate Governance Code, independent non-executive Directors as well as other non-executive Directors should attend general meetings. During the reporting period, four Directors of the Bank were unable to attend the 2023 Annual General Meeting held by the Bank on June 12, 2024 due to other business arrangements. However, there were sufficient Directors (including executive Directors, non-executive Directors and independent non-executive Directors), present at the 2023 Annual General Meeting to enable the Board to gain a thorough and balanced understanding of the views of the shareholders of the Company, and any Directors who were absent from the 2023 Annual General Meeting were able to obtain an understanding of views expressed by the shareholders of the Company (if any) at the 2023 Annual General Meeting from the attending Directors.

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### I. CHANGES IN ORDINARY SHARES

#### (I) Table of Changes in Ordinary Shares

Unit: Share

	December 31, 2023		Changes during the reporting period (Share)	June 30, 2024	
	Number	Proportion (%)		Number	Proportion (%)
I. Shares Subject to Selling Restrictions	-	-	-	-	-
II. Listed Shares without Selling Restrictions	27,464,635,963	100.00	-	27,464,635,963	100.00
1. RMB Ordinary Shares	21,544,435,963	78.44	-	21,544,435,963	78.44
2. Domestically Listed Foreign Shares	-	-	-	-	-
3. Overseas-listed Foreign Shares	5,920,200,000	21.56	-	5,920,200,000	21.56
4. Other	-	-	-	-	-
III. Total Ordinary Shares	27,464,635,963	100.00	-	27,464,635,963	100.00

As of the end of the reporting period, the issued shares of the Company were 27,464,635,963 ordinary shares, including 21,544,435,963 A Shares and 5,920,200,000 H Shares.

#### (II) Description on Change in Ordinary Shares

There were no changes in the Company's ordinary shares during the reporting period.

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### II. INFORMATION ON SHAREHOLDERS OF ORDINARY SHARES

#### Number of Shareholders of Ordinary Shares and Their Shareholdings

As of the end of the reporting period, the Company had 233,590 shareholders of ordinary shares in total, including 233,477 shareholders of A Shares and 113 shareholders of H Shares.

As of the end of the reporting period, the table of shareholdings of the top ten shareholders and top ten shareholders of circulating shares (excluding shares lent through the transfer facility) was as follows:

Unit: Share

Name of shareholders (Full Name)	Increase/ decrease during the reporting period	Number of shares held at the end of the Period	Proportion (%)	Class of shares	Pledge or freezing Status of shares	Number	Nature of shareholders
HKSCC Nominees Limited	+4,840	5,919,872,320	21.55	H Share without selling restrictions	Unknown	-	-
Zhejiang Provincial Financial Holdings Co., Ltd.	-	3,452,076,906	12.57	A Share without selling restrictions	-	-	State-owned Legal Person
Hengdian Group Holdings Limited	-	1,615,542,387	5.88	A Share without selling restrictions	-	-	Domestic Non-State- owned Legal Person
Zhejiang Provincial Energy Group Co., Ltd.	-1,000,000	1,090,531,078	3.97	A Share without selling restrictions	-	-	State-owned Legal Person
Sinatay Life Insurance Co., Ltd. – self-owned capital	+996,325,468	996,325,468	3.63	A Share without selling restrictions	-	-	State-owned Legal Person
Taiping Life Insurance Co., Ltd.	-	921,538,465	3.36	A Share without selling restrictions	-	-	State-owned Legal Person
Shandong International Trust Co., Ltd.	-	774,105,497	2.82	A Share without selling restrictions	-	-	State-owned Legal Person
Minsheng Life Insurance Co., Ltd. – self-owned capital	-	768,593,847	2.80	A Share without selling restrictions	-	-	Domestic Non-State- owned Legal Person
Zhejiang Hengyi High-tech Material Co., Ltd.	-	660,490,068	2.40	A Share without selling restrictions	Pledged	508,069,283	Domestic Non-State- owned Legal Person
Zhejiang Hengyi Group Co., Ltd.	-	643,052,319	2.34	A Share without selling restrictions	Pledged	643,052,319	Domestic Non-State- owned Legal Person

Notes:

1. The number of shares held by HKSCC Nominees Limited was the sum of shares of the Company's holders of H Shares which were trading in its transaction system.
2. As of the end of the reporting period, among the top ten shareholders mentioned above, Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. have a related relationship. Apart from that, the Company is not aware of other related relationship between the above shareholders or whether they are parties acting in concert.



## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

3. To the best knowledge of the Company, as of the end of the reporting period, a shareholder, Zhejiang Provincial Energy Group Co., Ltd participated in the lending business through transfer facility through a brokerage firm and lent 3,000,000 shares of the Company. Such shares were not registered in the name of Zhejiang Provincial Energy Group Co., Ltd during the period of lending, but the ownership has not been transferred, while none of the other shareholders as shown in the table was involved in the lending business through transfer facility.
4. As of the end of the reporting period, Sinatay Life Insurance Co., Ltd. became a new top-ten shareholder and Xizi Elevator Group Co., Ltd. (holding 612,160,446 A Shares of the Bank at the end of the reporting period, representing 2.23% of the total share capital) was no longer a top-ten shareholder; none of the aforesaid shareholders was involved in the lending business through transfer facility.

### III. PLEDGE AND FREEZING OF ORDINARY SHARES

As at the end of the reporting period, to the best knowledge of the Company, 2,394,735,222 shares of the Company (representing 8.72% of the total ordinary shares in issue) were pledged, of which, 307,103,503 shares were subject to judicial freezing (including judicial tagging).

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### IV. INTERESTS IN SHARES AND SHORT POSITIONS IN ACCORDANCE WITH THE HONG KONG SECURITIES AND FUTURES ORDINANCE

As of June 30, 2024, in accordance with the register kept by the Company under section 336 of the SFO and so far as the Company is aware, the following persons (excluding the Company's Directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules)) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly held 5% or more of any class of share capital of the Company:

Name of shareholders	Nature of interests and capacity	Class	Long/short position	Number of shares (Shares)	Approximate percentage of interests (%)	Approximate percentage of the relevant class of shares (%)
Zhejiang Provincial Financial Holdings Co., Ltd.	Beneficial owner	A Shares	Long position	3,452,076,906	12.57	16.02
Zhejiang Hengyi Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	A Shares	Long position	1,615,542,387	5.88	7.50
Qiu Jianlin (邱建林)	Interest of controlled corporation	A Shares	Long position	1,615,542,387	5.88	7.50
Hengdian Group Holdings Limited	Beneficial owner	A Shares	Long position	1,615,542,387	5.88	7.50
Hengdian Association for Economics Corporation	Interest of controlled corporation	A Shares	Long position	1,615,542,387	5.88	7.50
Zhejiang Provincial Energy Group Co., Ltd.	Beneficial owner	A Shares	Long position	1,090,531,078	3.97	5.06
Zhejiang Provincial Energy Group Co., Ltd.	Interest of controlled corporation	H Shares	Long position	755,397,900	2.75	12.76
Zhejiang Energy Capital Holdings Co., Ltd.	Interest of controlled corporation	H Shares	Long position	755,397,900	2.75	12.76
Zheneng Capital Investment (Hong Kong) Limited	Beneficial owner	H Shares	Long position	475,322,900	1.73	8.03
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	H Shares	Long position	1,379,300,000	5.02	23.30
Zhejiang Seaport (Hong Kong) Co., Limited	Beneficial owner	H Shares	Long position	1,203,410,000	4.38	20.33
Zhejiang Seaport Asset Management Co., Limited	Interest of controlled corporation	H Shares	Long position	1,203,410,000	4.38	20.33
Yancoal International (Holding) Company Limited	Beneficial owner	H Shares	Long position	933,897,000	3.40	15.77
Yanzhou Coal Mining Company Limited	Interest of controlled corporation	H Shares	Long position	933,897,000	3.40	15.77
Yankuang Group Company Limited	Interest of controlled corporation	H Shares	Long position	933,897,000	3.40	15.77
Sinatay Life Insurance Co., Ltd.	Beneficial owner	H Shares	Long position	373,691,000	1.36	6.31
Aeon Life Insurance Co. Ltd.	Beneficial owner	H Shares	Long position	349,611,600	1.27	5.91



## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Save as disclosed above, the Company was unaware of any other person (excluding the Company's Directors, Supervisors and chief executive (as defined in the Hong Kong Listing Rules)) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short position as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO on June 30, 2024.

### V. INFORMATION ON THE CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As of the end of the reporting period, the Company had no controlling shareholders and de facto controllers.

### VI. INFORMATION ON THE COMPANY'S LARGEST SHAREHOLDER OF ORDINARY SHARES

As of the end of the reporting period, Zhejiang Provincial Financial Holdings Co., Ltd. held 12.57% of the shares of the Company and was the Company's largest shareholder.

Zhejiang Provincial Financial Holdings Co., Ltd. was established in September 2012 with the uniform social credit code of 913300000542040763 and its Legal Representative was Yang Qiangmin (楊強民). With a registered capital of RMB12.0 billion, the company is a financial investment management platform of Zhejiang Provincial Government. Zhejiang Provincial Financial Holdings Co., Ltd. is a state-owned enterprise directly subordinated to the provincial government and is supervised and managed by Zhejiang Provincial Department of Finance with the authorization from Zhejiang Provincial Government. The company is mainly engaged in financial equity investment, government equity investment fund management, asset management and other business. The controlling shareholders and de facto controllers of Zhejiang Provincial Financial Holdings Co., Ltd. is Zhejiang Provincial Department of Finance, which holds 100% equity interest of Zhejiang Provincial Financial Holdings Co., Ltd.

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### VII. INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

As at June 30, 2024

Unit: Share, %

No.	Name of shareholders	Number of shares held (Share)	Separate shareholding ratio	Joint shareholding ratio	Reasons for being Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
1	Zhejiang Provincial Financial Holdings Co., Ltd.	3,452,076,906	12.57	12.57	Holding 5% or more of our Bank's shares and dispatch Directors to our Bank	-	Zhejiang Provincial Department of Finance	Zhejiang Provincial Department of Finance	Nil	Zhejiang Provincial Financial Holdings Co., Ltd.
2	Zhejiang Provincial Energy Group Co., Ltd.	1,090,531,078	3.97	6.72	Holding 5% or more of our Bank's shares in total with the related parties and jointly dispatch Directors to our Bank	-	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Energy Group Co., Ltd.
3	Zheneng Capital Investment (Hong Kong) Limited (H share)	475,322,900	1.73			-	Zhejiang Energy Capital Holdings Co., Ltd.	Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Energy Capital Holdings Co., Ltd.
4	Zhejiang Energy International Co., Ltd. (H share)	280,075,000	1.02			-	Zhejiang Provincial Energy Group Co., Ltd.		Nil	Zhejiang Energy International Co., Ltd.
5	Zhejiang Hengyi High-tech Material Co., Ltd.	660,490,068	2.40	5.88	Holding 5% or more of our Bank's shares in total with the related parties and jointly dispatch Directors to our Bank	508,069,283	Zhejiang Hengyi Petrochemical Co., Ltd.	Qiu Jianlin (邱建林)	Nil	Zhejiang Hengyi High-tech Material Co., Ltd.
6	Zhejiang Hengyi Group Co., Ltd.	643,052,319	2.34			643,052,319	Hangzhou Wan Yong Industry Investment Co., Ltd.		Nil	Zhejiang Hengyi Group Co., Ltd.
7	Zhejiang Hengyi Petrochemical Co., Ltd.	312,000,000	1.14			240,000,000	Hengyi Petrochemical Co., Ltd.		Nil	Zhejiang Hengyi Petrochemical Co., Ltd.

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

No.	Name of shareholders	Number of shares held (Share)	Separate shareholding ratio	Joint shareholding ratio	Reasons for being Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
8	Hengdian Group Holdings Limited	1,615,542,387	5.88	5.88	Holding 5% or more of our Bank's shares and dispatch Directors to our Bank	-	Dongyang Hengdian Association for Economics Corporation	Dongyang Hengdian Association for Economics Corporation	Nil	Hengdian Group Holdings Limited
9	Zhejiang Seaport (Hong Kong) Co., Limited (H share)	1,203,410,000	4.38	5.02	Holding 5% or more of our Bank's shares in total with the related parties and jointly dispatch Directors to our Bank	-	Zhejiang Seaport Asset Management Co., Limited	State-owned Assets Supervision and Administration	Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
10	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. (H share)	175,890,000	0.64			-	State-owned Assets Supervision and Administration Commission of the People's Government of Ningbo Municipality	Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
11	Sinatay Life Insurance Co., Ltd. – self-owned capital	996,325,468	3.63	4.99	Dispatch Supervisor to our Bank	-	Nil	Nil	Nil	Sinatay Life Insurance Co., Ltd.
	Sinatay Life Insurance Co., Ltd. (H share)	373,691,000	1.36							
12	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	587,298,906	2.14	3.57	Jointly dispatch Supervisor to our Bank with the related parties	-	Shaoxing City Kegiao District Development and Operation Group Co., Ltd.	Shaoxing Kegiao District People's Government	Nil	Zhejiang China Light & Textile Industrial City Group Co., Ltd.
13	Shaoxing City Kegiao District Development and Operation Group Co., Ltd.	393,891,313	1.43			-	Shaoxing Kegiao District State-owned Assets Investment and Operation Group Co., Ltd.		Nil	Shaoxing City Kegiao District Development and Operation Group Co., Ltd.
14	Taiping Life Insurance Co., Ltd.	921,538,465	3.36	3.36	Dispatch Directors to our Bank		China Taiping Insurance Holdings Company Limited	Ministry of Finance of the People's Republic of China	Nil	Taiping Life Insurance Co., Ltd.





## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### VIII. ISSUANCE AND LISTING OF SECURITIES

During the reporting period, the Company did not issue any new ordinary shares nor sell any treasury shares (as defined in the Hong Kong Listing Rules) for cash.

### IX. INFORMATION ABOUT PREFERENCE SHARES

As of the end of the reporting period, the Company had no existing preference shares.

### X. INFORMATION ABOUT UNDATED CAPITAL BOND

As considered and approved at the sixth extraordinary meeting of the fifth session of the Board of the Company in 2020 and the Company's 2021 first extraordinary general meeting and with the approval from the former CBIRC and the People's Bank of China, the Company successfully issued undated capital bonds with a total issue amount of RMB25.0 billion on November 25, 2021 in China's national inter-bank bond market. The coupon rate is 3.85% during the first five years and will be adjusted every five years. The Company shall be entitled to redeem the bonds, in total or in partial, on every distribution payment date since the fifth distribution payment date (inclusive). All the proceeds will be used to replenish the Company's additional tier 1 capital.

## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

### I. BASIC INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the disclosure date of this report, the Board of the Company comprised 12 Directors, including 3 executive Directors, namely Mr. Lu Jianqiang, Ms. Ma Hong and Mr. Chen Haiqiang; 4 non-executive Directors, namely Mr. Hou Xingchuan, Mr. Ren Zhixiang, Mr. Hu Tiangao and Mr. Ying Yuxiang; and 5 independent non-executive Directors, namely Mr. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei, Mr. Xu Yongbin and Mr. Fu Tingmei.

As of the disclosure date of this report, the Supervisory Committee of the Company comprised 11 Supervisors, including 2 shareholder Supervisors, namely Mr. Ma Xiaofeng and Mr. Wang Junbo; 5 employee representative Supervisors, namely Mr. Guo Dingfang, Mr. Wu Fanghua, Mr. Peng Zhiyuan, Mr. Du Quan and Ms. Chen Zhong, and 4 external Supervisors, namely Mr. Gao Qiang, Mr. Zhang Fanquan, Mr. Chen Sanlian and Mr. Wang Congcong.

As of the disclosure date of this report, the Senior Management of the Company comprised 8 members, namely Mr. Chen Haiqiang, Mr. Jing Feng, Mr. Luo Feng, Mr. Lin Jingran, Mr. Zhou Weixin, Mr. Pan Huafeng, Mr. Wang Chaoming and Mr. Hou Bo.

### II. INFORMATION ON THE APPOINTMENT AND RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### DIRECTORS

On May 14, 2024, Mr. Ying Yuxiang was appointed as a non-executive Director of the Company upon approval of his qualification by the National Financial Regulatory Administration (the “NFRA”).

On June 12, 2024, the Company convened the 2023 Annual General Meeting, and elected Mr. Wu Zhijun as a non-executive Director and Mr. Shi Hao as an independent non-executive Director of the Sixth Session of the Board. The qualification of each to serve as a director is subject to the approval of the NFRA.

On August 9, 2024, the Company convened the first extraordinary general meeting of 2024 and elected the seventh session of the Board, comprising Mr. Lu Jianqiang, Mr. Zhang Rongsen, Ms. Ma Hong and Mr. Chen Haiqiang as executive Directors; Mr. Hou Xingchuan, Mr. Ren Zhixiang, Mr. Ni Defeng, Mr. Hu Tiangao, Ms. Jin Guorui, Mr. Ying Yuxiang and Mr. Wu Zhijun as non-executive Directors; and Mr. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei, Mr. Xu Yongbin, Mr. Fu Tingmei, Mr. Lou Weizhong and Mr. Shi Hao as independent non-executive Directors. Ms. Gao Qinhong and Mr. Zhu Weiming ceased to act as non-executive Directors. Among the members of the seventh session of the Board, the qualifications of Mr. Ni Defeng, Ms. Jin Guorui, Mr. Wu Zhijun, Mr. Lou Weizhong and Mr. Shi Hao are subject to the approval of the NFRA. On the same day, the Company convened the first meeting of the seventh session of the Board and elected Mr. Lu Jianqiang as the Chairman of the Board of the Company.

## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

### SUPERVISORS

On February 27, 2024, Mr. Chen Zhongwei resigned as an employee Supervisor and member of the Supervision Committee under the Supervisory Committee of the Company due to internal job transfer.

On June 12, 2024, the Company convened the 2023 Annual General Meeting and elected Mr. Wang Junbo as a shareholder Supervisor of the sixth session of the Supervisory Committee of the Company.

On June 21, 2024, Mr. Du Quan and Ms. Chen Zhong were elected as employee Supervisors of the sixth session of the Supervisory Committee of the Company at the fourth meeting of the third session of the staff council of the Company.

On August 9, 2024, the Company convened the first extraordinary general meeting of 2024, and elected Mr. Ma Xiaofeng and Mr. Wang Junbo as the shareholder Supervisors of the seventh session of the Supervisory Committee; Mr. Gao Qiang, Mr. Zhang Fanquan, Mr. Chen Sanlian and Mr. Wang Congcong as the external Supervisors of the seventh session of the Supervisory Committee; and Mr. Song Qinghua ceased to act as an external Supervisor of the Company. On August 2, 2024, the Company convened the fifth meeting of the third session of the staff council and elected Mr. Guo Dingfang, Mr. Wu Fanghua, Mr. Peng Zhiyuan, Mr. Du Quan and Ms. Chen Zhong as the employee Supervisors of the seventh session of the Supervisory Committee. The term of office of the employee Supervisors of the seventh session of the Supervisory Committee was the same as that of the seventh session of the Supervisory Committee of the Company.

### SENIOR MANAGEMENT

On January 19, 2024, Mr. Jing Feng resigned as the Chief Financial Officer of the Company as a result of a change in the division of responsibilities.

On January 31, 2024, at the first extraordinary meeting of the sixth session of the Board of the Company in 2024, it was agreed to appoint Mr. Hou Bo as the President Assistant of the Company, and a letter of appointment will be issued after his qualification to serve as senior management is approved by the NFRA.

On March 7, 2024, Mr. Pan Huafeng's qualification to serve as the President Assistant and Chief Risk Officer of the Company was approved by the NFRA.

On June 7, 2024, Mr. Luo Feng's qualification to serve as the Secretary to the Board of the Company was approved by the NFRA.

On August 9, 2024, the Company convened the first meeting of the seventh session of the Board, and considered and approved the appointment of Mr. Zhang Rongsen as the President, Mr. Chen Haiqiang, Mr. Jing Feng, Mr. Luo Feng and Mr. Lin Jingran as the Vice Presidents, Mr. Zhou Weixin, Mr. Pan Huafeng, Mr. Wang Chaoming and Mr. Hou Bo as the President Assistants, Mr. Luo Feng as the Secretary to the Board, Mr. Pan Huafeng as the Chief Risk Officer, and Mr. Wang Chaoming as the Chief Information Officer of the Company. On August 16, 2024, Mr. Wang Chaoming's qualification to serve as the President Assistant and Chief Information Officer, and Mr. Hou Bo's qualification to serve as the President Assistant were approved by the NFRA.

On August 18, 2024, Mr. Zhang Rongsen resigned from his positions as an executive Director and the President of the Company due to personal reasons. The Company is not aware that Mr. Zhang Rongsen has any disagreement with the Board or any matter in relation to his resignation that needs to be brought to the attention of the Hong Kong Stock Exchange or the shareholders of the Company. On the same date, the Company convened the 2024 first extraordinary meeting of the seventh session of the Board, and the Board agreed that before the appointment of a new President by the Board and the qualification of such position is approved by the NFRA, Mr. Lu Jianqiang, the Chairman of the Board, will act as the acting President.

## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

### III. CHANGE OF DIRECTORS AND SUPERVISORS

On May 7, 2024, Mr. Ma Xiaofeng was appointed as a director of Zhejiang China Light & Textile Industrial City Group Co., Ltd.

### IV. CHANGE IN SHAREHOLDING OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE RESIGNED DURING THE REPORTING PERIOD

Unit: Share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Changes in number of shares during the reporting period	Reasons for changes
Ma Hong	Executive Director	83,070	83,070	-	-
Chen Haiqiang	Executive Director, Vice President	754,000	754,000	-	-
Jing Feng	Vice President, former Chief Financial Officer	744,900	744,900	-	-
Luo Feng	Vice President, Secretary to the Board	743,990	743,990	-	-
Lin Jingran	Vice President	234,000	234,000	-	-
Hou Bo	President Assistant	110,000	110,000	-	-
Wu Fanghua	Employee Supervisor	52,000	52,000	-	-
Chen Zhong	Employee Supervisor	126,900	126,900	-	-
Zhang Rongsen	Former Executive Director, President	1,743,430	1,743,430	-	-
Total		4,592,290	4,592,290	-	-

Note: All shares of the Company held by Mr. Hou Bo are H Shares; Ms. Chen Zhong holds 126,900 shares of the Company, including 16,900 A Shares and 110,000 H Shares; and all shares held by the remaining persons are A shares.

### V. EMPLOYEES

As of the end of the reporting period, the Group had 23,324 employees (including dispatched employees, outsourced personnel and employees of the subsidiary of the Company), representing an increase of 429 as compared with that at the end of last year. Divided by the position types, 10,333 employees of the Group were categorized as marketing personnel, 1,766 employees as counter personnel, and 11,225 employees as mid-office and back-office personnel; divided by the educational levels, 5,884 obtained post-graduate degree or above (including 100 with doctorate degree), 16,357 obtained bachelor degree, and 1,083 obtained college degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 346 employees had retired from the Company.



## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

### VI. EMPLOYEE REMUNERATION POLICY

The Company's remuneration policy is guided by its growth strategy and the people-oriented concept with unified and classified management by adhering to the principle of marketization and in accordance with the single-level legal person system. The Company continues to improve the linkage mechanism of remuneration level with performance capabilities of individual positions and personal operational performance, and strives to set up a remuneration management system that reflects internal fairness and external competitiveness, promotes the co-growth of employees and the Company, focuses equally on incentives and restraints, gives attention to both position value, contribution and long-term incentives, and matches the change in remuneration with the market rate and economic benefits.

The Company's remuneration policy coordinates well with the risk management system, and is matched with its size as well as the nature and complexity degree of its business. Specifically, the total amount of remuneration allocated by the Company to its branches is linked with the realization status of overall benefits by such branches and the Company takes into account various kinds of risk factors so that the branch outlets would strive for risk-adjusted value creation and that long-term performance would be improved. Furthermore, the remuneration paid to employees is linked with the responsibilities and risk degree associated with the employee's post and different kinds of appraisal and performance allocation methods are applied to different types of employees, which appropriately tilted to the front-office marketing position, and the deferment payment of the performance-based remuneration is implemented in accordance with the internal control principles of prudent operations and strengthened constraints with the payment time basically in line with the risk persistency period of the corresponding business. For employees in the risk and compliance departments, their remuneration is determined by taking into account their position value, abilities to perform duties and other factors, and such remuneration is not directly related to the matters under their regulation and remains independent of other business segments.

### VII. EMPLOYEES TRAINING

The Company continuously improves the training systems with a focus on our operation and development strategy. On the basis of conducting all-staff training, the Company attaches high importance to the training of key talents, so as to comprehensively improve management abilities and professional capabilities of our employees, and provide knowledge and talents support for the implementation of our strategy. During the reporting period, the Bank held 995 training programmes in total with 411,714 attendances.

## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

### VIII. INFORMATION ON INSTITUTIONS

Region	Name of institutions	Business address	Number of institutions	Number of employees	Total assets (RMB million)
Yangtze River Delta Region	Head office	No. 1, Minxin Road, Shangcheng District, Hangzhou, Zhejiang	1	4,921	1,034,485
	Small Enterprise Credit Center	No. 76, Huancheng West Road, Gongshu District, Hangzhou, Zhejiang	1	54	-
	Fund Operation Center	30/F & 31/F, No. 1, Lane 1500, Pudong Avenue, Pudong New Area, Shanghai	1	79	722,300
	Hangzhou Branch	No. 288, Qingchun Road, Gongshu District, Hangzhou, Zhejiang	60	2,921	345,776
	Shanghai Branch	501, 6-11/F, 13/F, 15-23/F, 26-33/F and 35-36/F, No. 1, Lane 1500, Pudong Avenue, Pudong New Area, Shanghai	13	989	182,011
	Nanjing Branch	No. 9, Zhongshan North Road, Nanjing	32	1,413	154,377
	Ningbo Branch	No. 128, Wenkang Road, No. 555, Yangfan Road, Gaoxin District, Ningbo	20	804	117,772
	Suzhou Branch	No. 5, Xingdun Lane, Industrial Park Zone, Suzhou	10	600	71,808
	Hefei Branch	Block A16, Financial Harbour Center, No. 4872, Huizhou Avenue, Binhu New District, Hefei	6	365	38,472
	Shaoxing Branch	No. 1418, Jinkeqiao Avenue, Keqiao District, Shaoxing	10	509	64,560
	Wenzhou Branch	Northwest of Land Plot 17-05, Binjiang CBD, Lucheng District, Wenzhou, Zhejiang	13	590	55,034
	Jinhua Branch	1/F, 2/F, 10/F, Jiafu Business Building, No. 358, Binhong East Road, Jinhua City	10	437	39,222
	Zhoushan Branch	No. 88, Lvdao Road, Qiandao Streets, Dinghai District, Zhoushan, Zhejiang	3	111	8,957
	Beijing Branch	Huajia Jinbao Complex, No. 269, Chaoyangmen South Street, Dongcheng District, Beijing	24	1,128	196,562
	Jinan Branch	No. 801, Caoshanling South Road, Lixia District, Jinan, Shandong	20	1,055	104,380
Bohai Rim Region	Tianjin Branch	Overseas Chinese Building, Extension No. 1, No. 92, Nanjing Road, Heping District, Tianjin	12	527	40,262
	Shenyang Branch	No. 467, Shifu Road, Shenhe District, Shenyang	7	337	23,821
	Guangzhou Branch	No. 921, Guangzhou South Avenue, Haizhu District, Guangzhou	13	937	110,538
	Shenzhen Branch	(1-4/F, 6/F) Lianhezongbu Building, Hightech District, Xuefu Road, Nanshan Street, Nanshan District, Shenzhen	15	883	97,886
	Fuzhou Branch	Huawei Building, No. 169, Binxi Avenue, Nanjiang, Cangshan District, Fuzhou, Fujian	1	142	22,529
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits					

## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

Region	Name of institutions	Business address	Number of institutions	Number of employees	Total assets (RMB million)
Midwestern China Region	Chengdu Branch	Building 1, Jinjiang Spring, No. 299, Yong'an Road, Jinjiang District, Chengdu	14	571	58,816
	Xi'an Branch	Building 3, Taihua Jinmao Guoji, No. 16, Fenghui South Road, Yanta District, Xi'an	14	672	62,300
	Chongqing Branch	Block 3, No. 67, Middle Section of Huangshan Avenue, Yubei District, Chongqing	10	546	63,954
	Wuhan Branch	Zheshang Bank Building (Pacific Finance Plaza), No. 548, 550, 552, 556, Jianshe Avenue, Jiangnan District, Wuhan, Hubei	7	406	38,966
	Zhengzhou Branch	No. 8 Middle Ring Road, Finance Island, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone, Zhengzhou, Henan	8	415	38,877
	Changsha Branch	Unit 118-129, 1/F, Block 6, Unit 215-219, 2/F, Block 6 and 22-23/F, Block 1, Huachuang International Plaza, No. 109 Furong Middle Road Part 1, Kaifu District, Changsha, Hunan	5	337	39,863
	Nanchang Branch	1-2/F, 14-20/F, Block 35, Alpha X, No. 1, Xuefu Road, Honggutan New District, Nanchang, Jiangxi	5	273	27,033
	Lanzhou Branch	No. 1888, Nanchang Road, Chengguan District, Lanzhou	9	352	23,583
	Hohhot Branch	No. 8, Chilechuan Street, Saihan District, Hohhot	2	223	24,538
	Guiyang Branch	No. 88, Yan'an Road Central, Yunyan District, Guiyang	2	133	12,310
	Taiyuan Branch	Part of 1/F and 2-7/F, Block A, No. 163 Jinyang Street, Xiaodian District, Taiyuan, Shanxi	1	128	14,987
	Nanning Branch	20-21/F, Block A, China Resources Building, No. 136 – 1 Minzu Avenue, and No. B1028-1031, -1/F, 136-6 Xingfu Lane, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	1	118	10,934
Overseas Institution	Hong Kong Branch	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong	1	90	52,565
Subsidiary	Zheyin Financial Leasing	No. 368, Yan'an Road, Gongshu District, Hangzhou, Zhejiang	1	258	72,878
Offset balance and intra-group elimination					(725,746)
Total			352	23,324	3,246,610

## SIGNIFICANT EVENTS

### I. PURCHASE AND SALE AND REDEMPTION OF SECURITIES

During the reporting period, the Company and its subsidiary did not purchase, sell or redeem any of the Company's listed securities (including sale of treasury shares).

As of the end of the reporting period, the Company did not hold treasury shares.

### II. USE OF PROCEEDS

The use of the proceeds of the Company was consistent with the purposes as committed in the prospectus of the Company.

### III. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company was involved in certain legal litigations/arbitrations in the ordinary course of business, most of which were filed by the Company for the purpose of recovering non-performing loans, and also included those arising out of customer disputes.

As of the end of the reporting period, there were 62 pending litigation/arbitration cases where the Company was a defendant (excluding enforcement objections and third-party cases), involving an amount of RMB376.8667 million, which are not expected to have a material adverse impact on the Company's business, financial position or operating results.

### IV. MATERIAL CONNECTED TRANSACTIONS/RELATED PARTY TRANSACTIONS

#### (I) Connected Transactions Related to Daily Operations

The Company carried out the connected transactions in accordance with the relevant requirements of regulatory authorities at home and abroad, i.e. the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Self-regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 5 – Transaction and Related Party Transaction (《上海證券交易所上市公司自律監管指引第 5 號 – 交易與關聯交易》) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The connected transactions were conducted on normal commercial terms. The terms of transactions were fair and reasonable and in the benefits of the Company and the shareholders as a whole.

During the reporting period, at the twelfth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Energy Group (《關於本行對浙江能源集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB8.26 billion to Zhejiang Energy Group and its related parties, of which RMB6.4 billion was considered and approved at the meeting. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2024-012) published by the Company on the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).



## SIGNIFICANT EVENTS

During the reporting period, at the twelfth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Hengdian Group (《關於本行對橫店集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB4.7 billion to Hengdian Group, of which RMB4.616 billion was considered and approved at the meeting. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2024-012) published by the Company on the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the reporting period, at the twelfth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Caitong Securities Co., Ltd. (《關於本行對財通證券股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB8.0 billion to Caitong Securities Co., Ltd. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2024-012) published by the Company on the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the reporting period, at the twelfth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Orient Securities Co., Ltd. (《關於本行對東方證券股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB8.0 billion to Orient Securities Co., Ltd. (東方證券股份有限公司). For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2024-012) published by the Company on the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the reporting period, at the twelfth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Pre-approval Limit of Deposit-type Related Party Transactions of China Zheshang Bank Co., Ltd. for 2024 (《關於浙商銀行股份有限公司 2024 年度存款類關聯交易預審批額度的議案》), approving the pre-approval limit of non-demand deposits of the related parties for 2024 formulated by the Company. For details, please refer to the Announcement on the Pre-approval Limit of Deposit-type Related Party Transactions of China Zheshang Bank Co., Ltd. for 2024 (Number: 2024-013) published by the Company on the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the reporting period, the Company provided commercial banking services and products in our ordinary and usual course of business to the public in the PRC, including our connected persons. These transactions were entered into on normal commercial terms (or on better terms to the Company) in the ordinary and usual course of our business, and thus are fully exempted from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company also enters into certain non-banking transactions (such as leasing arrangements) with our connected persons and/or their respective associates from time to time in our ordinary and usual course of business on normal commercial terms (or on better terms to us) which have constituted de minimis transactions under Chapter 14A of the Hong Kong Listing Rules and are fully exempted from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## SIGNIFICANT EVENTS

Details of related party transactions entered into by the Company as of June 30, 2024 are set out in “Notes to Consolidated Financial Statements – Related Party Relationship and Transactions”.

Saved as disclosed above, no related party transactions set out in “Notes to Consolidated Financial Statements – Related Party Relationship and Transactions” comply with the definition of “connected transactions” or “continuing connected transaction” in Chapter 14A of the Hong Kong Listing Rules and the Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

### (II) Connected Transactions in Acquisition and Disposal of Assets or Equity

During the reporting period, the Company has not conducted connected transactions involving the acquisition and disposal of assets or equity.

### (III) Connected Transactions in relation to Joint External Investment

During the reporting period, the Company has not conducted connected transactions in relation to joint external investment.

### (IV) Connected Creditor’s Rights and Liabilities

During the reporting period, the Company has not had any non-operational connected creditor’s rights and liabilities.

## V. MATERIAL CONTRACTS AND THEIR PERFORMANCE

### (I) Material custody, contracting and leasing

During the reporting period, the Company did not have any material custody, contracting or leasing of assets of other companies that shall be disclosed, nor did there exist any custody, contracting or leasing of assets of the Company by other companies that shall be disclosed.

### (II) Significant guarantees

Guarantee business is an ordinary business of the Company. During the reporting period, save for the financial guarantee business carried out by the Company within the business scope approved by regulatory authorities, there were no other significant guarantees that shall be disclosed.

## VI. MATERIAL PURCHASE, SALE OR DISPOSAL OF ASSETS AND CORPORATE MERGERS

During the reporting period, there were no material purchase, sale or disposal of assets and corporate merger by the Company.

## VII. STOCK INCENTIVE PLAN

The Company did not implement any stock incentive plan during the reporting period.

## VIII. EMPLOYEE STOCK OWNERSHIP SCHEME

The Company did not implement an employee stock ownership scheme during the reporting period.

## SIGNIFICANT EVENTS

### IX. INTERESTS OWNED BY THE DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS IN THE COMPANY

As at June 30, 2024, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in the SFO), which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests or short positions which the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Ma Hong (馬紅)	Executive Director	A Share	Long position	Beneficial Owner	83,070	0.0004	0.0003
Chen Haiqiang (陳海強)	Executive Director, Vice President	A Share	Long position	Beneficial Owner	754,000	0.0035	0.0027
Wu Fanghua (吳方華)	Employee Supervisor	A Share	Long position	Beneficial Owner	52,000	0.0002	0.0002
Chen Zhong (陳中)	Employee Supervisor	A Share	Long position	Beneficial Owner	16,900	0.0001	0.0001
		H Share	Long position	Beneficial Owner	110,000	0.0019	0.0004
Zhang Rongsen (張榮森)	Former Executive Director, Former President	A Share	Long position	Beneficial Owner	1,743,430	0.0081	0.0063

### X. DISCIPLINARY ACTIONS IMPOSED ON THE COMPANY OR ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND SHAREHOLDERS HOLDING 5% OR MORE SHARES IN THE COMPANY

No significant administrative penalty was imposed and no notice of criticism was circulated by any regulatory authority upon the Company or the Board of Directors and the Directors, the Supervisory Committee, the Supervisors and Senior Management of the Company and Shareholders holding 5% or more shares during the reporting period.

### XI. DISCLOSURE OF UNDERTAKINGS ON THE DESIGNATED NEWSPAPERS OR WEBSITES BY THE COMPANY OR SHAREHOLDERS HOLDING 5% OR MORE SHARES

Nil.

### XII. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

#### (I) Performance and Policies in relation to Environment

During the reporting period, the Bank implemented the major decisions and deployments of the Central Committee of the Communist Party of China and the State Council on green finance, insisted on promoting green finance on a strategic basis, formulated the Implementation Plan for the High-quality Development of Green Finance of China Zheshang Bank (《浙商銀行綠色金融高質量發展實施方案》), continued to deepen the construction of green finance system, and proactively implemented carbon peak and carbon neutrality, so as to promote the green and low-carbon development of the economy and society.

## SIGNIFICANT EVENTS

In terms of green finance, the Bank strengthened credit policy guidance, intensified the tracking and research efforts on the segmented industries in key areas such as green, low-carbon and recycling economy based on industrial research institute, further improved the “1+N” policy framework system, and clarified the credit policy for key green and low-carbon industries and fields; improved the assessment and incentive mechanism, linked the development of green finance with comprehensive performance evaluation, increased the support of business resources, enhanced the preferential policies and special rewards of green credit business, and prioritized the demand for green credit; enriched green finance products and services, continued to promote green credit, encouraged resources to flow into key areas of green industries such as clean energy, green manufacturing and ecological environment, and supported the low-carbon transformation of industries with high energy consumption and high emissions. As of the end of June 2024, the balance of green loans was RMB226.764 billion, representing an increase of RMB23.327 billion or 11.47% from the beginning of the year, which was higher than the growth rate of all loans.

In terms of green operation, the Bank strengthened its own carbon footprint management, strived to reduce resource and energy consumption in daily office and operation processes, and promoted green and intelligent development of financial services by upgrading personal mobile banking, optimizing corporate service platforms and accelerating the construction of green outlets; actively carried out digital office and paperless quick reimbursement, encouraged green commuting of employees, and continued to improve the eco-efficiency of operations. During the reporting period, the Bank did not violate any environmental regulation.

### **(II) Consolidation and Expansion of Poverty Alleviation Achievements and Support for Rural Revitalization**

During the reporting period, the Bank continued to increase the allocation of financial resources and investment in rural areas and poverty-stricken areas, formulated financial service plans by focusing on island counties in the mountainous areas of Zhejiang Province, and continued to explore effective rural revitalization financial service patterns with CZBank characteristics. As of the end of June 2024, the balance of large agricultural loans was RMB228.605 billion, representing an increase of RMB7.822 billion from the beginning of the year, and the balance of inclusive agriculture-related loans was RMB45.894 billion, representing an increase of RMB3.140 billion from the beginning of the year. We have solidly promoted the East-West collaboration and the “1,000 enterprises for 1,000 villages” (千企結千村) partner assistance program, selected outstanding cadres and employees to reside in the village and hold temporary positions, focused on industrial projects such as photovoltaic power generation and grain and oil processing to help 5 villages of Longyou County in Quzhou and Luogu Village in Dazhou, Sichuan Province achieve doubled growth of collective operating income, resulting in significant economic and social benefits; further promoted the education assistance of “one bank for one school” (一行一校) by pairing 32 rural primary schools with total investment of more than RMB37 million, organized special activities such as eye care actions and employee teaching support, and provided comprehensive support for the schools’ infrastructure, living environment, teaching quality and quality education, benefiting about 10,000 students; strengthened the coordinated management of charitable donations and established Zhejiang CZBank Foundation (浙江浙銀公益基金會).

## SIGNIFICANT EVENTS

### (III) Protection of Consumer Rights

During the reporting period, the Bank attached great importance to the protection of consumer rights. By always adhering to a “customer-oriented” approach, the Bank improved the customer complaint management and information protection system to create efficient, convenient, warm and quality service experience; intensified consumer protection review by conducting more than 700 reviews, identified risks in product and service design and development, pricing management, agreement formulation, marketing promotion and other aspects, and gave full play to the role of source prevention and control; continued to optimize the digital intelligent consumer protection system with demand guidance and technology empowerment, so as to further improve the quality and efficiency of consumer protection; continued to improve the complaint management mechanism, strengthen the construction of the complaint management team, handle complaints in a timely and appropriate manner, and effectively protect the legitimate rights and interests of consumers, and received 64,232 complaints, with a 100% customer complaint handling rate; carried out financial knowledge publicity and education activities, and organized 4,048 online and offline publicity and education activities, involving 53.6993 million consumers.

For more information about social responsibility and ESG of the Bank, please refer to the 2023 Corporate Social Responsibility Report of China Zheshang Bank and the Company Overview – Social Responsibility section on the official website of the Company ([www.czbank.com](http://www.czbank.com)).

## XIII. REVIEW OF THE INTERIM RESULTS

The 2024 interim report of the Company prepared under the China Accounting Standards and the International Financial Reporting Standards has reviewed by KPMG Huazhen LLP and KPMG in accordance with China Standards on Review Engagements and International Standard on Review Engagements, respectively.

The Board of Directors and the audit Committee of the Board of Directors of the Company have reviewed and approved the results and financial report of the Company for the period ended June 30, 2024.

## XIV. PUBLISHING THE INTERIM REPORT

The English and Chinese version of the interim report prepared by the Company in accordance with the International Financial Reporting Standards and Hong Kong Listing Rules will be available on the website of Hong Kong Stock Exchange and the Company’s website. For any inconsistency between the two versions, the Chinese version shall prevail.

The Chinese version of the semi-annual report prepared by the Company in accordance with the China Accounting Standards and the Rules of the CSRC for the Preparation of Semi-annual Reports will be available on the website of the Shanghai Stock Exchange and the Company’s website.

## XV. MAJOR EVENTS OCCURRED AFTER THE REPORTING PERIOD

On August 9, 2024, the Company held the first extraordinary general meeting in 2024, and completed the election of the seventh session of the Board and the Supervisory Committee. On August 18, 2024, Mr. Zhang Rongsen resigned from his positions as an executive Director and the President of the Company due to personal reasons. For details, please refer to the “INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS” in this report and the relevant announcements disclosed by the Company on the websites of the Shanghai Stock Exchange and the Company.



## REVIEW REPORT

**To the board of directors of China Zheshang Bank Co., Ltd.**

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

### INTRODUCTION

We have reviewed the interim financial report of China Zheshang Bank Co., Ltd. (“the Bank”) and its subsidiary (“the Group”), which comprise the condensed consolidated statement of financial position at 30 June 2024, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of an interim financial report to be in accordance with the relevant provisions thereof and the International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

29 August 2024

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

For the six months ended 30 June 2024 (Unaudited)  
(In RMB millions, unless otherwise stated)

		The six months ended 30 June	
	Notes	2024 (Unaudited)	2023 (Unaudited)
Interest income		56,890	54,117
Interest expense		(33,248)	(30,148)
<b>NET INTEREST INCOME</b>	III.1	23,642	23,969
Fee and commission income		3,340	3,403
Fee and commission expense		(556)	(451)
<b>NET FEE AND COMMISSION INCOME</b>	III.2	2,784	2,952
Net trading gains	III.3	4,709	4,901
Net gains on financial investments	III.4	3,607	778
Other operating income	III.5	553	648
<b>OPERATING INCOME</b>		35,295	33,248
Operating expenses	III.6	(10,627)	(9,655)
Expected credit losses	III.7	(14,927)	(14,215)
<b>PROFIT BEFORE TAXATION</b>		9,741	9,378
Income tax expense	III.8	(1,498)	(1,413)
<b>PROFIT FOR THE PERIOD</b>		8,243	7,965
Attributable to:			
Shareholders of the Bank		7,999	7,743
Non-controlling interests		244	222

The notes on pages 102 to 225 form part of this interim financial report.



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

For the six months ended 30 June 2024 (Unaudited)  
(In RMB millions, unless otherwise stated)

		The six months ended 30 June	
	Notes	2024 (Unaudited)	2023 (Unaudited)
<b>Other comprehensive income, net of tax</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Changes in the fair value of financial investments designated to be measured at fair value through other comprehensive income		23	8
<b>Items that may be reclassified to profit or loss:</b>			
Changes in the fair value of financial assets measured at fair value through other comprehensive income		962	286
Allowance for ECLs of financial assets measured at fair value through other comprehensive income		(173)	(164)
Exchange difference from the translation of foreign operations		246	295
<b>Other comprehensive income, net of tax</b>		1,058	425
<b>Total comprehensive income</b>		9,301	8,390
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Bank		9,057	8,166
Non-controlling interests		244	224
<b>Earnings per share attributable to ordinary shareholders of the Bank:</b>			
	III.9		
Basic (RMB yuan)		0.29	0.34
Diluted (RMB yuan)		0.29	0.34

The notes on pages 102 to 225 form part of this interim financial report.



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 (Unaudited)  
(In RMB millions, unless otherwise stated)

	Notes	30 June 2024 (Unaudited)	31 December 2023 (Audited)
<b>ASSETS</b>			
Cash and balances with the central bank	III.10	138,183	164,723
Precious metals		23,283	9,756
Deposits with banks and other financial institutions	III.11	65,094	70,856
Placements with banks and other financial institutions	III.12	9,105	8,574
Derivative financial assets	III.13	32,082	21,953
Financial assets purchased under resale agreements	III.14	67,403	74,595
Loans and advances to customers	III.15	1,767,957	1,673,272
Financial investments	III.16		
– Financial assets measured at fair value through profit or loss		224,551	233,141
– Financial assets measured at amortised cost		484,591	463,311
– Financial assets measured at fair value through other comprehensive income		304,624	304,185
Fixed assets	III.18	28,044	24,741
Right-of-use assets	III.19	4,740	4,904
Intangible assets	III.20	723	670
Deferred tax assets	III.21	20,927	21,184
Other assets	III.22	75,303	68,014
<b>TOTAL ASSETS</b>		<b>3,246,610</b>	<b>3,143,879</b>
<b>LIABILITIES</b>			
Due to the central bank	III.24	69,828	119,915
Deposits from banks and other financial institutions	III.25	352,922	358,654
Placements from banks and other financial institutions	III.26	109,412	87,681
Financial liabilities at fair value through profit or loss	III.27	18,155	13,432
Derivative financial liabilities	III.13	28,114	21,034
Financial assets sold under repurchase agreements	III.28	38,891	62,106
Customer deposits	III.29	1,938,479	1,868,659
Employee benefits payable	III.30	4,951	5,985
Taxes payable	III.31	1,093	2,909
Provisions	III.32	2,029	1,523
Debt securities issued	III.33	471,112	395,938
Lease liabilities	III.19	3,111	3,257
Other liabilities	III.34	14,139	13,209
<b>TOTAL LIABILITIES</b>		<b>3,052,236</b>	<b>2,954,302</b>

The notes on pages 102 to 225 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 (Unaudited)  
(In RMB millions, unless otherwise stated)

	Notes	30 June 2024 (Unaudited)	31 December 2023 (Audited)
<b>EQUITY</b>			
Share capital	III.35	27,464	27,464
Other equity instruments	III.36	24,995	24,995
– Perpetual bond		24,995	24,995
Capital reserve	III.37	38,570	38,570
Other comprehensive income	III.38	4,466	3,408
Surplus reserve	III.39	12,546	12,546
Statutory general reserve	III.40	35,083	29,804
Retained earnings	III.41	47,674	49,458
Total equity attributable to shareholders of the Bank		190,798	186,245
Non-controlling interests		3,576	3,332
<b>TOTAL EQUITY</b>		<b>194,374</b>	<b>189,577</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,246,610</b>	<b>3,143,879</b>

The interim financial report were approved by the board of directors on 29 August 2024:

**Lu Jianqiang**  
(Perform the duties of  
president) Chairman

**Hou Bo**  
Principal in-charge  
of Finance

**Peng Zhiyuan**  
Director of the  
Financial Department

The notes on pages 102 to 225 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (Unaudited)  
(In RMB millions, unless otherwise stated)

	Notes	Attributable to shareholders of the Bank							Non-Controlling interests	Total equity
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings		
<b>Balance at 1 January 2024</b>		27,464	24,995	38,570	3,408	12,546	29,804	49,458	186,245	189,577
Changes in equity for the period										
1. Total comprehensive income		-	-	-	1,058	-	-	7,999	9,057	9,301
2. Appropriation of profits										
- Appropriation to statutory general reserve	III.40	-	-	-	-	-	5,279	(5,279)	-	-
- Distributions to ordinary shareholders	III.41	-	-	-	-	-	-	(4,504)	(4,504)	(4,504)
<b>Balance at 30 June 2024</b>		27,464	24,995	38,570	4,466	12,546	35,083	47,674	190,798	194,374

The notes on pages 102 to 225 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Attributable to shareholders of the Bank											
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings	Subtotal	Non-Controlling interests	Total equity
Notes											
Balance at 1 January 2023		21,269	24,995	32,289	2,191	11,075	26,457	44,657	162,933	2,997	165,930
Changes in equity for the period											
1. Total comprehensive income		-	-	-	423	-	-	7,743	8,166	224	8,390
2. Capital contributions by shareholders											
- Contribution by ordinary shareholders	III.35	4,829	-	4,893	-	-	-	-	9,722	-	9,722
3. Appropriation of profits											
- Appropriation to statutory general reserve	III.40	-	-	-	-	-	3,247	(3,247)	-	-	-
- Distributions to ordinary shareholders	III.41	-	-	-	-	-	-	(4,466)	(4,466)	(111)	(4,577)
Balance at 30 June 2023		26,098	24,995	37,182	2,614	11,075	29,704	44,687	176,355	3,110	179,465

The notes on pages 102 to 225 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023 (Audited)  
(In RMB millions, unless otherwise stated)

	Notes	Attributable to equity holders of the Bank							Non-Controlling interests	Total equity
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings		
<b>Balance at 1 January 2023</b>		21,269	24,995	32,289	2,191	11,075	26,457	44,657	162,933	165,930
Changes in equity for the year										
1. Total comprehensive income		-	-	-	1,217	-	-	15,048	16,265	16,711
2. Capital invested by shareholders										
- Ordinary shares invested by ordinary shareholders	III.35	6,195	-	6,281	-	-	-	-	12,476	12,476
3. Appropriation of profits										
- Appropriation to surplus reserve	III.39	-	-	-	-	1,471	-	(1,471)	-	-
- Appropriation to statutory general reserve	III.40	-	-	-	-	-	3,347	(3,347)	-	-
- Distributions to ordinary shareholders	III.41	-	-	-	-	-	-	(4,466)	(4,466)	(4,577)
- Distributions to perpetual bond holders	III.41	-	-	-	-	-	-	(963)	(963)	(963)
<b>Balance at 31 December 2023</b>		27,464	24,995	38,570	3,408	12,546	29,804	49,458	186,245	189,577

The notes on pages 102 to 225 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 (Unaudited)  
(In RMB millions, unless otherwise stated)

		For the six months ended 30 June	
	Note	2024 (Unaudited)	2023 (Unaudited)
<b>Cash flows from operating activities:</b>			
Profit before taxation		9,741	9,378
Adjustments for:			
– Expected credit losses		14,927	14,215
– Depreciation and amortisation		1,180	1,038
– Interest income from financial investments		(11,578)	(10,519)
– Net investment income		(4,839)	(2,059)
– Net gains from changes in fair value		(1,898)	(2,033)
– Net foreign exchange losses/(gains)		115	(60)
– Net gains on disposal of fixed assets		–	(4)
– Interest expense on debt securities issued		5,636	4,624
– Interest expense on lease liabilities		65	76
– Deferred tax expense		(14)	(1,501)
Net changes in operating assets and operating liabilities:			
Net decrease in balances with the central bank		9,637	3,632
Net increase in deposits with banks and other financial institutions		(19,639)	(2,132)
Net decrease in placements with banks and other financial institutions		2,808	1,079
Net decrease/(increase) in financial assets purchased under resale agreements		97	(1)
Net increase in loans and advances to customers		(108,997)	(134,754)
Net decrease/(increase) in financial assets held for trading		22,529	(114,641)
Net decrease in other operating assets		3,725	11,919
Net decrease in due to the central bank		(50,299)	(24,620)
Net (decrease)/increase in deposits from banks and other financial institutions		(5,845)	74,379
Net increase in placements from banks and other financial institutions		16,154	4,520
Net (decrease)/increase in financial assets sold under repurchase agreements		(23,264)	35,776
Net increase in customer deposits		66,137	140,451
Net decrease in other operating liabilities		(17,940)	(1,246)
Net cash flows (used in)/generated from operating activities before taxation		(91,562)	7,517
Income tax paid		(3,303)	(4,275)
Net cash (used in)/generated from operating activities		(94,865)	3,242

The notes on pages 102 to 225 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 (Unaudited)  
(In RMB millions, unless otherwise stated)

		For the six months ended 30 June	
	Note	2024 (Unaudited)	2023 (Unaudited)
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of fixed assets		517	4
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(5,572)	(1,883)
Investment returns received		16,425	14,074
Proceeds from disposal of investments		2,249,514	855,071
Payment for acquisition of investments		(2,277,717)	(887,859)
Net cash used in investing activities		(16,833)	(20,593)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of shares		–	9,722
Proceeds from issuance of debt securities		314,779	233,968
Repayments of principal on debt securities issued		(240,445)	(223,697)
Repayments of interest on debt securities issued		(4,889)	(5,198)
Payment for dividend distribution		(3,528)	(4,507)
Repayments of principal element of lease liabilities		(373)	(336)
Repayments of interest element of lease liabilities		(65)	(76)
Net cash generated from financing activities		65,479	9,876
Effect of exchange rate changes on cash and cash equivalents		243	544
Net decrease in cash and cash equivalents		(45,976)	(6,931)
Cash and cash equivalents at the beginning of the period		170,461	107,748
Cash and cash equivalents at the end of the period	III.42	124,485	100,817
Net cash flows from operating activities include:			
Interest received		44,761	42,190
Interest paid		(23,213)	(22,959)

The notes on pages 102 to 225 form part of this interim financial report.



# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## I GENERAL INFORMATION

China Zheshang Bank Co., Ltd. (the “Bank”) is a national joint-stock commercial bank established on the basis of the original Zhejiang Commercial Bank with the approval from the original China Banking Regulatory Commission (hereinafter referred to as “the original CBRC”) and the original Zhejiang Commission of China Banking Regulatory Commission (Zhe Yin Jian Fu [2004] No. 48). The Bank obtained the Finance License (No. B0010H133010001) with the approval from the original CBRC. On 26 July 2004, the Bank completed the change of registration in Zhejiang Administration for Industry and Commerce and obtained the Business License (No. 330000000013295) in Zhejiang Province, the People’s Republic of China (the “PRC”). On 7 November 2016, the Bank obtained the Uniform Social Credit Code (No.91330000761336668H). The registered address is 1788 Hongning Road, Xiaoshan District, Hangzhou, Zhejiang Province.

The Bank was listed on the Hong Kong Stock Exchange on 30 March 2016 with stock code of 2016, the Bank was listed on the Shanghai Stock Exchange on 26 November 2019 with stock code of 601916. At 30 June 2024, the Bank’s registered capital is RMB27,464,635,963.

At 30 June 2024, the Bank has established 350 branches in 22 provinces (autonomous regions or municipalities) and Hong Kong in China, including 72 branches (30 of them are tier-one branches), 2 branch-level specialized institution and 276 sub-branches. The principal activities of the Bank include corporate and retail banking, treasury business, and other banking service.

Zhejiang Zheyin Financial Leasing Co., Ltd. (“Zheyin Financial Leasing”) was established on 18 January 2017. At 30 June 2024, the registered capital of Zheyin Financial Leasing is RMB4 billion. Since the Bank has control over Zheyin Financial Leasing, the Bank has included it in the scope of the consolidated financial statements. The Bank and its subsidiary, Zheyin Financial Leasing, are collectively referred to as “the Group”.

## II BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The interim financial report has been prepared on a going concern basis.

The interim financial report has been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and do not include all information and disclosures disclosed in the annual financial statements. The interim financial report should be read in conjunction with the Group’s last annual consolidated financial statements at and for the year ended 31 December 2023.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### II BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

*(Continued)*

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2023.

The following amendments to IFRSs issued by the International Accounting Standards Board (IASB) take effect for the current accounting period beginning on or after 1 January 2024:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. These amendments do not have a material impact on the consolidated financial statements.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Net Interest Income

	For the six months ended 30 June	
	2024	2023
<b>Interest income:</b>		
Loans and advances to customers		
– Corporate loans and advances	26,444	24,900
– Personal loans and advances	13,224	13,212
– Discounted bills	1,286	1,408
Financial investments		
– Financial assets measured at amortised cost (“AC”)	6,955	7,442
– Financial assets measured at fair value through other comprehensive income (“FVOCI”)	4,623	3,077
Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements	1,710	1,431
Balances with the central bank	965	1,025
Finance lease receivables	1,683	1,622
Total	56,890	54,117
<b>Interest expense:</b>		
Customer deposits		
– Corporate customers	(16,454)	(16,349)
– Personal customers	(3,482)	(2,751)
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	(6,818)	(5,601)
Debt securities issued	(5,636)	(4,624)
Due to the central bank	(793)	(747)
Lease liabilities	(65)	(76)
Total	(33,248)	(30,148)
Net interest income	23,642	23,969

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 2 Net Fee and Commission Income

	For the six months ended 30 June	
	2024	2023
<b>Fee and commission income:</b>		
Agency and entrustment service	1,199	949
Commitment and guarantee service	654	848
Underwriting and consultation service	598	671
Settlement and clearing business	389	371
Custodian and other fiduciary service	348	301
Fees from bank cards	101	105
Others	51	158
Total	3,340	3,403
Fee and commission expense	(556)	(451)
Net fee and commission income	2,784	2,952

### 3 Net Trading Gains

	For the six months ended 30 June	
	2024	2023
Net gains arising from financial instruments measured at FVTPL	3,871	4,557
Exchange gains and related derivatives	828	487
Precious metals and related derivatives	29	120
Other derivatives	(19)	(263)
Total	4,709	4,901

### 4 Net Gains on Financial Investments

	For the six months ended 30 June	
	2024	2023
Net gains arising from financial assets measured at FVOCI	3,102	921
Net gains/(losses) arising from financial assets measured at AC	537	(82)
Other investment losses	(32)	(61)
Total	3,607	778

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 5 Other Operating Income

	For the six months ended 30 June	
	2024	2023
Operating lease income	457	175
Government grants	10	384
Other miscellaneous income	86	89
Total	553	648

#### 6 Operating Expense

		For the six months ended 30 June	
	Notes	2024	2023
Staff costs	(1)	6,507	6,069
General and administrative expenses		2,424	2,148
Depreciation and amortisation		990	949
Taxes and surcharges		422	358
Operating lease expenses		212	89
Donations		8	8
Auditors' remuneration		3	3
Others	(2)	61	31
Total		10,627	9,655

##### (1) Staff costs

	For the six months ended 30 June	
	2024	2023
Salaries, bonuses and allowances	4,705	4,430
Other social insurance and benefit costs	743	745
Housing funds	282	235
Pension costs – defined contribution plans	668	559
Labor union fee and staff education fee	109	100
Total	6,507	6,069

- (2) During reporting period, the expense relating to short-term leases and leases of low-value assets which were simplified processed by the Group are not significant.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 7 Expected Credit Losses (“ECL”s)

	For the six months ended 30 June	
	2024	2023
Deposits with banks and other financial institutions	(6)	4
Placements with banks and other financial institutions	(1)	(176)
Financial assets purchased under resale agreements	(5)	8
Loans and advances to customers		
– measured at AC	14,136	9,685
– measured at FVOCI	131	(93)
Financial investments		
– measured at AC	(240)	3,961
– measured at FVOCI	17	(60)
Finance lease receivables	284	260
Other assets	109	217
Off-balance sheet items	502	409
Total	14,927	14,215

### 8 Income Tax Expense

	For the six months ended 30 June	
	2024	2023
Current income tax expense	1,512	2,914
Deferred tax expense	(14)	(1,501)
Total	1,498	1,413

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group in accordance with PRC income tax regulations.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 8 Income Tax Expense *(Continued)*

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the statutory tax rate to profit before taxation can be reconciled as follows:

		For the six months ended 30 June	
	Notes	2024	2023
Profit before taxation		9,741	9,378
Tax calculated at statutory tax rate		2,435	2,345
Effects of non-taxable income	(1)	(1,507)	(1,381)
Effects of non-deductible expenses	(2)	570	449
Income tax expense		1,498	1,413

(1) The non-taxable income mainly represents interest income arising from treasury bonds and municipal government bonds, and dividend income arising from fund investments, which are income tax free in accordance with the PRC tax regulations.

(2) The non-deductible expenses mainly include the non-deductible write-off losses assessed and confirmed item by item, and certain expenses, which are not deductible before taxation according to PRC tax regulations.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 9 Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding. At 30 June 2024, the Group possesses no share with potential dilution effect hence there's no difference between basic and diluted earnings per share.

	For the six months ended 30 June	
	2024	2023
Consolidated net profit attributable to shareholders of the Bank	7,999	7,743
Less: Net profit attributable to other equity instruments holders of the Bank	—	—
Consolidated net profit attributable to ordinary shareholders of the Bank (in RMB millions)	7,999	7,743
Weighted average number of ordinary shares (in millions of shares)	27,464	22,455
Basic and diluted earnings per share (RMB yuan/share)	0.29	0.34



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 10 Cash and Balances with the Central Bank

		30 June 2024	31 December 2023
Cash	Notes	987	865
Balances with the central bank			
– Statutory deposit reserves	(1)	115,202	125,183
– Surplus deposit reserves	(2)	17,470	34,483
– Foreign exchange risk reserves	(3)	4,419	4,104
– Fiscal deposits	(4)	52	23
Subtotal		137,143	163,793
Interest accrued		53	65
Total		138,183	164,723

- (1) The Group is required to place statutory deposit reserves with the People's Bank of China (the "PBOC"), these deposit reserves cannot be used for the daily business operation of the Group. At the balance sheet date, rates for statutory deposit reserves were as follows:

	30 June 2024	31 December 2023
Statutory deposit reserves rate for deposits denominated in RMB	6.50%	7.00%
Statutory deposit reserves rate for deposits denominated in foreign currencies	4.00%	4.00%

The statutory deposit reserves ratios of the subsidiary of the Bank complied with the requirement of the PBOC.

- (2) Surplus deposit reserves includes the funds deposited in the People's Bank of China for the purpose of capital settlement and other non restrictive funds.
- (3) At 30 June 2024, the foreign exchange risk reserve ratio for forward foreign exchange sales of the Bank is 20% (31 December 2023: 20%).
- (4) Financial deposits refer to the funds originated from financial institutions and deposited in the People's Bank of China according to regulations, which cannot be used for the daily business operation of the Group.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 11 Deposits with Banks and Other Financial Institutions

*Analyzed by type and location of counterparties*

	30 June 2024	31 December 2023
In Chinese Mainland		
– Banks	48,764	55,869
– Other financial institutions	12,424	8,559
Outside Chinese Mainland		
– Banks	3,681	6,194
– Other financial institutions	122	86
Interest accrued	104	155
Gross amount	65,095	70,863
Less: Allowance for ECLs (Note III.23)	(1)	(7)
Carrying amount	65,094	70,856

### 12 Placements with Banks and Other Financial Institutions

*Analyzed by type and location of counterparties*

	30 June 2024	31 December 2023
In Chinese Mainland		
– Other financial institutions	7,740	7,548
Outside Chinese Mainland		
– Banks	1,258	924
Interest accrued	112	108
Gross amount	9,110	8,580
Less: Allowance for ECLs (Note III.23)	(5)	(6)
Carrying amount	9,105	8,574

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 13 Derivative Financial Instruments

The Group's derivative financial instruments include interest rate derivatives, currency derivatives, precious metal and other derivatives. At the balance sheet date, the derivative financial instruments held by the Group are set out below:

##### *At 30 June 2024*

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,753,471	9,417	(9,539)
Currency derivatives	1,442,991	16,977	(15,243)
Precious metal and other derivatives	162,754	5,688	(3,332)
Total	3,359,216	32,082	(28,114)

##### *At 31 December 2023*

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	2,343,658	8,600	(9,003)
Currency derivatives	1,009,226	11,324	(9,884)
Precious metal and other derivatives	155,718	2,029	(2,147)
Total	3,508,602	21,953	(21,034)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in the Shanghai Clearing House, precious metals futures, precious metals (T+D) and standard bond forward were settled daily and the corresponding receipts and payments were included in the guaranteed deposits.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 14 Financial Assets Purchased Under Resale Agreements

#### *(1) Analyzed by type and location of counterparties*

	30 June 2024	31 December 2023
In Chinese Mainland		
– Banks	10,884	8,480
– Other financial institutions	56,506	66,070
Interest accrued	34	71
Gross amount	67,424	74,621
Less: Allowance for ECLs (Note III.23)	(21)	(26)
Carrying amount	67,403	74,595

#### *(2) Analyzed by type of collateral*

	30 June 2024	31 December 2023
Bills	–	6,782
Bonds		
– Financial bonds	53,733	40,378
– Government bonds	13,657	27,390
Interest accrued	34	71
Gross amount	67,424	74,621
Less: Allowance for ECLs (Note III.23)	(21)	(26)
Carrying amount	67,403	74,595

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 15 Loans and Advances to Customers

	30 June 2024	31 December 2023
Loans and advances to customers measured at AC	1,422,958	1,325,604
Loans and advances to customers measured at FVOCI	344,999	347,668
Total	1,767,957	1,673,272

#### *(1) Analyzed by classification and nature*

	Note	30 June 2024	31 December 2023
Loans and advances to customers measured at AC			
Corporate loans and advances		969,848	898,657
Personal loans and advances			
– Personal business loans		196,843	177,685
– Personal consumer loans		136,982	146,710
– Residential mortgage loans		155,304	137,853
Personal loans and advances		489,129	462,248
Loans and advances to customers measured at FVOCI			
Corporate loans and advances		223,022	229,513
Discounted bills	(a)	108,574	102,195
Personal loans and advances			
– Personal business loans		12,233	14,444
Subtotal		1,802,806	1,707,057
Fair value changes		1,087	1,417
Interest accrued		8,270	7,766
Gross amount		1,812,163	1,716,240
Less: Allowance for ECLs (Note III.23)		(44,206)	(42,968)
Carrying amount		1,767,957	1,673,272

(a) At balance sheet date, part of discounted bills are pledged for secured liabilities, please refer to Note VIII.1.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 15 Loans and Advances to Customers *(Continued)*

#### (2) Analyzed by type of collateral

	30 June 2024		31 December 2023	
	Amount	Proportion	Amount	Proportion
Unsecured loans	464,041	25.74%	464,799	27.23%
Guaranteed loans	365,251	20.26%	326,813	19.14%
Collateralized loans				
– Mortgage loans	789,497	43.79%	752,103	44.06%
– Pledged loans	75,443	4.19%	61,147	3.58%
Discounted bills	108,574	6.02%	102,195	5.99%
Subtotal	1,802,806	100.00%	1,707,057	100.00%
Fair value changes	1,087		1,417	
Interest accrued	8,270		7,766	
Gross amount	1,812,163		1,716,240	
Less: Allowance for ECLs (Note III.23)	(44,206)		(42,968)	
Carrying amount	1,767,957		1,673,272	

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 15 Loans and Advances to Customers *(Continued)*

##### (3) Overdue loans and advances to customers analyzed by overdue period (fair value changes and interest accrued excluded)

30 June 2024					
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	Total
Unsecured loans	2,425	3,799	1,087	84	7,395
Guaranteed loans	2,755	1,478	387	751	5,371
Collateralized loans					
– Mortgage loans	10,200	8,063	6,400	51	24,714
– Pledged loans	1,110	281	42	200	1,633
Total overdue loans	16,490	13,621	7,916	1,086	39,113

  

31 December 2023					
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	Total
Unsecured loans	2,468	3,212	1,317	64	7,061
Guaranteed loans	1,186	1,226	435	737	3,584
Collateralized loans					
– Mortgage loans	4,554	8,292	3,883	49	16,778
– Pledged loans	63	83	147	70	363
Total overdue loans	8,271	12,813	5,782	920	27,786

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

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 15 Loans and Advances to Customers *(Continued)*

#### **(4) Analyzed by assessment of allowance for ECLs**

(a) Allowance for ECLs of loans and advances to customers measured at AC (interest accrued excluded)

	30 June 2024			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at AC				
– Corporate loans and advances	900,379	51,790	17,679	969,848
– Personal loans and advances	473,254	6,942	8,933	489,129
Gross amount	1,373,633	58,732	26,612	1,458,977
Less: Allowance for ECLs (Note III.23)	(12,604)	(14,068)	(17,534)	(44,206)
Carrying amount	1,361,029	44,664	9,078	1,414,771

  

	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at AC				
– Corporate loans and advances	831,914	50,117	16,626	898,657
– Personal loans and advances	448,462	5,059	8,727	462,248
Gross amount	1,280,376	55,176	25,353	1,360,905
Less: Allowance for ECLs (Note III.23)	(11,404)	(14,776)	(16,788)	(42,968)
Carrying amount	1,268,972	40,400	8,565	1,317,937



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 15 Loans and Advances to Customers *(Continued)*

##### *(4) Analyzed by assessment of allowance for ECLs (Continued)*

*(b) Allowance for ECLs of loans and advances to customers measured at FVOCI (fair value changes and interest accrued excluded)*

	30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	221,885	859	278	223,022
– Discounted bills	108,491	70	13	108,574
– Personal loans and advances	11,564	309	360	12,233
Total	341,940	1,238	651	343,829
Allowance for ECLs (Note III.23)	(1,269)	(117)	(306)	(1,692)

  

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	228,678	385	450	229,513
– Discounted bills	101,825	357	13	102,195
– Personal loans and advances	13,756	234	454	14,444
Total	344,259	976	917	346,152
Allowance for ECLs (Note III.23)	(1,351)	(101)	(490)	(1,942)

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 15 Loans and Advances to Customers *(Continued)*

#### **(5) Movements of the allowance for ECLs of loans and advances to customers**

(a) *Movements of the allowance for ECLs of loans and advances to customers measured at AC*

For the six months ended 30 June 2024				
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	11,404	14,776	16,788	42,968
Transfer				
– to Stage 1	560	(525)	(35)	–
– to Stage 2	(324)	367	(43)	–
– to Stage 3	(190)	(1,931)	2,121	–
Charge (Note III.7)	1,147	1,381	11,608	14,136
Write-off and transfer out	–	–	(14,003)	(14,003)
Recoveries of loans and advances previously written off	–	–	1,136	1,136
Other movements	7	–	(38)	(31)
Balance at 30 June 2024	12,604	14,068	17,534	44,206

  

For the year ended 31 December 2023				
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	13,094	10,428	15,217	38,739
Transfer				
– to Stage 1	330	(297)	(33)	–
– to Stage 2	(331)	523	(192)	–
– to Stage 3	(155)	(1,761)	1,916	–
(Reversal)/charge	(1,541)	5,883	9,893	14,235
Write-off and transfer out	–	–	(11,878)	(11,878)
Recoveries of loans and advances previously written off	–	–	2,016	2,016
Other movements	7	–	(151)	(144)
Balance at 31 December 2023	11,404	14,776	16,788	42,968

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 15 Loans and Advances to Customers *(Continued)*

##### *(5) Movements of the allowance for ECLs of loans and advances to customers (Continued)*

*(b) Movements of the allowance for ECLs of loans and advances to customers measured at FVOCI*

	For the six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	1,351	101	490	1,942
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(15)	15	–	–
– to Stage 3	(12)	(17)	29	–
(Reversal)/charge (Note III.7)	(55)	18	168	131
Write-off and transfer out	–	–	(381)	(381)
Balance at 30 June 2024	1,269	117	306	1,692

  

	For the year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	1,723	38	225	1,986
Transfer				
– to Stage 1	1	(1)	–	–
– to Stage 2	(7)	8	(1)	–
– to Stage 3	(18)	(7)	25	–
(Reversal)/charge	(348)	63	532	247
Write-off and transfer out	–	–	(291)	(291)
Balance at 31 December 2023	1,351	101	490	1,942

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 16 Financial Investments

		30 June 2024	31 December 2023
Financial investments measured at FVTPL	Notes 16.1	224,551	233,141
Financial investments measured at AC	16.2	484,591	463,311
Financial investments measured at FVOCI	16.3	304,624	304,185
Total		1,013,766	1,000,637

#### 16.1 Financial investments measured at FVTPL

		30 June 2024	31 December 2023
Fund investments	Note (1)	171,903	147,430
Bond and ABS investments			
– Government bonds		1,757	1,841
– Financial bonds		20,236	28,409
– Interbank certificates of deposit		491	19,391
– Asset-backed securities (“ABS”)		15,020	15,908
– Other bonds		8,665	12,469
Equity investments		3,501	4,336
Trust schemes and asset management plans		2,835	3,289
Wealth management products		143	68
Total		224,551	233,141

(1) Fund investments include the Group’s investments in funds that are included in the scope of consolidation in accordance with the definition of control set out in Note IV.2.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 16 Financial Investments *(Continued)*

##### 16.1 Financial investments measured at FVTPL *(Continued)*

Analyzed by listing location:

	30 June 2024	31 December 2023
Fund investments		
– Listed outside Hong Kong	171,903	147,430
Bond and ABS investments		
– Listed in Hong Kong	4,646	9,276
– Listed outside Hong Kong	41,523	68,742
Trust schemes and asset management plans		
– Unlisted	2,835	3,289
Equity investments		
– Listed outside Hong Kong	2,093	3,027
– Unlisted	1,408	1,309
Wealth management products		
– Unlisted	143	68
Total	224,551	233,141

Bond investments traded on the Mainland interbank bond market are included in the listed outside Hong Kong category.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 16 Financial Investments *(Continued)*

#### 16.1 Financial investments measured at FVTPL *(Continued)*

Analyzed by type of issuers:

	30 June 2024	31 December 2023
Chinese Mainland issuers		
– Government	1,182	678
– Banking and other financial institutions	204,680	203,526
– Corporate entities	15,635	21,146
Issuers outside Chinese Mainland		
– Government	575	1,163
– Banking and other financial institutions	570	4,354
– Corporate entities	1,909	2,274
Total	224,551	233,141

#### 16.2 Financial investments measured at AC

	Notes	30 June 2024	31 December 2023
Bond and ABS investments	(1)		
– Government bonds		225,527	192,287
– Financial bonds		144,754	147,418
– Debt financing plans		3,664	9,329
– Asset-backed securities (“ABS”)		2,495	5,851
– Other bonds		26,674	27,305
Trust schemes and asset management plans	(2)	97,147	101,509
Interest accrued		11,243	7,330
Gross amount		511,504	491,029
Less: Allowance for ECLs (Note III.23)		(26,913)	(27,718)
Carrying amount		484,591	463,311

(1) At balance sheet date, part of bond investments measured at amortised cost are pledged for secured liabilities, please refer to Note VIII.1.

(2) Trust schemes and asset management plans, mainly invested in credit assets and equity investments under repurchase agreements, are managed and operated by third-party trustees or asset managers.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 16 Financial Investments *(Continued)*

#### 16.2 Financial investments measured at AC *(Continued)*

Analyzed by listing location:

	30 June 2024	31 December 2023
Bond and ABS investments		
– Listed in Hong Kong	16,889	15,993
– Listed outside Hong Kong	382,053	356,364
– Unlisted	4,172	9,833
Trust schemes and asset management plans		
– Unlisted	97,147	101,509
Interest accrued	11,243	7,330
Total	511,504	491,029

Analyzed by type of issuers:

	30 June 2024	31 December 2023
Chinese Mainland issuers		
– Government	218,072	191,336
– Banking and other financial institutions	122,401	147,531
– Corporate entities	144,839	135,709
Issuers outside Chinese Mainland		
– Government	7,455	951
– Banking and other financial institutions	36	35
– Corporate entities	7,458	8,137
Interest accrued	11,243	7,330
Total	511,504	491,029

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 16 Financial Investments *(Continued)*

#### 16.2 Financial investments measured at AC *(Continued)*

The gross amount and allowance for ECLs of financial investments measured at AC are analyzed as follows (interest accrued excluded):

30 June 2024				
	Stage 1	Stage 2	Stage 3	Total
Financial investments measured at AC	435,289	8,831	56,141	500,261
Less: Allowance for ECLs (Note III.23)	(822)	(1,344)	(24,747)	(26,913)
Carrying amount	434,467	7,487	31,394	473,348

  

31 December 2023				
	Stage 1	Stage 2	Stage 3	Total
Financial investments measured at AC	417,991	12,492	53,216	483,699
Less: Allowance for ECLs (Note III.23)	(1,020)	(3,434)	(23,264)	(27,718)
Carrying amount	416,971	9,058	29,952	455,981



# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 16 Financial Investments *(Continued)*

#### 16.2 Financial investments measured at AC *(Continued)*

Movement of allowance for ECLs of financial investments measured at AC:

	For the six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	1,020	3,434	23,264	27,718
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(30)	30	–	–
– to Stage 3	–	(1,800)	1,800	–
(Reversal)/charge (Note III.7)	(169)	(320)	249	(240)
Write-off and transfer out	–	–	(370)	(370)
Recoveries of financial investments				
previously written off	–	–	62	62
Other movements	1	–	(258)	(257)
Balance at 30 June 2024	822	1,344	24,747	26,913

  

	For the year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	980	3,866	16,202	21,048
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(18)	18	–	–
– to Stage 3	–	(1,973)	1,973	–
Charge	55	1,523	9,628	11,206
Write-off and transfer out	–	–	(5,848)	(5,848)
Recoveries of financial investments				
previously written off	–	–	1,757	1,757
Other movements	3	–	(448)	(445)
Balance at 31 December 2023	1,020	3,434	23,264	27,718

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 16 Financial Investments *(Continued)*

#### 16.3 Financial investments measured at FVOCI

		30 June 2024	31 December 2023
Bond and ABS investments	(1)		
– Government bonds		63,798	105,407
– Central Bank Bill		100	520
– Financial bonds		82,712	68,415
– Interbank certificates of deposit		59,880	38,833
– Asset-backed securities (“ABS”)		38,369	34,017
– Other bonds		55,684	52,703
Other debt instruments		79	121
Interest accrued		2,628	2,825
Subtotal		303,250	302,841
Financial investments designated to be measured at FVOCI			
Equity investments	(2)	1,374	1,344
Total		304,624	304,185

(1) At balance sheet date, part of bond and ABS investments in the financial investments measured at FVOCI are pledged for secured liabilities, please refer to Note VIII.1.

(2) Certain non-trading equity investments are designated by the Group as financial investments measured at FVOCI. For the six months ended 30 June 2024, the Group has not recognized dividend income on such equity investments (For the year ended 31 December 2023: RMB6 million).

Analyzed by listing location:

	30 June 2024	31 December 2023
Bond and ABS investments and other debt instruments		
– Listed in Hong Kong	34,350	41,388
– Listed outside Hong Kong	216,251	230,413
– Unlisted	50,021	28,215
Equity investments		
– Unlisted	1,374	1,344
Interest accrued	2,628	2,825
Total	304,624	304,185

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 16 Financial Investments *(Continued)*

##### **16.3 Financial investments measured at FVOCI *(Continued)***

Analyzed by type of issuers:

	30 June 2024	31 December 2023
Chinese Mainland issuers		
– Government and Central Bank	49,748	95,468
– Banking and other financial institutions	108,326	77,708
– Corporate entities	58,997	60,452
Issuers outside Chinese Mainland		
– Government and Central Bank	14,149	10,459
– Banking and other financial institutions	51,743	41,246
– Corporate entities	17,659	14,683
Interest accrued	2,628	2,825
Subtotal	303,250	302,841
Equity investments	1,374	1,344
Total	304,624	304,185

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 16 Financial Investments *(Continued)*

#### 16.3 Financial investments measured at FVOCI *(Continued)*

The gross amount and allowance for ECLs of debt instruments measured at FVOCI are analyzed as follows (fair value changes and interest accrued excluded):

	For the six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Debt instruments measured at FVOCI	298,847	80	429	299,356
Allowance for ECLs (Note III.23)	(303)	(10)	(224)	(537)

  

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Debt instruments measured at FVOCI	298,625	1,347	391	300,363
Allowance for ECLs (Note III.23)	(224)	(106)	(187)	(517)

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 16 Financial Investments *(Continued)*

#### 16.3 Financial investments measured at FVOCI *(Continued)*

Movement of allowance for ECLs of debt investments measured at FVOCI:

	For the six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	224	106	187	517
Transfer				
– to Stage 1	101	(101)	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	–	–	–
(Reversal)/charge (Note III.7)	(25)	5	37	17
Other movements	3	–	–	3
Balance at 30 June 2024	303	10	224	537

  

	For the year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	391	–	–	391
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(11)	11	–	–
– to Stage 3	–	–	–	–
(Reversal)/charge	(159)	95	187	123
Other movements	3	–	–	3
Balance at 31 December 2023	224	106	187	517

### 17 Investment in Subsidiary

#### *The Bank*

	30 June 2024	31 December 2023
Zheyin Financial Leasing	2,040	2,040

For details of the subsidiary, please refer to Note IV.1.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 18 Fixed Assets

	Notes	30 June 2024	31 December 2023
Fixed assets	(1)	24,916	22,345
Construction in progress	(2)	3,128	2,396
Total		28,044	24,741

#### **(1) Fixed assets**

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2024	18,537	2,267	188	6,627	27,619
Additions	23	70	9	3,560	3,662
Transfers from construction in progress	5	–	–	–	5
Disposals and other changes	–	(18)	(6)	(478)	(502)
At 30 June 2024	18,565	2,319	191	9,709	30,784
Less: Accumulated depreciation					
At 1 January 2024	(2,980)	(1,699)	(135)	(460)	(5,274)
Charge	(350)	(93)	(7)	(190)	(640)
Disposals and other changes	–	17	6	23	46
At 30 June 2024	(3,330)	(1,775)	(136)	(627)	(5,868)
Carrying amount					
Balance at 30 June 2024	15,235	544	55	9,082	24,916
Balance at 1 January 2024	15,557	568	53	6,167	22,345

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 18 Fixed Assets *(Continued)*

##### *(1) Fixed assets (Continued)*

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2023	15,895	2,079	177	2,700	20,851
Additions	2,582	206	21	4,832	7,641
Transfers from construction in progress	60	–	–	–	60
Disposals and other changes	–	(18)	(10)	(905)	(933)
At 31 December 2023	18,537	2,267	188	6,627	27,619
Less: Accumulated depreciation					
At 1 January 2023	(2,350)	(1,500)	(130)	(306)	(4,286)
Charge	(630)	(217)	(14)	(217)	(1,078)
Disposals and other changes	–	18	9	63	90
At 31 December 2023	(2,980)	(1,699)	(135)	(460)	(5,274)
Carrying amount					
Balance at 31 December 2023	15,557	568	53	6,167	22,345
Balance at 1 January 2023	13,545	579	47	2,394	16,565

At balance sheet date, there is no significant idle assets held by the Group.

At 30 June 2024, the Group's properties and buildings with a net value of RMB1,276 million (31 December 2023: RMB1,817 million) were still in progress of obtaining the legal titles.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 18 Fixed Assets *(Continued)*

##### *(2) Construction in progress*

	Construction in progress
Balance at 1 January 2024	2,396
Additions	748
Transfers to fixed assets	(5)
Transfers to long-term prepaid expenses	(11)
Balance at 30 June 2024	3,128
	Construction in progress
Balance at 1 January 2023	1,829
Additions	760
Transfers to fixed assets	(60)
Transfers to long-term prepaid expenses	(133)
Balance at 31 December 2023	2,396



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 19 Lease

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

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2024	1,950	5,910	53	7,913
Additions	–	229	11	240
Reductions	–	(32)	–	(32)
At 30 June 2024	1,950	6,107	64	8,121
Less: Accumulated depreciation				
At 1 January 2024	(321)	(2,663)	(25)	(3,009)
Charge	(25)	(362)	(4)	(391)
Reductions	–	19	–	19
At 30 June 2024	(346)	(3,006)	(29)	(3,381)
Carrying amount				
Balance at 30 June 2024	1,604	3,101	35	4,740
Balance at 1 January 2024	1,629	3,247	28	4,904

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 19 Lease *(Continued)*

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

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2023	1,950	5,684	56	7,690
Additions	–	696	2	698
Reductions	–	(470)	(5)	(475)
At 31 December 2023	1,950	5,910	53	7,913
Less: Accumulated depreciation				
At 1 January 2023	(272)	(2,379)	(23)	(2,674)
Charge	(49)	(700)	(7)	(756)
Reductions	–	416	5	421
At 31 December 2023	(321)	(2,663)	(25)	(3,009)
Carrying amount				
Balance at 31 December 2023	1,629	3,247	28	4,904
Balance at 1 January 2023	1,678	3,305	33	5,016

At 30 June 2024, there is no significant land use rights held by the Group for which the title certificate has not been issued. (31 December 2023: Nil).

#### (2) *Lease liabilities*

Analysis of undiscounted lease payments on the maturity date of lease liabilities:

	30 June 2024	31 December 2023
Within 1 year (inclusive)	818	766
1 – 2 years (inclusive)	737	764
2 – 3 years (inclusive)	560	743
3 – 4 years (inclusive)	414	412
4 – 5 years (inclusive)	334	337
Above 5 years	619	619
The total amount of undiscounted lease payments	3,482	3,641
Carrying amount of lease liabilities at the end of the period/year	3,111	3,257

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 20 Intangible Assets

	Computer software
Cost	
At 1 January 2024	1,197
Additions	108
Reductions	(6)
	<hr/>
At 30 June 2024	1,299
	<hr style="border-top: 1px dashed;"/>
Less: Accumulated amortisation	
At 1 January 2024	(527)
Charge	(53)
Reductions	4
	<hr/>
At 30 June 2024	(576)
	<hr style="border-top: 1px dashed;"/>
Carrying amount	
Balance at 30 June 2024	723
	<hr/>
Balance at 1 January 2024	670
	<hr/>
	Computer software
Cost	
At 1 January 2023	1,049
Additions	148
	<hr/>
At 31 December 2023	1,197
	<hr style="border-top: 1px dashed;"/>
Less: Accumulated amortisation	
At 1 January 2023	(432)
Charge	(95)
	<hr/>
At 31 December 2023	(527)
	<hr style="border-top: 1px dashed;"/>
Carrying amount	
Balance at 31 December 2023	670
	<hr/>
Balance at 1 January 2023	617
	<hr/>

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 21 Deferred Tax Assets and Liabilities

#### *(1) Deferred tax assets and liabilities before offsetting*

	30 June 2024		31 December 2023	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Allowance for ECLs and provisions	85,829	21,457	82,323	20,581
Employee benefits payable	2,244	561	2,394	598
Unrealized losses of financial instruments measured at FVTPL and precious metals	855	214	1,298	324
Others	3,908	977	4,085	1,021
Deferred tax assets before offsetting	92,836	23,209	90,100	22,524
Depreciation of fixed assets	(535)	(134)	(499)	(125)
Unrealized gains of financial investments measured at FVOCI	(2,702)	(675)	(1,388)	(347)
Unrealized gains of derivative financial instruments	(2,708)	(677)	(172)	(43)
Others	(3,182)	(796)	(3,305)	(825)
Deferred tax liabilities before offsetting	(9,127)	(2,282)	(5,364)	(1,340)
Net amount after offsetting	83,709	20,927	84,736	21,184

#### *(2) Changes in deferred tax*

	30 June 2024	31 December 2023
Balance at the beginning of the period/year	21,184	20,901
Charge to profit or loss	14	658
Charge to other comprehensive income	(271)	(375)
Balance at the end of the period/year	20,927	21,184

At the balance sheet date, the Group has no significant unrecognized deferred tax assets and liabilities.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 22 Other Assets

		30 June 2024	31 December 2023
Finance lease receivables	Notes (1)	59,090	55,921
Settlement and clearing accounts		3,862	2,093
Guaranteed deposits		2,732	1,760
Interest receivable		1,339	1,245
Continuing involvement assets (Note III.43 (1))		1,212	1,212
Deductible input Value Added Tax ("VAT")		1,186	864
Long-term prepaid expenses	(2)	1,143	1,014
Repossessed assets		1,089	1,105
Prepayment		1,045	685
Fee receivables		800	662
Others		1,805	1,453
Total		75,303	68,014

#### *(1) Finance lease receivables*

	30 June 2024	31 December 2023
Finance lease receivables	5,268	4,759
Less: Unrecognized finance income	(696)	(655)
Balance of finance lease receivables	4,572	4,104
Finance leaseback receivables	56,126	53,205
Subtotal	60,698	57,309
Interest accrued	517	506
Less: Allowance for ECLs (Note III.23)	(2,125)	(1,894)
Carrying amount	59,090	55,921

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 22 Other Assets *(Continued)*

#### *(1) Finance lease receivables (Continued)*

The undiscounted finance lease receivables to be received by the Group in each of the five consecutive accounting years after the balance sheet date are as follows:

	30 June 2024		31 December 2023	
	Amount	Proportion	Amount	Proportion
Within 1 year (inclusive)	2,361	44.82%	1,976	41.53%
1 – 2 years (inclusive)	1,101	20.90%	1,304	27.40%
2 – 3 years (inclusive)	561	10.65%	393	8.26%
3 – 4 years (inclusive)	313	5.94%	199	4.18%
4 – 5 years (inclusive)	176	3.34%	152	3.19%
Above 5 years	756	14.35%	735	15.44%
Total	5,268	100.00%	4,759	100.00%

Analyzed by assessment of allowance for ECLs of finance lease receivables (interest accrued excluded)

	30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables	57,709	2,147	842	60,698
Less: Allowance for ECLs (Note III.23)	(1,215)	(308)	(602)	(2,125)
Carrying amount	56,494	1,839	240	58,573

  

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables	55,218	1,364	727	57,309
Less: Allowance for ECLs (Note III.23)	(1,230)	(192)	(472)	(1,894)
Carrying amount	53,988	1,172	255	55,415

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 22 Other Assets *(Continued)*

##### *(1) Finance lease receivables (Continued)*

Movements of the allowance for ECLs of finance lease receivables

	For the six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	1,230	192	472	1,894
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(20)	20	–	–
– to Stage 3	(4)	(8)	12	–
Charge (Note III.7)	9	104	171	284
Write-off	–	–	(91)	(91)
Recoveries of finance lease receivables previously written off	–	–	38	38
Balance at 30 June 2024	1,215	308	602	2,125

  

	For the year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	916	58	532	1,506
Transfer				
– to Stage 1	4	(4)	–	–
– to Stage 2	(29)	71	(42)	–
– to Stage 3	(15)	(1)	16	–
Charge	354	68	129	551
Write-off	–	–	(317)	(317)
Recoveries of finance lease receivables previously written off	–	–	154	154
Balance at 31 December 2023	1,230	192	472	1,894

##### *(2) Long-term prepaid expense*

	30 June 2024	31 December 2023
Balance at the beginning of the period/year	1,014	768
Additions	214	296
Transfers from construction in progress	11	133
Less: Accumulated amortisation for the period/year	(96)	(183)
Balance at the end of the period/year	1,143	1,014

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 23 Allowance for ECLs

	Notes	1 January 2024	(Reversal)/ charge	Write-off and transfer out	Others (Note (1))	30 June 2024
Deposits with banks and other financial institutions	III.11	7	(6)	–	–	1
Placements with banks and other financial institutions	III.12	6	(1)	–	–	5
Financial assets purchased under resale agreements	III.14	26	(5)	–	–	21
Loans and advances to customers	III.15					
– measured at AC		42,968	14,136	(14,003)	1,105	44,206
– measured at FVOCI		1,942	131	(381)	–	1,692
Financial investments	III.16					
– measured at AC		27,718	(240)	(370)	(195)	26,913
– measured at FVOCI		517	17	–	3	537
Finance lease receivables	III.22(1)	1,894	284	(91)	38	2,125
Other assets		624	109	(74)	12	671
Off-balance sheet items	III.32	1,523	502	–	4	2,029
<b>Total</b>		<b>77,225</b>	<b>14,927</b>	<b>(14,919)</b>	<b>967</b>	<b>78,200</b>

  

	Notes	1 January 2023	(Reversal)/ charge	Write-off and Transfer out	Others (Note (1))	31 December 2023
Deposits with banks and other financial institutions	III.11	13	(6)	–	–	7
Placements with banks and other financial institutions	III.12	220	(215)	–	1	6
Financial assets purchased under resale agreements	III.14	7	19	–	–	26
Loans and advances to customers	III.15					
– measured at AC		38,739	14,235	(11,878)	1,872	42,968
– measured at FVOCI		1,986	247	(291)	–	1,942
Financial investments	III.16					
– measured at AC		21,048	11,206	(5,848)	1,312	27,718
– measured at FVOCI		391	123	–	3	517
Finance lease receivables	III.22(1)	1,506	551	(317)	154	1,894
Other assets		417	269	(103)	41	624
Off-balance sheet items	III.32	1,838	(316)	–	1	1,523
<b>Total</b>		<b>66,165</b>	<b>26,113</b>	<b>(18,437)</b>	<b>3,384</b>	<b>77,225</b>

(1) Others include the recoveries of financial assets previously written off and the effect of changes in exchange rates.



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 24 Due to the Central Bank

	30 June 2024	31 December 2023
Bonds sold under repurchase agreements with the Central Bank	48,616	100,806
Bonds sold under repurchase agreements with the Central Bank	20,534	18,643
Interest accrued	678	466
Total	69,828	119,915

#### 25 Deposits from Banks and Other Financial Institutions

*Analyzed by type and location of counterparties*

	30 June 2024	31 December 2023
In Chinese Mainland		
– Banks	72,080	61,743
– Other financial institutions	266,566	283,099
Outside Chinese Mainland		
– Banks	382	361
– Other financial institutions	10,968	10,638
Interest accrued	2,926	2,813
Total	352,922	358,654

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 26 Placements from Banks and Other Financial Institutions

*Analyzed by accounting treatment, type and location of counterparties*

	Note	30 June 2024	31 December 2023
Measured at amortised cost:			
In Chinese Mainland			
– Banks		61,172	50,340
– Other financial institutions		2,445	2,000
Outside Chinese Mainland			
– Banks		11,880	7,003
Interest accrued		895	618
Subtotal		76,392	59,961
Designated as at fair value through profit or loss: (1)			
In Chinese Mainland			
– Banks		33,020	26,208
– Other financial institutions		–	1,512
Subtotal		33,020	27,720
Total		109,412	87,681

- (1) There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities designated as at fair value through profit or loss arising from changes in credit risk were not considered significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 27 Financial Liabilities at Fair Value through Profit or Loss

	Notes	30 June 2024	31 December 2023
Financial liabilities designated as at fair value through profit or loss	(1)		
– Financial liabilities related to precious metals		540	120
– Others	(2)	17,349	13,312
Financial liabilities at fair value through profit or loss			
– Short positions of trading bonds		266	–
Total		18,155	13,432

(1) The Group manages and evaluates the financial liability portfolio on the basis of fair value according to the enterprise risk management or investment strategy stated in the official written documents, and reports to key management personnel within the enterprise on this basis. There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities designated as at fair value through profit or loss arising from changes in credit risk were not considered significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

(2) Others mainly represent shares held by other parties rather than the Group and liabilities of consolidated structured entities.

#### 28 Financial Assets Sold Under Repurchase Agreements

##### *Analyzed by type of collateral*

	30 June 2024	31 December 2023
Bonds sold under repurchase agreements	38,778	62,042
Interest accrued	113	64
Total	38,891	62,106

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 29 Customer Deposits

	30 June 2024	31 December 2023
Demand deposits		
– Corporate customers	416,890	653,026
– Personal customers	62,470	52,363
Subtotal	479,360	705,389
Time deposits		
– Corporate customers	1,185,866	914,175
– Personal customers	237,464	217,157
Subtotal	1,423,330	1,131,332
Other deposits	4,338	4,170
Interest accrued	31,451	27,768
Total	1,938,479	1,868,659

Pledged deposits of customer deposits are listed as follows:

	30 June 2024	31 December 2023
Acceptances deposits	28,969	22,640
Letters of credit and guarantee deposits	25,483	26,917
Other pledged deposits	75,482	82,601
Total	129,934	132,158

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 30 Employee Benefits Payable

	1 January 2024	Accrual during the period	Payments during the period	30 June 2024
Salaries, bonuses and allowances	5,824	4,705	(5,697)	4,832
Staff welfare	—	566	(566)	—
Housing fund	—	282	(282)	—
Social insurance				
– Medical insurance	—	157	(157)	—
– Work-related injury insurance	—	4	(4)	—
– Maternity insurance	—	3	(3)	—
Commercial insurance	—	13	(13)	—
Labour union fee and staff education fee	161	109	(151)	119
Basic pension insurance	—	315	(315)	—
Unemployment insurance	—	11	(11)	—
Annuity	—	342	(342)	—
<b>Total</b>	<b>5,985</b>	<b>6,507</b>	<b>(7,541)</b>	<b>4,951</b>

  

	1 January 2023	Accrual during the year	Payments during the year	31 December 2023
Salaries, bonuses and allowances	5,646	8,929	(8,751)	5,824
Staff welfare	—	1,146	(1,146)	—
Housing fund	—	530	(530)	—
Social insurance				
– Medical insurance	—	292	(292)	—
– Work-related injury insurance	—	7	(7)	—
– Maternity insurance	—	9	(9)	—
Commercial insurance	—	191	(191)	—
Labour union fee and staff education fee	140	213	(192)	161
Basic pension insurance	—	544	(544)	—
Unemployment insurance	—	19	(19)	—
Annuity	—	620	(620)	—
<b>Total</b>	<b>5,786</b>	<b>12,500</b>	<b>(12,301)</b>	<b>5,985</b>

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 31 Taxes Payable

	30 June 2024	31 December 2023
Income tax payable	87	1,878
Value added tax ("VAT") payable	775	812
Others	231	219
Total	1,093	2,909

#### 32 Provisions

	30 June 2024	31 December 2023
Allowance for ECLs of off-balance sheet items (Note III.23)	2,029	1,523

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 33 Debt Securities Issued

	Notes	30 June 2024	31 December 2023
Fixed-rate small and micro businesses financial bonds – 2024	(1)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(2)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(3)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(4)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2027	(5)	5,000	5,000
Fixed-rate green financial bonds – 2025	(6)	10,000	10,000
Fixed-rate special financial bonds for “agriculture, rural areas and farmers” - 2025	(7)	5,000	5,000
Fixed-rate financial bonds – 2024	(8)	1,500	1,500
Fixed-rate financial bonds – 2025	(9)	1,400	1,400
Fixed-rate small and micro businesses financial bonds – 2026	(10)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2026	(11)	15,000	15,000
Fixed-rate financial bonds – 2026	(12)	30,000	30,000
Fixed-rate offering – tier 2 capital bond – 2033	(13)	20,000	20,000
Fixed-rate offering – tier 2 capital bond – 2033	(14)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2027	(15)	15,000	–
Fixed-rate small and micro businesses financial bonds – 2029	(16)	5,000	–
Fixed-rate small and micro businesses financial bonds – 2027	(17)	20,000	–
Fixed-rate offering – tier 2 capital bond – 2034	(18)	10,000	–
Fixed-rate USD medium term note – 2024	(19)	–	3,554
Certificates of deposit	(20)	1,760	1,860
Interbank certificates of deposit	(21)	274,029	245,948
Subtotal		468,689	394,262
Interest accrued		2,423	1,676
Total		471,112	395,938

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 33 Debt Securities Issued *(Continued)*

- (1) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 24 September 2021, with a maturity of 3 years and a fixed coupon rate of 3.00%.
- (2) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 23 February 2022, with a maturity of 3 years and a fixed coupon rate of 2.83%.
- (3) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 7 April 2022, with a maturity of 3 years and a fixed coupon rate of 2.93%.
- (4) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 3 years and a fixed coupon rate of 2.47%.
- (5) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 5 years and a fixed coupon rate of 2.85%.
- (6) Fixed-rate green financial bonds of RMB10 billion was issued on 13 December 2022, with a maturity of 3 years and a fixed coupon rate of 3.05%.
- (7) Fixed-rate special financial bonds for “agriculture, rural areas and farmers” of RMB5 billion was issued on 13 December 2022, with a maturity of 3 years and a fixed coupon rate of 3.05%.
- (8) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.5 billion on 22 July 2021, with a maturity of 3 years and a fixed coupon rate of 3.48%.
- (9) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.4 billion on 2 June 2022, with a maturity of 3 years and a fixed coupon rate of 2.97%.
- (10) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 24 April 2023, with a maturity of 3 years and a fixed coupon rate of 2.80%.
- (11) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 3 November 2023, with a maturity of 3 years and a fixed coupon rate of 2.82%.
- (12) Fixed-rate financial bonds of RMB30 billion was issued on 24 July 2023, with a maturity of 3 years and a fixed coupon rate of 2.62%.
- (13) Fixed-rate offering – tier 2 capital bonds of RMB20 billion were issued on 25 May 2023, with a maturity of 10 years and a fixed coupon rate of 3.47%. The Bank has an option to redeem the bond at its par value in 2028.



# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 33 Debt Securities Issued *(Continued)*

- (14) Fixed-rate offering – tier 2 capital bonds of RMB10 billion were issued on 23 November 2023, with a maturity of 10 years and a fixed coupon rate of 3.50%. The Bank has an option to redeem the bond at its par value in 2028.
- (15) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 15 March 2024, with a maturity of 3 years and a fixed coupon rate of 2.43%.
- (16) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 15 March 2024, with a maturity of 3 years and a fixed coupon rate of 2.53%.
- (17) Fixed-rate small and micro businesses financial bonds of RMB20 billion was issued on 15 May 2024, with a maturity of 3 years and a fixed coupon rate of 2.23%.
- (18) Fixed-rate offering – tier 2 capital bonds of RMB10 billion were issued on 17 April 2024, with a maturity of 10 years and a fixed coupon rate of 2.54%. The Bank has an option to redeem the bond at its par value in 2029.
- (19) Fixed-rate USD medium term note of USD0.5 billion (total value amounted RMB3,554 million at 31 December 2023) was issued by the Hong Kong Branch on 16 March 2021 with a maturity of 3 years and a fixed coupon rate of 1.10%. This note matured on 16 March 2024.
- (20) There were 6 unpaid certificates of deposit issued in RMB at Hong Kong Branch at 30 June 2024, which have total face value amounted RMB1,760 million with maturity less than one year. (There were 7 unpaid certificates of deposit at Hong Kong Branch at 31 December 2023, which have total face value amounted RMB1,860 million with maturity less than one year. One of the certificates of deposit were issued in US dollar with a face value amounted RMB243 million. The other certificates of deposit were issued in offshore RMB and have total face value amounted RMB1 billion).
- (21) At 30 June 2024, the Bank has issued a total of 103 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year (At 31 December 2023, the Bank has issued a total of 121 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year).

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 34 Other Liabilities

	30 June 2024	31 December 2023
Settlement and clearing accounts	4,570	3,231
Deposits related to finance lease	4,157	4,178
Continuing involvement liabilities (Note III.43 (1))	1,212	1,212
Dividends payable	1,027	51
Deferred income	590	665
Account payable	543	1,749
Others	2,040	2,123
Total	14,139	13,209

### 35 Share Capital

	30 June 2024	31 December 2023
Ordinary shares listed in Chinese Mainland (A share)	21,544	21,544
Ordinary shares listed outside Chinese Mainland (H share)	5,920	5,920
Total	27,464	27,464

On 27 June 2023, the Bank received the proceeds raised from the A share Rights Issue. The net proceeds from the A share Rights Issue amounted to RMB9,722 million, of which RMB4,829 million was credited to share capital and RMB4,893 million was credited to capital reserve.

On 28 July 2023, the Bank received the proceeds raised from the H share Rights Issue. The net proceeds from the H share Rights Issue amounted to RMB2,754 million, of which RMB1,366 million was credited to share capital and RMB1,388 million was credited to capital reserve.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 36 Other Equity Instruments

		30 June 2024	31 December 2023
Perpetual bonds	Note (1)	24,995	24,995

#### *(1) Perpetual bonds*

##### *(a) List of perpetual bonds issued at the end of the period*

Equity instruments in issue	Perpetual bond
Issue date	25 November 2021
Accounting treatment	Equity instrument
Initial interest rate	3.85%
Issuance price per share (RMB/share)	100
Number (In millions)	250
Amount (RMB in millions)	25,000
Issuance fee (RMB in millions)	5
Maturity date	No maturity date
Conversion condition	None
Conversion status	None

##### *(b) Main terms of perpetual bonds*

The duration of the perpetual bonds is the same as the continuing operation of the Bank. The perpetual bonds issuance sets conditional redemption rights for the issuer. The Bank shall have the right to redeem all or part of the perpetual bonds on each annual interest payment date (including the fifth interest payment date since the date of issuance) five years after the date of issuance. If, after the issuance of the perpetual bonds, unpredictable changes in regulations result in that the perpetual bonds is no longer classified in other tier-one capital, the Bank shall have the right to redeem all, but not part, of the perpetual bonds.

The Bank shall exercise the right of redemption subject to the approval of the original CBIRC and on the condition that the following conditions are satisfied: (1) replacing the redeemed instrument with a capital instrument of equal or higher quality, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain significantly higher than the regulatory capital requirements stipulated by the original CBIRC.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 36 Other Equity Instruments *(Continued)*

##### *(1) Perpetual bonds (Continued)*

##### *(b) Main terms of perpetual bonds (Continued)*

The claims in respect of the perpetual bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the perpetual bonds, and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-one capital instruments of the Bank that rank pari passu with the bonds. If subsequent amendments to the *PRC Enterprise Bankruptcy Law* or relevant regulations are applicable, such relevant laws and regulations shall prevail.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write-down/write-off part or all of the principal of the perpetual bonds without the consent of the bondholders. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier occurrence under the following circumstances: (1) the original CBIRC deems that the Bank would become non-viable without a write-down/write-off; (2) the relevant authorities deem that the Bank would become non-viable without a public sector injection of capital or equivalent support. The write-down/write-off will not be restored.

The coupon rate of the perpetual bonds will be adjusted at defined intervals with a coupon rate adjustment period which is every 5 years since the payment settlement date. In any coupon rate adjusted period, the interest payments on the perpetual bonds will be made at a prescribed fixed coupon rate. The coupon rate at the time of issuance will be determined by book running and centralised allocation.

The coupon rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of the 5-year bond yield curve published on [www.ChinaBond.com.cn](http://www.ChinaBond.com.cn) (or other websites recognized by the China Central Depository & Clearing Co., Ltd.) 5 trading days prior to the Announcement Date of the Subscription Agreement or the adjustment date of the benchmark interest rate (excluding the current day) (rounded up to 0.01%). The fixed spread is the difference between the coupon rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 36 Other Equity Instruments *(Continued)*

##### *(1) Perpetual bonds (Continued)*

###### *(b) Main terms of perpetual bonds (Continued)*

The Bank shall have the right to cancel all or part of the interest distribution of the perpetual bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the bondholders. The Bank may, at its sole discretion, use the proceeds from the cancelled distribution to meet other obligations as they fall due. The cancellation of all or part of interest distribution on the perpetual bonds will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shareholders. Any cancellation of any all or part of interest distribution on the perpetual bonds will require the deliberation and approval of the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the case of cancelling all or part of interest distributions on the perpetual bonds, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the interest distribution in whole to the holders of the perpetual bonds. The Dividend Stopper on ordinary shares will not compromise the Bank's discretion to cancel distributions, and will not impede the Bank from replenishing its capital.

The interest distributions on the perpetual bonds must come from distributable items, and will not be affected by the rating of the Bank, nor will be reset based on any change to such rating. The interest distribution on the perpetual bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the bondholders in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The perpetual bonds do not have any step-up mechanism or any other incentive to redeem. Investors are not allowed to sell the perpetual bonds.

###### *(c) Changes in perpetual bonds outstanding at the end of the period/year*

There was no change in the perpetual bonds outstanding at the end of the period/year during the period/year.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 36 Other Equity Instruments *(Continued)*

#### *(2) Information related to the holders of the equity instruments*

	30 June 2024	31 December 2023
Equity attributable to shareholders of the Bank		
– Ordinary shareholders of the Bank	165,803	161,250
– Other equity instruments holders of the Bank	24,995	24,995
Non-controlling interests		
– Ordinary shareholders of non-controlling interests	3,576	3,332

#### *(3) Changes in other equity instruments outstanding at the end of the period*

	31 December 2023	Increase	Decrease	30 June 2024
Perpetual Bond				
Number of shares (In millions)	250	–	–	250
Amount (RMB in millions)	24,995	–	–	24,995

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 37 Capital Reserve

	1 January 2024	Increase	Decrease	30 June 2024
Share premium	38,570	–	–	38,570

  

	1 January 2023	Increase (Note III.35)	Decrease	31 December 2023
Share premium	32,289	6,281	–	38,570

#### 38 Other Comprehensive Income

	Other comprehensive income in the consolidated statement of financial position			Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2024						Net-of- tax amount attributable to shareholders of the Non- Controlling interests
	1 January 2024	Net-of-tax amount attributable to shareholders of the Bank	30 June 2024	Before-tax amount of the period	Previously recognized amount transferred to profit or loss	Income tax expense	After-tax amount of the period	Net-of- tax amount attributable to shareholders of the Bank		
Items that will not be reclassified to profit or loss										
– Changes in fair value of financial investments designated to be measured at FVOCI	240	23	263	30	–	(7)	23	23		–
Items that may be reclassified to profit or loss										
– Changes in fair value of financial assets measured at FVOCI	803	962	1,765	4,385	(3,102)	(321)	962	962		–
– Allowance for ECLs of financial assets measured at FVOCI	1,845	(173)	1,672	(230)	–	57	(173)	(173)		–
– Exchange differences from the translation of foreign operations	520	246	766	246	–	–	246	246		–
Total	3,408	1,058	4,466	4,431	(3,102)	(271)	1,058	1,058		–

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 38 Other Comprehensive Income *(Continued)*

	Other comprehensive income in the consolidated statement of financial position			Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023					
	1 January 2023	Net-of-tax amount attributable to shareholders of the Bank	31 December 2023	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	After-tax amount of the year	Net-of- tax amount attributable to shareholders of the Bank	Net-of- tax amount attributable to shareholders of the Non- Controlling interests
Items that will not be reclassified to profit or loss									
– Changes in fair value of financial investments designated to be measured at FVOCI	217	23	240	31	–	(8)	23	23	–
Items that may be reclassified to profit or loss									
– Changes in fair value of financial assets measured at FVOCI	(237)	1,040	803	3,661	(2,274)	(347)	1,040	1,040	–
– Allowance for ECLs of financial assets measured at FVOCI	1,783	62	1,845	82	–	(20)	62	62	–
– Exchange differences from the translation of foreign operations	428	92	520	93	–	–	93	92	1
Total	2,191	1,217	3,408	3,867	(2,274)	(375)	1,218	1,217	1



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 39 Surplus Reserve

	<b>Statutory surplus reserve</b>
Balance at 1 January 2023	11,075
Appropriation (Note III.41)	1,471
Balance at 31 December 2023	12,546
Appropriation (Note III.41)	—
Balance at 30 June 2024	12,546

Pursuant to the Company Law of the PRC and the Articles, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve.

#### 40 Statutory General Reserve

	<b>Statutory general reserve</b>
Balance at 1 January 2023	26,457
Appropriation (Note III.41)	3,347
Balance at 31 December 2023	29,804
Appropriation (Note III.41)	5,279
Balance at 30 June 2024	35,083

Pursuant to the *Administrative Measures on Accrual of Provisions by Financial Enterprises* (Caijin [2012] No. 20), the Bank establishes a statutory general reserve within equity through the appropriation of profit to address unidentified potential impairment risks, which should not be less than 1.5% of the year-end balance of its risk assets.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 41 Profit appropriations

	Notes	30 June 2024	31 December 2023
Balance at the beginning of the period/year		49,458	44,657
Add: Net profit attributable to shareholders of the Bank		7,999	15,048
Deduct: Appropriation to surplus reserve		–	(1,471)
Appropriation to statutory general reserve		(5,279)	(3,347)
Distribution to ordinary shareholders	(1)	(4,504)	(4,466)
Distribution to perpetual bonds holders	(2)	–	(963)
Balance at the end of the period/year		47,674	49,458

#### ***(1) Approved and distributed dividends of ordinary shareholders***

As approved by shareholders in 2023 Annual General Meeting on 12 June 2024, based on the Bank's total ordinary shares amounting to 27,465 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB1.64 for each 10 ordinary shares, with total amount of RMB4,504 million.

As approved by shareholders in 2022 Annual General Meeting on 4 May 2023, based on the Bank's total ordinary shares amounting to 21,269 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB2.10 for each 10 ordinary shares, with total amount of RMB4,466 million.

#### ***(2) Announcement and distribution to perpetual bonds holders***

On 20 November 2023, the Bank announced the interest of perpetual bonds issued amounting to RMB963 million at the initial annual interest rate of 3.85% prior to the interest rate reset date determined by the terms of the bond. The distribution date was 26 November 2023.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 42 Notes to Consolidated Cash Flow Statements

##### *(1) Cash and cash equivalents*

	30 June 2024	30 June 2023
Cash	987	669
Surplus deposit reserves with the central bank	17,470	24,030
Deposits with banks and other financial institutions with original maturities of less than three months	34,380	41,500
Placements with banks and other financial institutions with original maturities of less than three months	4,258	1,084
Financial assets purchased under resale agreements with original maturities of less than three months	67,390	33,534
Total	124,485	100,817

##### *(2) Reconciliation of liabilities arising from financing activities*

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Debt securities issued	Lease liabilities	Dividend payable	Total
At 1 January 2024	395,938	3,257	51	399,246
Cash changes:				
Proceeds from issuance of debt securities	314,779	–	–	314,779
Repayments of principal on debt securities issued	(240,445)	–	–	(240,445)
Repayments of interest on debt securities issued	(4,889)	–	–	(4,889)
Payment for dividend distribution	–	–	(3,528)	(3,528)
Payment for principal element of lease liabilities	–	(373)	–	(373)
Payment for interest element of lease liabilities	–	(65)	–	(65)
Non-cash changes:				
Interest expense (Note III.1)	5,636	65	–	5,701
Dividends declared	–	–	4,504	4,504
Additions of lease liabilities	–	227	–	227
Exchange difference	93	–	–	93
At 30 June 2024	471,112	3,111	1,027	475,250

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 42 Notes to Consolidated Cash Flow Statements *(Continued)*

#### *(2) Reconciliation of liabilities arising from financing activities (Continued)*

	Debt securities issued	Lease liabilities	Dividend payable	Total
At 1 January 2023	323,033	3,318	194	326,545
Cash changes:				
Proceeds from issuance of debt securities	233,968	–	–	233,968
Repayments of principal on debt securities issued	(223,697)	–	–	(223,697)
Repayments of interest on debt securities issued	(5,198)	–	–	(5,198)
Payment for dividend distribution	–	–	(4,507)	(4,507)
Payment for principal element of lease liabilities	–	(336)	–	(336)
Payment for interest element of lease liabilities	–	(76)	–	(76)
Non-cash changes:				
Interest expense (Note III.1)	4,624	76	–	4,700
Dividends declared	–	–	4,577	4,577
Additions of lease liabilities	–	320	–	320
Exchange difference	161	–	–	161
At 30 June 2023	332,891	3,302	264	336,457

### 43 Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose vehicles. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned, the Group fully or partially derecognize the transferred financial assets. In other cases where these transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

#### *(1) Securitization transactions*

In the process of securitization of credit assets, the Group transfers credit assets to structured entities and issues asset-backed securities as issuers. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 43 Transfer of Financial Assets *(Continued)*

#### **(1) Securitization transactions *(Continued)***

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. For the six months ended 30 June 2024, the Group has transferred the ownership of the loans amounted to RMB2,696 million (For the six months ended 30 June 2023: RMB9,442 million), as well as substantially all the risks and rewards of the loans have been transferred, the full amount of such securitised loans were derecognised.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognised the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of risks and rewards undertaken by the Group with value changes of the transferred financial assets. For the six months ended 30 June 2024, there is no Group's continuing involvement (For the six months ended 30 June 2023: Nil). At 30 June 2024, the carrying amount of the assets and liabilities that the Group continues to recognise on the statement of financial position was RMB1,212 million (31 December 2023: RMB1,212 million). The Group also recognised other assets and other liabilities of the same amount arising from such continuing involvement.

#### **(2) Non-performing assets transfer**

For the six months ended 30 June 2024, the Group transferred non-performing loans principal amounting to RMB12,341 million (for the six months ended 30 June 2023: RMB1,425 million) and no non-performing financial investments (for the six months ended 30 June 2023: RMB350 million) to the asset management companies. For the six months ended 30 June 2024, the Group has transferred the ownership of non-performing loans, the principal of which amounted to RMB2,696 million (for the six months ended 30 June 2023: RMB3,831 million) through securitization transactions. As the Group transferred substantially all the risks and rewards of these non-performing loans and financial investments, the Group derecognized these non-performing loans and financial investments.

#### **(3) Repurchase and securities lending transactions**

Transferred financial assets that do not qualify for derecognition mainly include securities delivered as collateral in a repurchase transaction to a counterparty and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but have obligations to return the securities at the maturity of the contracts. In some cases, if the value of the relevant securities rises or falls, the Group may require the counterparty to pay additional cash as collateral or need to return part of the cash collateral to the counterparty. The Group determined that it retained substantially all the risks and rewards of these securities and therefore had not derecognized them. At 30 June 2024, the Group lent no debt securities to counterparties (31 December 2023: RMB26,550 million).

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## IV INTERESTS IN OTHER ENTITIES

### 1 Interests in subsidiary

#### (1) Composition of the Group

At the balance sheet date, details of the subsidiary included in the consolidated financial statements are as follows:

Name	Place of incorporation	Registered address	Business nature	Registered capital	Proportion of equity/ voting rights
Zheyin Financial Leasing	Zhejiang Province	Zhoushan	Financial institution	RMB4 billion	51%

#### (2) Important non wholly-owned subsidiaries and main financial information

An important non wholly-owned subsidiary of the Group is Zheyin Financial Leasing. The following table lists the main financial information of Zheyin Financial Leasing. The main financial information of these subsidiaries is the amount before the Group's internal transactions are offset, but it has been adjusted by the unified accounting policy:

	30 June 2024	31 December 2023
Total assets	72,878	68,381
Total liabilities	65,580	61,580
Operating income	1,037	2,181
Net profit	496	909
Total comprehensive income	497	911
Net cash generated from operating activities	1,264	478

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### IV INTERESTS IN OTHER ENTITIES *(Continued)*

#### 2 Interests in the structured entities

The Group manages or invests in multiple structured entities, which include fund investments, trust schemes and asset management plans, asset-backed securities and wealth management products. To determine whether the Group controls such structured entities, the Group assesses the overall interests (including direct income and expected management fees) in the structured entities through its participation in the decisions on the establishment of the structured entities, the extent of its participation and related contractual arrangements, as well as its decision-making power over the structured entities.

##### ***(1) Consolidated structured entities directly held by the Group***

If the Group has power over structured entities through investment contracts and other arrangements, has variable interests through its involvement in the structured entities and has the ability to affect those interests through its power over the structured entities, the Group considers that it controls the structured entities and then consolidates them in the consolidated financial statements.

##### ***(2) Unconsolidated structured entities directly held by the Group***

If the Group does not have substantive rights to the primary activities of the structured entities, or the Group only has insignificant proportion of the overall interests in the structured entities over which the Group has power, the Group does not consolidate the structured entities in the consolidated financial statements.

The unconsolidated structured entities directly held by the Group include investment funds, trust schemes and asset management plans, asset-backed securities and wealth management products initiated and established by third-party institutions.

Considering the relevant agreements and the Group's investments in the structured entities, the Group does not consolidate the above structured entities in the consolidated financial statements.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## IV INTERESTS IN OTHER ENTITIES *(Continued)*

### 2 Interests in the structured entities *(Continued)*

#### *(2) Unconsolidated structured entities directly held by the Group (Continued)*

On the balance sheet date, the relevant balance sheet items, book value and maximum loss exposure of the Group's equity in the structured entity initiated and established by a third party institution through direct holding of investment in the Group's consolidated statement of financial position are listed as follows:

30 June 2024				
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	Total
Fund investments	88,831	–	–	88,831
Trust schemes and asset management plans	2,835	77,116	–	79,951
Asset-backed securities	13,808	2,489	38,551	54,848
Wealth management products	143	–	–	143
<b>Total</b>	<b>105,617</b>	<b>79,605</b>	<b>38,551</b>	<b>223,773</b>

  

31 December 2023				
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	Total
Fund investments	86,468	–	–	86,468
Trust schemes and asset management plans	3,289	77,646	–	80,935
Asset-backed securities	14,696	5,831	34,124	54,651
Wealth management products	68	–	–	68
<b>Total</b>	<b>104,521</b>	<b>83,477</b>	<b>34,124</b>	<b>222,122</b>

The maximum exposures to loss in the above unconsolidated structured entities directly held by the Group are the fair value or amortised cost of the assets held by the Group in the consolidated statement of financial position.



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### IV INTERESTS IN OTHER ENTITIES *(Continued)*

#### 2 Interests in the structured entities *(Continued)*

##### ***(3) Structured entities which the Group is the sponsor, but which are not included in the consolidated financial statements***

The types of unconsolidated structured entities sponsored by the Group include non-principal-guarantee wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of wealth management products to investors. Interest held by the Group are fees charged by providing management services.

At 30 June 2024, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group was RMB147,248 million (31 December 2023: RMB149,182 million). For the six months ended 30 June 2024, the commission income recognised by the Group for providing asset management services for such financial products was RMB271 million (For the six months ended 30 June 2023: RMB217 million). At the balance sheet date, the balance of service charges receivable for asset management services of the Group was not material.

### V SEGMENT REPORTING

#### 1 Business segment

For management purposes, the Group is organized into different operating segments, namely corporate banking, retail banking and treasury operations, based on internal organizational structure, management requirement and internal reporting system.

##### ***Corporate banking***

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and other institutions. The products and services include corporate loans and advances, trade financing, corporate deposits, credit commitments and financial guarantee, underwriting of debt instruments and various types of corporate intermediary services, etc.

##### ***Retail banking***

The retail banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans and advances, personal deposits, wealth management businesses, card businesses and various types of retail banking services, etc.



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### V SEGMENT REPORTING *(Continued)*

#### 1 Business segment *(Continued)*

##### ***Treasury operations***

The treasury operations segment covers the Group's treasury operations which include money market transactions, repurchase transactions, debt instruments investments, equity instruments investments, financial derivatives businesses for proprietary trading or on behalf of customers, as well as financial products and services provided to other financial institutions. The division also manages the liquidity level of the Group, including the issuance of debt securities.

##### ***Other business***

Other business segments refer to other businesses not included in the above reporting segments and related businesses of the subsidiary.

The accounting policies adopted in the preparation of segment reports are consistent with those adopted in the preparation of the Group's consolidated financial statements.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as internal net interest income/expense. Net interest income and expense relating to third parties are referred to as external net interest income/expense.

Segment revenues, expenses, profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure refers to the total cash outflow of purchasing fixed assets, intangible assets and other long-term assets in the accounting period.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## V SEGMENT REPORTING (Continued)

### 1 Business segment (Continued)

	For the six months ended 30 June 2024/30 June 2024				
	Corporate banking	Retail banking	Treasury operations	Others	Total
External net interest income	8,730	8,826	5,263	823	23,642
Inter-segment net interest income/(expenses)	7,085	(2,715)	(4,370)	–	–
<b>Net interest income</b>	15,815	6,111	893	823	23,642
Net fee and commission income/ (expenses)	1,726	543	523	(8)	2,784
Net trading gains/(losses)	–	–	4,744	(35)	4,709
Net gains on financial investments	598	–	3,009	–	3,607
Other operating income	–	17	30	506	553
<b>Operating income</b>	18,139	6,671	9,199	1,286	35,295
Operating expenses	(5,122)	(2,745)	(2,192)	(568)	(10,627)
Expected credit losses (accrual)/reversal	(9,888)	(4,889)	235	(385)	(14,927)
<b>Total operating expenses</b>	(15,010)	(7,634)	(1,957)	(953)	(25,554)
Profit/(losses) before taxation	3,129	(963)	7,242	333	9,741
<b>Segment assets</b>	1,407,159	517,270	1,217,936	83,318	3,225,683
<b>Unallocated assets</b>					20,927
<b>Total assets</b>					3,246,610
<b>Segment liabilities</b>	(1,629,799)	(306,713)	(1,073,360)	(42,364)	(3,052,236)
Other segment information:					
Credit commitments and financial guarantee	871,725	18,942	–	–	890,667
Depreciation and amortisation	529	249	184	218	1,180
Capital expenditure	509	187	441	4,435	5,572

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## V SEGMENT REPORTING (Continued)

### 1 Business segment (Continued)

	For the six months ended 30 June 2023/31 December 2023				
	Corporate banking	Retail banking	Treasury operations	Others	Total
External net interest income	8,292	9,752	5,033	892	23,969
Inter-segment net interest income/(expenses)	6,380	(3,468)	(2,912)	–	–
<b>Net interest income</b>	14,672	6,284	2,121	892	23,969
Net fee and commission income	1,946	468	511	27	2,952
Net trading gains	–	–	4,901	–	4,901
Net gains on financial investments	262	–	516	–	778
Other operating income	143	226	21	258	648
<b>Operating income</b>	17,023	6,978	8,070	1,177	33,248
Operating expenses	(5,055)	(2,617)	(1,597)	(386)	(9,655)
Expected credit losses	(5,739)	(4,338)	(3,737)	(401)	(14,215)
<b>Total operating expenses</b>	(10,794)	(6,955)	(5,334)	(787)	(23,870)
Profit before taxation	6,229	23	2,736	390	9,378
<b>Segment assets</b>	1,356,967	494,023	1,193,690	78,015	3,122,695
<b>Unallocated assets</b>					21,184
<b>Total assets</b>					3,143,879
<b>Segment liabilities</b>	(1,592,001)	(275,770)	(1,075,445)	(11,086)	(2,954,302)
Other segment information:					
Credit commitments and financial guarantee	806,177	18,424	–	–	824,601
Depreciation and amortisation	507	239	176	116	1,038
Capital expenditure	854	305	653	71	1,883



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### V SEGMENT REPORTING *(Continued)*

#### 2 Regional division

The Group operates principally in Chinese Mainland, and also has a branch in Hong Kong, China. Geographically, the Group mainly conducts its business in the four areas listed below in Chinese Mainland.

“Yangtze River Delta Region” refers to the head office, Zheyin Financial Leasing and the following areas serviced by the tier-one branches of the Group: Hangzhou, Ningbo, Wenzhou, Shaoxing, Zhoushan, Shanghai, Nanjing, Suzhou, Hefei, Jinhua;

“Bohai Rim Region” refers to the following areas serviced by the tier-one branches of the Group: Beijing, Tianjin, Jinan, Shenyang;

“Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits” refers to the following areas serviced by the tier-one branches of the Group: Shenzhen, Guangzhou, Hong Kong, Fuzhou; and

“Midwestern China Region” refers to the following areas serviced by the tier-one branches of the Group: Chengdu, Guiyang, Xi’an, Lanzhou, Chongqing, Wuhan, Zhengzhou, Changsha, Hohhot, Nanchang, Nanning, Taiyuan.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## V SEGMENT REPORTING (Continued)

### 2 Regional division (Continued)

	For the six months ended 30 June 2024/30 June 2024					
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China Region	Elimination	Total
External net interest income	15,734	2,369	1,537	4,002	–	23,642
Inter-segment net interest (expenses)/ income	(3,792)	2,382	700	710	–	–
<b>Net interest income</b>	11,942	4,751	2,237	4,712	–	23,642
Net fee and commission income	726	595	675	788	–	2,784
Net trading gains	3,629	393	301	386	–	4,709
Net gains on financial investments	3,219	141	50	197	–	3,607
Other operating income	504	15	5	29	–	553
<b>Operating income</b>	20,020	5,895	3,268	6,112	–	35,295
Operating expenses	(6,508)	(1,531)	(869)	(1,719)	–	(10,627)
Expected credit losses	(9,486)	(1,292)	(1,946)	(2,203)	–	(14,927)
<b>Total operating expenses</b>	(15,994)	(2,823)	(2,815)	(3,922)	–	(25,554)
Profit before taxation	4,026	3,072	453	2,190	–	9,741
<b>Segment assets</b>	2,907,652	365,025	283,518	416,161	(746,673)	3,225,683
<b>Unallocated assets</b>						20,927
<b>Total assets</b>						3,246,610
<b>Segment liabilities</b>	(2,740,852)	(362,802)	(281,896)	(413,359)	746,673	(3,052,236)
Other segment information:						
Credit commitments and financial guarantee	399,981	158,493	105,107	227,086	–	890,667
Depreciation and amortisation	736	169	91	184	–	1,180
Capital expenditure	4,829	103	22	618	–	5,572

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### V SEGMENT REPORTING (Continued)

#### 2 Regional division (Continued)

For the six months ended 30 June 2023/31 December 2023						
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China Region	Elimination	Total
External net interest income	17,018	1,859	1,562	3,530	–	23,969
Inter-segment net interest (expenses)/ income	(4,539)	2,852	789	898	–	–
<b>Net interest income</b>	12,479	4,711	2,351	4,428	–	23,969
Net fee and commission income	560	850	645	897	–	2,952
Net trading gains	4,601	138	75	87	–	4,901
Net gains on financial investments	438	94	66	180	–	778
Other operating income	586	13	5	44	–	648
<b>Operating income</b>	18,664	5,806	3,142	5,636	–	33,248
Operating expenses	(5,783)	(1,415)	(867)	(1,590)	–	(9,655)
Expected credit losses	(8,577)	(1,012)	(1,945)	(2,681)	–	(14,215)
<b>Total operating expenses</b>	(14,360)	(2,427)	(2,812)	(4,271)	–	(23,870)
Profit before taxation	4,304	3,379	330	1,365	–	9,378
<b>Segment assets</b>	2,756,232	383,534	264,807	389,948	(671,826)	3,122,695
<b>Unallocated assets</b>						21,184
<b>Total assets</b>						3,143,879
<b>Segment liabilities</b>	(2,599,849)	(378,068)	(261,937)	(386,274)	671,826	(2,954,302)
Other segment information:						
Credit commitments and financial guarantee	377,507	163,394	85,835	197,865	–	824,601
Depreciation and amortisation	605	160	87	186	–	1,038
Capital expenditure	1,806	13	16	48	–	1,883

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## VI COMMITMENTS AND CONTINGENCIES

### 1 Credit commitments and financial guarantee

Bank acceptances refer to the Group's commitment to honor bills issued by customers. Letter of credit and financial guarantee refer to guarantee of customers' performance the Group provides to third parties. Irrevocable loan commitments and finance lease commitments and undrawn credit card limit refer to the Group's credit commitments. Receivables confirmation refer to the Group's commitment to receivables confirmation issued by customers.

The amount of bank acceptances, letter of credit, letter of guarantee, receivables confirmation and other financial guarantee contracts disclosed is the maximum potential loss amount that the Group will recognize at the balance sheet date if the counterparties fail to oblige. The amount of irrevocable loan commitments and finance lease commitment and undrawn credit line of credit card are the maximum cash flow assuming fully issued. The Group expects that bank acceptances, letter of credit, letter of guarantee and receivables confirmation will be settled at the same time as the payment of customers. Irrevocable loan commitments and finance lease commitments and undrawn credit card facility may not be used before maturity. Therefore, the contract amount mentioned below does not represent the expected cash outflow in the future.

	30 June 2024	31 December 2023
Bank acceptances issued	404,854	368,346
Letters of credit issued	268,181	228,460
Letters of guarantee issued		
– Financing letters of guarantee	40,497	37,056
– Non-financing letters of guarantee	14,864	11,690
Undrawn credit card facility	18,942	18,424
Loan commitments and finance lease commitments	833	3,728
Receivables confirmation and other financial guarantee contracts	142,496	156,897
<b>Total</b>	<b>890,667</b>	<b>824,601</b>



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### VI COMMITMENTS AND CONTINGENCIES *(Continued)*

#### 2 Capital Expenditure Commitments

At the balance sheet date, the Group's capital expenditure commitments are as follows:

	30 June 2024	31 December 2023
Contracted but not yet incurred	3,223	3,274
Authorized but not contracted	2,311	2,292
<b>Total</b>	<b>5,534</b>	<b>5,566</b>

#### 3 Bond underwriting and redemption commitments

- (1) At 30 June 2024, the Group has outstanding bond underwriting commitments with an amount of RMB140 million (31 December 2023: RMB2,507 million).
- (2) As a member of the saving bonds underwriting syndicate of the Central Government, the Group is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds deducting commissions for early redeemed, plus any interest accrued up to the redemption date. The interest accrued shall be calculated in accordance with the relevant rules of the Ministry of Finance (the "MOF") and the PBOC.

At 30 June 2024, the Group had underwritten bonds with an accumulated amount of RMB1,039 million (31 December 2023: RMB1,096 million) to the general public, and these government bonds have not yet matured nor been redeemed. The Group expects that the amount of redemption of these government bonds through the Group prior to maturity will not be material.

#### 4 Outstanding litigations and arbitrations

At the balance sheet date, the Group was involved in certain legal proceedings in the ordinary course of business. Management expects that such pending litigations will not materially affect the Group's financial position.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## VII FIDUCIARY BUSINESS

### 1 Entrusted loan business

Entrusted loan business means that under the entrusted loan arrangement, the Group acts as an intermediary to provide loans to borrowers based on the instructions of the principal. The Group is responsible for assisting in supervising the use and the recovery of the loan, and charging commissions for the services provided. As the Group does not assume the economic risks and rewards arising from the entrusted loans, the entrusted loans will not be recognized as assets and liabilities of the Group.

At the balance sheet dates, the entrusted business assets and liabilities of the Group are as follows:

	30 June 2024	31 December 2023
Entrusted loans	20,388	21,495
Entrusted loan funds	20,388	21,495

### 2 Entrusted investments business

Entrusted investment refers to the fact that the Group accepts the entrustment of a single or multiple clients based on the principal-agent relationship to engage in investment services such as asset operation, investment management, investment consultancy and so on. The investment risk of entrusted investment shall be borne by the client.

At the balance sheet dates, the entrusted business assets of the Group are as follows:

	30 June 2024	31 December 2023
Entrusted investments	7	7

### 3 Wealth management services

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with agreements. The Group receives fee incomes, such as custodian fees, sale fees and investment management fees, in return for its services provided under the agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's balance sheet.

At balance sheet date, please refer to Note IV.2 (3) for information about wealth management services.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## VIII COLLATERAL INFORMATION

### 1 Assets pledged as security

The book value of the Group's secured liabilities related to the assets as collateral on the balance sheet dates are presented as due to the central bank, placements from banks and other financial institutions, financial assets sold under repurchase agreements and customer deposits. At the balance sheet date, the secured liabilities (interest accrued excluded) of the Group were as follows:

	30 June 2024	31 December 2023
Due to the central bank	69,150	119,449
Placements from banks and other financial institutions	206	109
Financial assets sold under repurchase agreements	38,778	62,042
Customer deposits	77,621	42,356
<b>Total</b>	<b>185,755</b>	<b>223,956</b>

The secured liabilities analyzed by collateral type were as follows:

	30 June 2024	31 December 2023
Bond investments	173,938	213,566
Bills	20,609	18,723
Finance lease receivables	320	164
Bank deposit certificate	156	156
<b>Total</b>	<b>195,023</b>	<b>232,609</b>

In addition, the Group provides collateral for the securities borrowed through the security lending and swap business. At 30 June 2024, the assets as collateral under the security lending and swap business of the Group were RMB193 million (31 December 2023: RMB102 million).

### 2 Assets received as collateral

At 30 June 2024, the Group received securities amounting to RMB1,598 million (31 December 2023: RMB2,043 million) as collateral for financial assets purchased under resale agreements, the Group could sell or repledge the collateral in the absence of default by the owner of the collateral. The Group has an obligation to return the collateral to the owner on the date of resale, at the balance sheet date, none of the collateral is re-sold or re-pledged. Details of collateral related information in loans and advances to customers and financial investments that are credit-impaired could be referred to in Note X.1(10).

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1 Major shareholders

At 30 June 2024, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (in million shares)	Shareholding Percentage
Zhejiang Provincial Financial Holdings Co., Ltd.	3,452	12.57%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.	1,846	6.72%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,616	5.88%
Hengdian Group Holdings Limited	1,616	5.88%
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its group members, Zhejiang Seaport (Hong Kong) Co., Ltd.	1,379	5.02%

At 31 December 2023, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (in million shares)	Shareholding Percentage
Zhejiang Provincial Financial Holdings Co., Ltd.	3,452	12.57%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.	1,849	6.73%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,616	5.88%
Hengdian Group Holdings Limited	1,616	5.88%
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its group members, Zhejiang Seaport (Hong Kong) Co., Ltd.	1,379	5.02%

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 2 Related party transactions

The amount of major transactions between the Group and related parties and the balance of major current accounts at the balance sheet date are as follows:

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions from 1 January 2024 to 30 June 2024 is as follows:								
Interest income	2	2	15	1	7	118	145	0.25%
Interest expense	(12)	(2)	-	(6)	(6)	(38)	(64)	0.19%
Fee and commission income	-	-	1	-	-	3	4	0.12%
Net trading gains	100	-	-	92	-	26	218	4.63%
Operating expenses	-	-	-	-	(1)	(1)	(2)	0.02%
At 30 June 2024, the balance of major current accounts is as follows:								
Financial assets purchased under resale agreements	100	-	-	-	-	-	100	0.15%
Loans and advances to customers	-	361	1,606	68	267	4,863	7,165	0.40%
Financial investments measured at FVTPL	6,282	-	-	3,746	-	1,509	11,537	5.14%
Customer deposits	(3,566)	(326)	(50)	(238)	(577)	(4,175)	(8,932)	0.47%
The major off balance sheet items at 30 June 2024 are as follows:								
Credit commitments and financial guarantee	-	529	3,170	5	1	149	3,854	0.43%
Other off balance sheet items	-	100	20	-	-	-	120	0.16%
Loan balance guaranteed by related parties	9,007	400	1,776	25	-	5,010	16,218	0.60%

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 2 Related party transactions (Continued)

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions from 1 January 2023 to 30 June 2023 is as follows:								
Interest income	-	1	159	-	1	-	161	0.16%
Interest expense	(41)	(2)	-	(2)	(1)	(36)	(82)	0.15%
Fee and commission income	1	-	12	-	-	-	13	0.24%
Net trading gains	42	-	-	89	-	-	131	2.11%
At 31 December 2023, the balance of major balance sheet items is as follows:								
Precious metals	330	-	-	-	-	-	330	12.76%
Loans and advances to customers	265	343	1,657	97	276	1,828	4,466	0.27%
Financial investments measured at FVTPL	3,730	-	-	4,823	-	10	8,563	3.67%
Financial investments measured at FVOCI	159	-	-	-	-	361	520	0.17%
Customer deposits	(1,022)	(374)	(171)	(1,150)	(454)	(733)	(3,904)	0.21%
The major off balance sheet items at 31 December 2023 are as follows:								
Credit commitments and financial guarantee	65	516	3,390	40	1	-	4,012	0.49%
Other off balance sheet items	-	90	-	-	-	-	90	0.12%
Loan balance guaranteed by related parties	9,951	250	1,997	56	-	700	12,954	0.52%

The Bank disclosed related party transactions in accordance with *Measures for the Administration of Affiliated Transactions of Banking and Insurance Institutions*. For major related party transactions, please refer to the Bank's announcement on the Shanghai Stock Exchange, and for general related party transactions, please refer to the Investor Services column on the Bank's website.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

#### 3 Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. The Group enters into banking transactions with key management personnel in the normal course of business. For the reporting period, the Group had no material banking transactions and balances with key management personnel.

The remuneration of directors and other members of key management during the period were as follows:

	For the six months ended 30 June	
	2024	2023
Fees	1	1
Salaries and allowances and benefits	4	3
Discretionary bonuses	1	2
Contribution to pension	1	1
<b>Total</b>	<b>7</b>	<b>7</b>

The total compensation packages (before tax) for directors and key management personnel have not been finalised. The total compensation packages will be further disclosed when determined.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

#### 4 Transactions between the Bank and the subsidiary

The transactions between the Bank and its subsidiary are mainly subject to general business terms and carried out in accordance with normal business procedures or in accordance with the contractual agreements of the Bank, and shall be approved by the corresponding decision-making authority depending on the nature and the amount of the transaction. The amount of major transactions between the Bank and its subsidiary (consolidated structured entities directly held by the Group excluded) and the balance of major current accounts at the balance sheet date are as follows:

	For the six months ended 30 June	
	2024	2023
Interest income	36	35
Interest expense	(4)	(3)
Fee and commission income	5	–
Net gains on financial investments	–	116
Other operating income	15	–
Lease expense paid to subsidiary	14	–

  

	30 June	31 December
	2024	2023
Placements with banks and other financial institutions	1,401	3,002
Other assets	9	28
Deposits from banks and other financial institutions	(146)	(433)
Other liabilities	(8)	(14)

#### 5 Plan and transaction of annuity

Except for normal contributions, there were no other related party transactions in the annuity funds established by the Group and the Bank during the reporting period.



# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks arising from its operating activities. The Group analyzes, evaluates, accepts and manages those risks or risk portfolios of a certain degree. Managing those risks is critical to the financial industry, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The board of directors takes the ultimate responsibility for comprehensive risk management, the board of supervisors is responsible for supervising comprehensive risk management, and the senior management is responsible for implementing comprehensive risk management. The position of chief risk officer has been established in place, the senior management has established special committees including risk management and internal control committee, asset and liability management committee, credit extension committee, asset risk classification review committee and business continuity management committee.

The risk management department at the head office is the coordination department for comprehensive risk management and the leading executive department for management of credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The asset and liability management department at the head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at the head office is the leading executive department for operational risk and compliance risk management. The party committee publicity department is the leading executive department for reputational risk management. The development and planning department at the head office is the leading executive department for strategic risk management.

The primary financial risks to which the Group is exposed to when using financial instruments are credit risk, market risk (including interest rate risk, foreign exchange risk) and liquidity risk.

### 1 Credit Risk

The Group is exposed to credit risk, which is the risk of loss arising from a client or counterparty's failure to discharge its contractual obligations. Exposure to credit risk mainly arises from interbank transactions, corporate and retail loans, as well as loan commitments from lending activities. It can also be derived from credit enhancement provided by the Group, such as credit derivatives (credit default swaps), letters of credit, financial guarantees and acceptances. Management carefully manages its exposure to credit risks. The daily credit risk management and control are centralized in the risk management department at the head office and reported to the Bank's senior management in a timely manner.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### *(1) Credit risk measurement*

##### *Loans and advances to customers, credit commitments and financial guarantee*

Based on changes in external business environment, internal business conditions and risk profile, the Group has formulated basic credit policies, and specified the policy orientation in respect of customer structure, industry structure, regional structure and key business areas of the Group's credit business. In addition, the Group regularly adjusts its credit policy on the basis of continuous tracking of macro and industry economic development trends. The Group shall continue to improve the credit system construction, the unified credit extension management system for corporate and institutional customers, group customer identification and unified credit extension management, the overall management and unified control of the total credits of corporate and institutional customers, and the standardized credit approval process, group customer management. The Bank shall also establish a differentiated authorization system, and timely adjust the credit policy and take effective measures to guard against credit risks.

The Group has established the credit risk limit framework system, credit risk limit management plans and methods, and specified management mechanisms in respect of setting, adjusting, monitoring and processing quota indicators to effectively transmit risk preferences. Financial assets are written off when the Group is unable to recover the whole or a part of them even after taking necessary measures and implementing necessary procedures, and when the write-off conditions set by the Ministry of Finance and the Group are met.

##### *Bond investment*

The Group manages investment in bonds and other instruments based on the internal credit rating and credit rating of external rating agencies. Except for immediate approval to government bonds, local government debts, central bank bills and policy bank financial bonds, all other bonds are subject to credit approval processes and credit rating requirements. At the same time, the Group continues to focus on the credit rating, business development and industry changes, to perform continuous evaluation and management of credit risk.

##### *Non-bond debt investment*

Non-bond debt investment includes trust schemes and asset management plans and debt financing plans. The Group implements rating assessment system for cooperative trust companies and securities companies, and sets credit lines for the ultimate financing party of the trust income and targeted asset management plans and debt financing plans, and conducts follow-up review of risk management on a regular basis.



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### **X FINANCIAL RISK MANAGEMENT** *(Continued)*

#### **1 Credit Risk** *(Continued)*

##### **(1) Credit risk measurement** *(Continued)*

###### *Interbank business*

Credit risk of financial institutions is reviewed and managed on a regularly basis. Credit lines are set for banks or other financial institutions that engage in financial transactions with the Group.

##### **(2) Risk limits and mitigation measures**

The Group has established policies and procedures for credit risk limits management. Credit risk limits are set based on specific customers, industries and the quality of assets, and a working mechanism is established regarding credit risk limits management, including limits setting, adjustment, monitoring, reporting and processing.

The Group transfers or mitigates its credit risk exposure by way of guarantee, collateral (pledge), net settlement and credit derivatives. Other specific management and mitigation measures include:

###### *Collaterals and pledged assets*

The Group has formulated a series of policies to mitigate credit risks through various measures. The acquisition of collateral and margins and obtaining corporate or individual guarantees is an important means for the Group to control credit risk. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral are as follows:

- Residential properties
- Business assets such as commercial properties, inventories and accounts receivables
- Financial instruments such as debt securities and stocks

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### *(2) Risk limits and mitigation measures (Continued)*

##### *Collaterals and pledged assets (Continued)*

The fair value of collaterals and pledges are assessed by professional valuation firms appointed by the Group. To reduce credit risk, the Group has set maximum loan-to-value ratio (ratio of loan amount to fair value of collateral and pledge) for different collaterals and pledges. The principal types of collateral and pledge and the maximum loan-to-value ratio for corporate and retail loans are as follows:

Type of collaterals and pledged assets	Maximum loan to value ratio
Time deposits and PRC treasury bonds	100%
Financial bonds	80%
Residential properties and commercial properties	70%
Land use rights	70%
Vehicles	60%
General equipment	50%

For loans guaranteed by a third-party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

##### *Derivative financial instruments*

The Group imposes strict restrictions on the trading of derivative financial instruments. The Group controls the credit risks associated with derivative financial instruments by collecting margins or grant credits from/to counterparties.

##### *Deposits of credit commitments and financial guarantee*

The main purpose of credit commitments and financial guarantee is to ensure that customers can receive the funds needed. The letter of guarantee and the letter of credit represent the Group's irrevocable undertaking, that is, the Group will perform the payment obligations on behalf of its customers who fail to meet their payment obligations to third parties, and the Group bears the same credit risk as the case of loans. In the event that the amount of credit commitments and financial guarantee requested by the customer exceeds its original credit limit, the Group will collect deposit to reduce the credit risk involved in providing the service.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### **(3) Measurement of ECLs**

The ECL model is used for the measurement of the allowance for ECLs for financial assets measured at AC, financial assets measured at FVOCI and credit commitments and financial guarantee.

The ECL model is developed in accordance with the accounting standards. Based on credit risk characteristics such as product type, customer type, customer industry, the Group has conducted a risk subgroup on financial assets and established different models for non-retail business, retail business, credit card business, etc. The Group has established a regression model of risk parameters and macroeconomic indicators such as GDP, etc. The Group applies the ECL model to calculate credit losses under multiple scenarios to regularly predict three macro scenarios, including optimistic, neutral and pessimistic. The Group uses judgements, assumptions and estimates in measuring the ECLs in accordance with the accounting standards, including:

- Grouping of risks
- Classification of stages
- Models and parameters
- Forward-looking information, other adjustments and sensitivity analysis

#### *Grouping of risks*

Credit exposures are grouped based on credit risk characteristics including type of product, type of customer, industry where the client operates and markets. The non-retail business exposure risk group covers manufacturing loans, real estate loans and wholesale and retail loans, etc. The retail business exposure risk group covers business loans, consumer loans, mortgage loans and credit card, etc.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### **(3) Measurement of ECLs** *(Continued)*

##### *Classification of stages*

The Group classifies financial instruments into three stages and makes provisions for ECLs accordingly, depending on whether the credit risk of a financial instrument has increased significantly or whether the financial instrument is credit-impaired since initial recognition. The three risk stages are defined as follows:

Stage 1: Credit risk has not increased significantly since initial recognition. A 12-month ECL is recognized.

Stage 2: Credit risk has increased significantly since initial recognition but there is no objective evidence of impairment of the financial instrument. A lifetime ECL is recognized.

Stage 3: When there is objective evidence of impairment of the financial assets at the balance sheet date. A lifetime ECL is recognized.

The Group's staging criteria has taken into consideration the internal credit rating, probability of default, overdue days, credit risk rating, etc.

##### *Definition of significant increase in credit risk*

At each balance sheet date, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Group fully considers all reasonable information with solid evidence, including forward-looking information that reflects significant changes in its credit risk. The main considerations are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, loan contract terms, and repayment behavior. The Group determines the changes in credit risk over the expected lifetime of the financial instruments by comparing the credit risk of the financial instruments at the balance sheet date with that at the date of initial recognition.

The Group determines whether the credit risk of financial instruments has changed significantly since initial recognition by setting quantitative and qualitative criteria. The judgement criteria mainly include more than 30 days overdue, special mention for five-category classification, changes in probability of default and other cases that indicate a significant change in credit risk.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### **(3) Measurement of ECLs** *(Continued)*

##### *Definition of credit-impaired financial assets*

Generally, financial assets are considered to be credit-impaired if:

- The borrower is experiencing significant financial difficulties;
- The borrower is more than 90 days overdue after the contractual payment date;
- For economic or contractual reasons related to the financial difficulties of the borrower, concessions which normally are not available are being made to the borrower;
- The borrower is likely to enter bankruptcy or other financial restructuring; and
- The active market for the financial assets disappears as a result of the financial difficulties of the issuer or debtor.

An impairment of financial assets may be caused by the combined effect of multiple events, and may not be the result of a separately identifiable events.

The above criteria apply to all financial assets and credit commitments and financial guarantee of the Group. The definition of credit-impaired financial assets is consistently applied to the calculation of ECLs of the Group and when considering about historical statistics and forward-looking information.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### (3) Measurement of ECLs *(Continued)*

##### *Models and parameters*

Except for the credit-impaired financial instruments, depending on whether there is a significant increase in credit risk and whether the assets are credit-impaired, the Group recognizes allowance for different financial instruments with expected credit losses over 12 months or the lifetime of the instrument, respectively. Allowance for ECLs is the result of multiplication of probability of default (PD), loss given default (LGD) and exposure at default (EAD) and discount factor. Related definitions are as follows:

- Probability of default (PD) refers to the possibility that the debtor will not be able to fulfil its obligations in the next 12 months or throughout the life of the asset. The Group's PD is calculated based on the results of the Internal Rating-Based Approach. The PD of the entire duration is calculated based on the 12-month probability of default;
- Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty, the way of recourse and priority and the availability of collateral or other credit support. The LGD varies by financial assets; and
- Exposure at default (EAD) refers to the amount that the Group should pay when the default occurs in the next 12 months or throughout the life of the asset. The Group's exposure at default is determined by the expected repayment arrangements, and it varies depending on the types of products. For installments payment and lump sum repayment, the Group determines the exposure at default according to the repayment plan stipulated in the contract.

The Group determines the ECLs by forecasting the probability of default, loss given default and exposure at default of future individual debt. The Group multiplies the three parameters to calculate the ECLs for future periods, and then discount the results of each period to the report date in lump sum. The discount rate used in the calculation of expected credit loss is the initial effective interest rate or its approximate value.



# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### **(3) Measurement of ECLs** *(Continued)*

##### *Models and parameters (Continued)*

The measurement of ECLs for credit-impaired corporate loans and advances to customers and investments applied cash flow discount method, if there is objective evidence that an financial asset is credit-impaired, the amount of the ECLs is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. In determining ECLs on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from disposal of assets and liquidation;
- The availability of other financial support and the realizable value of collaterals; and
- The timing of the expected cash flows.

##### *Forward-looking information, other adjustments and sensitivity analysis*

The Group has established a forward-looking model and developed regression models for different macro-economic indicators such as Gross Domestic Product growth rate year-on-year (GDP). The Group uses forecasting results of macro-indicators to achieve "forward-looking" calculation of ECLs.

The Group forecasts multiple macro indicators under three domestic macro scenarios: optimistic, neutral and pessimistic. The Group uses the weight scorecard model to determine the weight of the macroeconomic multi scenario indicator forecast value through quantitative analysis of the macroeconomic multi scenario forecast value. Neutral scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than neutral scenario respectively. It can also be used as one of the sources of sensitivity analysis.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### (3) Measurement of ECLs *(Continued)*

*Forward-looking information, other adjustments and sensitivity analysis (Continued)*

At 30 June 2024, the key macro-indicators the Group has applied include the GDP growth rate on year-on-year basis, the CPI growth rate on year-on-year basis, M2 money supply growth rate on year-on-year basis, etc. Among all, the forecasts of high weights macro-indicators are listed as follows:

Indicators	Predictive range
GDP growth rate on year-on-year basis	From 3.78% to 6.35%
CPI growth rate on year-on-year basis	From 0.21% to 1.02%
M2 money supply growth rate on year-on-year basis	From 7.20% to 8.96%

Through sensitivity analysis, when the weight of optimistic scenario increases by 10% and the weight of neutral scenario decreases by 10%, the allowance for ECLs will decrease by no more than 1.10%. When the weight of pessimistic scenario increases by 10% and the weight of neutral scenario decreases by 10%, the allowance for ECLs will increase by no more than 1.47%.

When managing ECL model, the Bank fully considered the impact of the potential factors of local government debt on credit risk exposure and makes allowance for ECLs prudently, thereby enhancing the Group's risk compensation capability.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### *(4) Maximum exposure to credit risk*

The following table provides an analysis of the exposure to credit risk of financial instruments applicable to the measurement of ECLs. The carrying amount of the following financial assets is the maximum exposure to credit risk of the Group:

	30 June 2024	31 December 2023
Cash and balances with the central bank	138,183	164,723
Deposits with banks and other financial institutions	65,094	70,856
Placements with banks and other financial institutions	9,105	8,574
Financial assets purchased under resale agreements	67,403	74,595
Loans and advances to customers		
– measured at AC	1,422,958	1,325,604
– measured at FVOCI	344,999	347,668
Financial investments		
– measured at AC	484,591	463,311
– measured at FVOCI	303,250	302,841
Other financial assets	68,397	62,391
<b>Total</b>	<b>2,903,980</b>	<b>2,820,563</b>
Credit commitments and financial guarantee	888,643	823,083

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### *(5) Risk concentration*

The credit risk usually increases if the counterparties are concentrated in a certain industry, region or based on certain economic characteristics. Meanwhile, the economic development is differentiated by the unique characteristics of industries and regions, so the credit risk varies from industry to industry and region to region.

#### *Geographical segments*

The gross amount of loans and advances to customers granted by the Group are listed as follows by region (fair value changes and interest accrued excluded):

	30 June 2024		31 December 2023	
	Gross amount	Proportion	Gross amount	Proportion
Yangtze River Delta Region	961,742	53.35%	903,104	52.90%
Midwestern China Region	349,667	19.40%	333,316	19.53%
Bohai Rim Region	266,886	14.80%	269,494	15.79%
Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	224,511	12.45%	201,143	11.78%
<b>Total</b>	<b>1,802,806</b>	<b>100.00%</b>	<b>1,707,057</b>	<b>100.00%</b>

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT (Continued)

### 1 Credit Risk (Continued)

#### (5) Risk concentration (Continued)

##### Industry segments

The gross amount of loans and advances to customers granted by the Group are listed as follows by industry (fair value changes and interest accrued excluded):

	30 June 2024		31 December 2023	
	Gross amount	Proportion	Gross amount	Proportion
Corporate loans and advances				
Manufacturing	256,427	14.23%	239,911	14.05%
Leasing and commercial services	254,379	14.11%	240,018	14.06%
Wholesale and retail trade	194,130	10.77%	201,420	11.80%
Real estate	187,179	10.38%	177,749	10.41%
Administration of water conservancy, environment and public facilities	67,395	3.74%	63,377	3.71%
Construction	66,426	3.68%	68,798	4.03%
Financing	42,846	2.38%	19,593	1.15%
Scientific research, technology services and geological exploration	20,613	1.14%	19,716	1.15%
Information transmission, computer services and software industry	20,045	1.11%	14,440	0.85%
Accommodation and catering	18,098	1.00%	15,328	0.90%
Transportation, storage and postal service	15,796	0.88%	15,144	0.89%
Production and supply of electricity, heat, gas and water	12,961	0.72%	12,835	0.75%
Mining	12,247	0.68%	14,757	0.86%
Agriculture, forestry, animal husbandry and fishery	10,679	0.59%	12,125	0.71%
Culture, sports and entertainment	6,283	0.35%	6,063	0.36%
Education	3,230	0.18%	2,551	0.15%
Household services and other services	2,379	0.13%	2,545	0.15%
Health, social security and social welfare	1,756	0.10%	1,797	0.11%
Public administration and social organization	1	0.00%	3	0.00%
Corporate loans and advances	1,192,870	66.17%	1,128,170	66.09%
Personal loans and advances	501,362	27.81%	476,692	27.92%
Discounted bills	108,574	6.02%	102,195	5.99%
<b>Total</b>	<b>1,802,806</b>	<b>100.00%</b>	<b>1,707,057</b>	<b>100.00%</b>

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### (6) Credit risk analysis of loans and advances to customers

At the balance sheet date, the stage, overdue information and allowance for ECLs of loans and advances to customers (fair value changes and interest accrued excluded) of the Group are listed as follows:

	Notes	30 June 2024	31 December 2023
Credit-impaired		27,263	26,270
Less: Allowance for ECLs	(a)	(17,534)	(16,788)
Subtotal		9,729	9,482
Overdue but not credit-impaired		14,925	6,313
Less: Allowance for ECLs	(b)	(3,324)	(2,013)
Subtotal		11,601	4,300
Neither overdue nor credit-impaired		1,760,618	1,674,474
Less: Allowance for ECLs	(c)	(23,348)	(24,167)
Subtotal		1,737,270	1,650,307
<b>Total</b>		<b>1,758,600</b>	<b>1,664,089</b>

- (a) At 30 June 2024, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were credit-impaired were RMB306 million (31 December 2023: RMB490 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.
- (b) At 30 June 2024, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were overdue but not credit-impaired were RMB108 million (31 December 2023: RMB65 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.
- (c) At 30 June 2024, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were neither overdue nor credit-impaired were RMB1,278 million (31 December 2023: RMB1,387 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 1 Credit Risk *(Continued)*

##### *(7) Credit risk analysis of the amounts due from banks and other financial institutions*

Amounts due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements. At the balance sheet date, the book balance (interest accrued excluded) of the Group's due from banks and other financial institutions classified by stage, overdue information and counterparties are analyzed as follows:

	30 June 2024	31 December 2023
Neither overdue nor credit-impaired		
– AAA1 to AAA6	18,426	27,706
– AA1 to AA6	39,856	42,374
– A1 to A3	61,037	67,071
– No rating	22,060	16,579
Less: Allowance for ECLs	(27)	(39)
<b>Total</b>	<b>141,352</b>	<b>153,691</b>

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### **(8) Credit risk analysis of debt instrument investments**

The Group continuously monitors the credit risk profile of the debt instrument portfolios held. At the balance sheet date, the carrying amount (fair value changes and interest accrued excluded) of the debt instruments which are subjected to the measurement of ECLs is listed as follows:

	Notes	30 June 2024	31 December 2023
Credit-impaired		56,570	53,607
Less: Allowance for ECLs	(a)	(24,747)	(23,264)
Subtotal		31,823	30,343
Overdue but not credit-impaired		–	300
Less: Allowance for ECLs		–	(126)
Subtotal		–	174
Neither overdue nor credit-impaired			
– Government and Central Bank		288,931	297,906
– Policy banks		200,915	184,304
– Commercial banks		78,142	62,208
– Other financial institutions		25,112	20,077
– Others		149,947	165,660
Less: Allowance for ECLs	(b)	(2,166)	(4,328)
Subtotal		740,881	725,827
<b>Total</b>		<b>772,704</b>	<b>756,344</b>

(a) At 30 June 2024, the total allowance for ECLs of the debt investments measured at FVOCI which were credit-impaired, were RMB224 million (31 December 2023: RMB187 million). The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(b) At 30 June 2024, the total allowance for ECLs of the debt investments measured at FVOCI which were neither overdue nor credit-impaired, were RMB313 million (31 December 2023: RMB330 million). The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.



# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### *(9) Restructured loans*

Pursuant to the *Measures for the Risk Classification of Financial Assets of Commercial Banks*, restructured loans refer to financial assets where, due to the debtor's financial difficulties, a commercial bank modifies the contract terms in favor of the debtor or provides refinancing for the debtor's existing debts, with the objective of facilitating debt repayment. This encompasses scenarios such as replacing existing loans with new ones and raising additional debt financing. Additionally, if the existing contract grants the debtor the discretionary right to modify terms or refinance, and the debtor exercises this right due to financial distress, the associated assets are also classified as restructured assets. At 30 June 2024, the Group's exposure (before deducting ECL allowance) to restructured loans under the ambit of the *Measures for the Risk Classification of Financial Assets of Commercial Banks* amounted to RMB9.945 billion (31 December 2023: RMB6.973 billion).

#### *(10) Collaterals and other credit enhancement*

The Group closely monitors the collaterals corresponding to credit-impaired financial assets, as compared with other collaterals, the Group is more likely to confiscate these collaterals to reduce potential credit losses. At the balance sheet date, the Group's credit-impaired loans and advances to customers and financial investments (fair value changes and interest accrued excluded) and the corresponding exposures covered by collateral are listed as follows:

	30 June 2024			Exposures covered by collateral
	Gross amount	Allowance for ECLs	Subtotal	
Credit-impaired financial assets				
Loans and advances to customers				
– Loans and advances measured at AC	26,612	(17,534)	9,078	18,597
– Loans and advances measured at FVOCI	651	(306)	345	397
Financial investments				
– Financial assets measured at AC	56,141	(24,747)	31,394	52,333
– Financial assets measured at FVOCI	429	(224)	205	–
<b>Total</b>	<b>83,833</b>	<b>(42,811)</b>	<b>41,022</b>	<b>71,327</b>

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### *(10) Collaterals and other credit enhancement (Continued)*

	31 December 2023			Exposures covered by collateral
	Gross amount	Allowance for ECLs	Subtotal	
Credit-impaired financial assets				
Loans and advances to customers				
– Loans and advances measured at AC	25,353	(16,788)	8,565	17,239
– Loans and advances measured at FVOCI	917	(490)	427	439
Financial investments				
– Financial assets measured at AC	53,216	(23,264)	29,952	47,947
– Financial assets measured at FVOCI	391	(187)	204	–
<b>Total</b>	<b>79,877</b>	<b>(40,729)</b>	<b>39,148</b>	<b>65,625</b>

### 2 Market Risk

Market risk refers to the risk of losses of on-balance sheet and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. The Group's exposures to market risk arise from the trading and non-trading businesses.



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### **X FINANCIAL RISK MANAGEMENT** *(Continued)*

#### **2 Market Risk** *(Continued)*

The Group's market risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, risk management department, capital operation center, FinTech department, audit department, other departments, as well as branches, subbranches and the subsidiary. Senior management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite, as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Group can effectively identify, measure, monitor and control a series of market risks assumed by various businesses.

The market risk measurement methods adopted by the Group include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Group to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Group has established a market risk management system pursuant to the relevant measures and guidelines of the original CBIRC. The Group has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be assumed by the Group.

The Group updates its market risk appetite and limit management system on a regular basis, further improves the market risk management systems and market risk measurement systems. The Group conducts market risk measurement, monitoring and routine management by using the independent market risk management system. The Group performs daily valuation of trading book positions, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk *(Continued)*

#### *(1) Interest rate risk*

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gains of the banking book arising from adverse changes in interest rate levels and term structure, mainly including gap risk, benchmark risk and optional risk.

The objective of the Group's interest rate risk management is to control the interest rate risk of banking book within an acceptable and reasonable range and reduce the fluctuation of net interest income of banking book as well as economic value thereby maximizing the comprehensive income bank-wide.

The Group's interest rate risk management system of banking book consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and asset and liability management department, capital operation center, audit department and other operation and management departments at the head office, as well as branches, sub-branches and subsidiaries. Senior management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Group measures and evaluates the interest rate risk of banking book mainly through price reseting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc.. During the reporting period, the Group paid close attention to macroeconomic environment and monetary policy adjustment, dynamically adjusts its repricing gap in line with the Group's strategic orientation and business development needs, in order to optimize the asset and liability structure. At the balance sheet date, the interest rate risk of banking book of the Group is within the target limit and the risk is under control as a whole.

Due to fluctuations in market interest rates, the Group's interest margin may increase, or may decrease or even incur losses due to unexpected changes. The Group operates its business in accordance with the deposit and loan interest rate policies of the PBOC.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT (Continued)

### 2 Market Risk (Continued)

#### (1) Interest rate risk (Continued)

The following tables indicate the financial assets and financial liabilities of the Group at the balance sheet date by the expected next repricing date or by maturity date, whichever is earlier.

	30 June 2024						Total
	Non-interest bearing	Within 1 months	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
<b>Financial assets</b>							
Cash and balances with the central bank	5,224	132,959	–	–	–	–	138,183
Deposits with banks and other financial institutions	104	59,580	1,000	4,410	–	–	65,094
Placements with banks and other financial institutions	112	6,356	400	2,137	100	–	9,105
Derivative financial assets	32,082	–	–	–	–	–	32,082
Financial assets purchased under resale agreements	34	67,369	–	–	–	–	67,403
Loans and advances to customers	8,270	157,156	198,130	905,023	380,008	119,370	1,767,957
Financial investments							
– measured at FVTPL	178,382	1,418	1,604	10,185	22,228	10,734	224,551
– measured at AC	11,243	32,881	22,504	59,822	206,002	152,139	484,591
– measured at FVOCI	4,002	3,415	13,277	80,035	145,320	58,575	304,624
Other financial assets	9,747	3,844	5,782	28,161	19,886	977	68,397
<b>Total financial assets</b>	<b>249,200</b>	<b>464,978</b>	<b>242,697</b>	<b>1,089,773</b>	<b>773,544</b>	<b>341,795</b>	<b>3,161,987</b>
<b>Financial liabilities</b>							
Due to the central bank	(678)	(9,763)	(13,695)	(45,692)	–	–	(69,828)
Deposits from banks and other financial institutions	(2,926)	(128,575)	(70,913)	(150,108)	(400)	–	(352,922)
Placements from banks and other financial institutions	(895)	(20,261)	(17,485)	(69,795)	(976)	–	(109,412)
Financial liabilities at fair value through profit or loss	(1,229)	(16,926)	–	–	–	–	(18,155)
Derivative financial liabilities	(28,114)	–	–	–	–	–	(28,114)
Financial assets sold under repurchase agreements	(113)	(33,424)	(3,401)	(1,953)	–	–	(38,891)
Customer deposits	(35,389)	(729,347)	(171,681)	(489,213)	(512,849)	–	(1,938,479)
Debt securities issued	(2,423)	(22,706)	(96,471)	(189,512)	(130,000)	(30,000)	(471,112)
Lease liabilities	–	(53)	(117)	(627)	(1,824)	(490)	(3,111)
Other financial liabilities	(11,839)	(290)	(30)	–	–	–	(12,159)
<b>Total financial liabilities</b>	<b>(83,606)</b>	<b>(961,345)</b>	<b>(373,793)</b>	<b>(946,900)</b>	<b>(646,049)</b>	<b>(30,490)</b>	<b>(3,042,183)</b>
<b>Interest rate exposure</b>	<b>165,594</b>	<b>(496,367)</b>	<b>(131,096)</b>	<b>142,873</b>	<b>127,495</b>	<b>311,305</b>	<b>119,804</b>

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk *(Continued)*

#### (1) Interest rate risk *(Continued)*

	31 December 2023						
	Non- interest bearing	Within 1 months	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
Financial assets							
Cash and balances with the central bank	930	163,793	–	–	–	–	164,723
Deposits with banks and other financial institutions	155	58,208	8,198	4,139	156	–	70,856
Placements with banks and other financial institutions	108	2,224	2,249	3,993	–	–	8,574
Derivative financial assets	21,953	–	–	–	–	–	21,953
Financial assets purchased under resale agreements	71	74,524	–	–	–	–	74,595
Loans and advances to customers	7,766	333,983	171,165	641,451	402,345	116,562	1,673,272
Financial investments							
– measured at FVTPL	155,123	3,316	9,514	25,448	29,248	10,492	233,141
– measured at AC	7,330	30,088	22,620	62,132	215,214	125,927	463,311
– measured at FVOCI	4,169	955	6,865	71,859	162,799	57,538	304,185
Other financial assets	6,903	5,479	5,260	24,302	19,513	934	62,391
<b>Total financial assets</b>	<b>204,508</b>	<b>672,570</b>	<b>225,871</b>	<b>833,324</b>	<b>829,275</b>	<b>311,453</b>	<b>3,077,001</b>
Financial liabilities							
Due to the central bank	(466)	(56,096)	(16,212)	(47,141)	–	–	(119,915)
Deposits from banks and other financial institutions	(2,813)	(71,341)	(83,187)	(198,315)	(2,998)	–	(358,654)
Placements from banks and other financial institutions	(618)	(12,424)	(15,274)	(56,711)	(2,654)	–	(87,681)
Financial liabilities at fair value through profit or loss	(774)	(12,658)	–	–	–	–	(13,432)
Derivative financial liabilities	(21,034)	–	–	–	–	–	(21,034)
Financial assets sold under repurchase agreements	(64)	(57,281)	(2,604)	(2,157)	–	–	(62,106)
Customer deposits	(31,925)	(866,951)	(112,739)	(398,454)	(458,590)	–	(1,868,659)
Debt securities issued	(1,676)	(13,562)	(87,244)	(162,056)	(101,400)	(30,000)	(395,938)
Lease liabilities	–	(86)	(142)	(521)	(2,021)	(487)	(3,257)
Other financial liabilities	(9,427)	(724)	(379)	(637)	–	–	(11,167)
<b>Total financial liabilities</b>	<b>(68,797)</b>	<b>(1,091,123)</b>	<b>(317,781)</b>	<b>(865,992)</b>	<b>(567,663)</b>	<b>(30,487)</b>	<b>(2,941,843)</b>
<b>Interest rate exposure</b>	<b>135,711</b>	<b>(418,553)</b>	<b>(91,910)</b>	<b>(32,668)</b>	<b>261,612</b>	<b>280,966</b>	<b>135,158</b>

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk *(Continued)*

#### *(1) Interest rate risk (Continued)*

The Group measures the potential effect of change in interest rates on the Group's net interest income and other comprehensive income by the sensitivity analysis method. The following table sets forth the effect on the Group's net interest income and other comprehensive income from possible and reasonable interest rate fluctuations with all other variables held constant. The effect on net interest income refers to the effect of certain interest rate changes on the net interest income generated by financial assets and liabilities that are held at the end of the year and whose interest rate are expected to be repriced within one year. The effect on other comprehensive income refers to the effect of certain interest rate changes on the fair value change generated by debt investments measured at FVOCI that are held at the end of the year. The following table sets forth the effect on the Group's net interest income and other comprehensive income from interest rate fluctuations with other variables held constant (income tax expense included):

	30 June 2024		31 December 2023	
	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase
Change in interest rate				
Increase by 25 basis points	(996)	(1,696)	(860)	(1,754)
Decrease by 25 basis points	996	1,699	860	1,768

For the purpose of the sensitivity analysis, the Group adopts the following assumptions in determining commercial conditions and financial parameters:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) all assets and liabilities that are repriced or due within one year are assumed to be repriced or due at the beginning of the respective periods;
- (iii) same fluctuations in interest rates of different interest-bearing assets and interest-bearing liabilities are the same;
- (iv) yield curves move in parallel with change in interest rates;
- (v) there are no other changes in the assets or liabilities portfolio;
- (vi) no consideration of impact on customer behavior, market price and off-balance sheet business resulting from interest rate changes; and
- (vii) no consideration of actions taken by the Group in response to interest rate changes.

Therefore, the actual results on net interest income and other comprehensive income due to the increase or decrease in interest rates may differ from the analysis based on such assumptions.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk *(Continued)*

#### (2) Foreign exchange risk

The Group's business mainly operates in China and settles in RMB. The tables below show the Group's exposure to currency risk at the balance sheet date with the book values of various financial assets and liabilities converted into RMB.

	30 June 2024				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with the central bank	129,549	8,580	25	29	138,183
Deposits with banks and other financial institutions	59,349	3,521	437	1,787	65,094
Placement with banks and other financial institutions	8,547	–	558	–	9,105
Derivative financial assets	25,139	6,078	862	3	32,082
Financial assets purchased under resale agreements	67,403	–	–	–	67,403
Loans and advances to customers	1,711,869	28,974	12,872	14,242	1,767,957
Financial investments					
– measured at FVTPL	219,291	5,260	–	–	224,551
– measured at AC	458,383	24,943	–	1,265	484,591
– measured at FVOCI	255,248	44,171	792	4,413	304,624
Other financial assets	65,486	2,872	–	39	68,397
<b>Total financial assets</b>	<b>3,000,264</b>	<b>124,399</b>	<b>15,546</b>	<b>21,778</b>	<b>3,161,987</b>
Financial liabilities					
Due to the central bank	(69,828)	–	–	–	(69,828)
Deposits from banks and other financial institutions	(333,390)	(13,757)	(3,706)	(2,069)	(352,922)
Placements from banks and other financial institutions	(88,680)	(18,931)	(683)	(1,118)	(109,412)
Financial liabilities at fair value through profit or loss	(18,155)	–	–	–	(18,155)
Derivative financial liabilities	(21,901)	(5,555)	–	(658)	(28,114)
Financial assets sold under repurchase agreements	(33,027)	(5,864)	–	–	(38,891)
Customer deposits	(1,822,357)	(86,567)	(2,287)	(27,268)	(1,938,479)
Debt securities issued	(470,397)	(715)	–	–	(471,112)
Lease liabilities	(3,072)	–	(39)	–	(3,111)
Other financial liabilities	(12,076)	(60)	(4)	(19)	(12,159)
<b>Total financial liabilities</b>	<b>(2,872,883)</b>	<b>(131,449)</b>	<b>(6,719)</b>	<b>(31,132)</b>	<b>(3,042,183)</b>
<b>Net amount</b>	<b>127,381</b>	<b>(7,050)</b>	<b>8,827</b>	<b>(9,354)</b>	<b>119,804</b>
Credit commitments and financial guarantee	846,351	31,728	3,333	9,255	890,667



# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk *(Continued)*

#### *(2) Foreign exchange risk (Continued)*

	31 December 2023				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets					
Cash and balances with the central bank	157,668	7,024	17	14	164,723
Deposits with banks and other financial institutions	61,878	5,869	299	2,810	70,856
Placement with banks and other financial institutions	7,650	924	–	–	8,574
Derivative financial assets	18,481	3,256	213	3	21,953
Financial assets purchased under resale agreements	74,595	–	–	–	74,595
Loans and advances to customers	1,631,045	25,055	10,493	6,679	1,673,272
Financial investments					
– measured at FVTPL	226,272	6,869	–	–	233,141
– measured at AC	444,598	17,435	–	1,278	463,311
– measured at FVOCI	260,524	37,896	1,756	4,009	304,185
Other financial assets	60,458	1,927	–	6	62,391
<b>Total financial assets</b>	<b>2,943,169</b>	<b>106,255</b>	<b>12,778</b>	<b>14,799</b>	<b>3,077,001</b>
Financial liabilities					
Due to the central bank	(119,915)	–	–	–	(119,915)
Deposits from banks and other financial institutions	(346,677)	(9,991)	(1,220)	(766)	(358,654)
Placements from banks and other financial institutions	(77,817)	(9,251)	(95)	(518)	(87,681)
Financial liabilities at fair value through profit or loss	(13,432)	–	–	–	(13,432)
Derivative financial liabilities	(18,053)	(2,661)	–	(320)	(21,034)
Financial assets sold under repurchase agreements	(55,269)	(6,837)	–	–	(62,106)
Customer deposits	(1,780,349)	(73,268)	(1,734)	(13,308)	(1,868,659)
Debt securities issued	(391,666)	(4,272)	–	–	(395,938)
Lease liabilities	(3,227)	–	(30)	–	(3,257)
Other financial liabilities	(11,071)	(77)	(3)	(16)	(11,167)
<b>Total financial liabilities</b>	<b>(2,817,476)</b>	<b>(106,357)</b>	<b>(3,082)</b>	<b>(14,928)</b>	<b>(2,941,843)</b>
<b>Net amount</b>	<b>125,693</b>	<b>(102)</b>	<b>9,696</b>	<b>(129)</b>	<b>135,158</b>
Credit commitments and financial guarantee	784,670	30,009	3,116	6,806	824,601

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk *(Continued)*

#### (2) Foreign exchange risk *(Continued)*

The Group measures the potential effect of changes in foreign exchange rates on the Group's net profit and equity by the sensitivity analysis method. The following table sets forth the effect on the Group's net profit and equity from possible foreign exchange rate fluctuations with other variables held constant (income tax expense included):

	Sensitivity of net profit and equity	
	30 June 2024	31 December 2023
	Increase/ (Decrease)	Increase/ (Decrease)
Change in USD exchange rate		
Appreciation against RMB by 100 bps	(53)	(1)
Depreciation against RMB by 100 bps	53	1
Change in HKD exchange rate		
Appreciation against RMB by 100 bps	33	42
Depreciation against RMB by 100 bps	(33)	(42)

The sensitivity analysis is based on the following assumptions:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) the foreign exchange rate sensitivity is the gains or losses recognized as a result of a 100-basis point fluctuation in the absolute value of foreign exchange rates against the closing price (middle price) of RMB at the balance sheet date;
- (iii) the fluctuation of exchange rates by 100 basis points at the balance sheet date is based on the assumption of exchange rates movement over the next 12 months;
- (iv) when calculating the foreign exchange exposure, spot and forward from foreign exchange exposure and swaps are included;
- (v) other variables (including interest rates) remain unchanged;

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk *(Continued)*

#### *(2) Foreign exchange risk (Continued)*

- (vi) no consideration of impact on customers' behavior and market price resulting from exchange rate changes; and
- (vii) the assets and liabilities have a static exchange rate risk structure and no consideration is given to the measures that the Group may take to eliminate the adverse impact of foreign exchange exposure on net profit and equity.

Therefore, the actual results of net profit and equity due to changes in foreign currency exchange rates may differ from the analysis based on such assumptions.

### 3 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. External factors include domestic and foreign financial situation, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. Internal factors include maturities of assets and liabilities, business structures, stability of deposits, and market financing capacity and various unexpected events, etc.

The objective of the Group's liquidity management is to ensure that the Group's liquidity needs can be met in a timely manner and at a reasonable cost thereby controlling the liquidity risk within an acceptable and reasonable range.

The Group's liquidity risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and asset and liability management department, capital operation center, audit department, other operation and management departments of the head office, as well as branches, subbranches and subsidiaries. Senior management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### **X FINANCIAL RISK MANAGEMENT** *(Continued)*

#### **3 Liquidity Risk** *(Continued)*

The Group manages the liquidity risk in a centralized manner. By establishing a scientific and completed liquidity risk management system, the Group can effectively identify, measure, monitor, control and report its liquidity risk. The Group strengthens its liquidity risk management ability by continuously improving the perspectiveness and initiative of liquidity risk management. Specific measures for liquidity risk management include: paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting the asset and liability management strategies in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the construction of diversified of financing channels and actively expanding financing channels while maintaining good relationships with major financing counterparties; strengthening the management of high-quality liquid assets, ensuring the fitness of the retention scale of high-quality liquid assets and the potential financing needs to enhance the liquidity risk mitigation capability; strengthening the early-warning monitoring and management of liquidity, optimizing the emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a quarterly basis, identifying weak points in respect of the Group's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies if necessary, and modifying the liquidity risk management measures in a timely manner to improve liquidity risk management mechanism.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT (Continued)

### 3 Liquidity Risk (Continued)

#### (1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities

The tables below present the contractual undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows:

	30 June 2024						
	Overdue	On demand/ indefinite	Within 1 month	After 1 month but within 3 months		After 3 months but within 1 year	
				1 month	3 months	3 months	1 year
Financial assets							
Cash and balances with the central bank	-	138,183	-	-	-	-	-
Deposits with banks and other financial institutions	-	47,174	12,461	1,002	4,494	-	-
Placements with banks and other financial institutions	-	-	6,456	410	2,219	106	-
Financial assets purchased under resale agreements	-	-	67,419	-	-	-	-
Loans and advances to customers	19,421	-	106,837	202,619	732,593	488,334	368,271
Financial investments							
- measured at FVTPL	-	178,382	789	1,270	8,436	27,381	11,890
- measured at AC	22,592	-	5,774	26,553	70,442	225,205	166,935
- measured at FVOCI	-	1,374	3,329	5,895	63,414	194,036	62,712
Other financial assets	2,227	7,966	2,469	4,691	19,042	34,749	2,770
<b>Total financial assets</b>	<b>44,240</b>	<b>373,079</b>	<b>205,534</b>	<b>242,440</b>	<b>900,640</b>	<b>969,811</b>	<b>612,578</b>
							<b>3,348,322</b>

## X FINANCIAL RISK MANAGEMENT (Continued)

### 3 Liquidity Risk (Continued)

#### (1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities (Continued)

30 June 2024							
	Overdue	On demand/ indefinite	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Total
Financial liabilities							
Due to the central bank	-	-	(9,793)	(13,872)	(46,664)	-	(70,329)
Deposits from banks and other financial institutions	-	(91,560)	(37,443)	(72,645)	(153,679)	(419)	(355,746)
Placements from banks and other financial institutions	-	-	(20,551)	(17,927)	(71,131)	(1,116)	(110,725)
Financial liabilities at fair value through profit or loss	-	(1,229)	(16,926)	-	-	-	(18,155)
Financial assets sold under repurchase agreements	-	-	(33,426)	(3,440)	(1,996)	-	(38,862)
Customer deposits	-	(653,145)	(85,847)	(178,222)	(513,792)	(552,296)	(1,983,302)
Debt securities issued	-	-	(23,728)	(97,520)	(195,246)	(141,026)	(492,740)
Lease liabilities	-	-	(53)	(118)	(647)	(2,045)	(3,482)
Other financial liabilities	-	(11,532)	(336)	(53)	(238)	-	(12,159)
<b>Total financial liabilities</b>	-	(757,466)	(228,103)	(383,797)	(983,393)	(696,902)	(3,085,500)
<b>Net amount</b>	44,240	(384,387)	(22,569)	(141,357)	(82,753)	272,909	262,822

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT (Continued)

### 3 Liquidity Risk (Continued)

#### (1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities (Continued)

	31 December 2023					
	Overdue	On demand/ indefinite	Within 1 month	After 1 month but within 3 months		Total
				1 month	After 3 months but within 1 year	
Financial assets						
Cash and balances with the central bank	-	164,723	-	-	-	164,723
Deposits with banks and other financial institutions	-	43,713	14,528	8,328	4,228	70,968
Placements with banks and other financial institutions	-	-	2,252	2,303	4,128	8,683
Financial assets purchased under resale agreements	-	-	74,646	-	-	74,646
Loans and advances to customers	11,704	-	120,849	185,919	672,419	1,818,578
Financial investments						
- measured at FVTPL	72	155,123	3,841	9,027	26,486	237,742
- measured at AC	23,957	-	8,586	24,017	67,415	492,266
- measured at FVOCI	-	1,344	1,954	7,975	78,800	330,501
Other financial assets	1,087	6,469	2,704	4,130	18,961	67,413
<b>Total financial assets</b>	<b>36,820</b>	<b>371,372</b>	<b>229,360</b>	<b>241,699</b>	<b>872,437</b>	<b>3,265,520</b>

## X FINANCIAL RISK MANAGEMENT (Continued)

### 3 Liquidity Risk (Continued)

#### (1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities (Continued)

	31 December 2023					
	Overdue	On demand/ indefinite	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years
						Total
Financial liabilities						
Due to the central bank	-	-	(56,189)	(16,486)	(48,167)	-
Deposits from banks and other financial institutions	-	(49,499)	(21,690)	(85,237)	(202,738)	(3,026)
Placements from banks and other financial institutions	-	-	(12,594)	(15,587)	(57,829)	(2,871)
Financial liabilities at fair value through profit or loss	-	(774)	(12,658)	-	-	-
Financial assets sold under repurchase agreements	-	-	(57,288)	(2,631)	(2,247)	-
Customer deposits	-	(791,606)	(82,278)	(121,500)	(419,407)	(497,906)
Debt securities issued	-	-	(13,680)	(88,260)	(167,596)	(109,897)
Lease liabilities	-	-	(86)	(144)	(536)	(2,256)
Other financial liabilities	-	(9,223)	(734)	(400)	(810)	-
<b>Total financial liabilities</b>	-	(851,102)	(257,197)	(330,245)	(899,330)	(615,956)
<b>Net amount</b>	36,820	(479,730)	(27,837)	(88,546)	(26,893)	350,189
						511,498
						275,501



## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3 Liquidity Risk *(Continued)*

##### *(2) Analysis of cash flows of derivative financial instruments*

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

The Group's derivatives settled on a net basis mainly include interest rate derivatives. The table below analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a net basis by remaining contractual maturities from the balance sheet date to the contractual maturity date.

	30 June 2024					
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
Cash inflow/(outflow)	334	(259)	2,319	(102)	–	2,292

  

	31 December 2023					
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
Cash inflow/(outflow)	78	8	23	(1)	–	108

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 3 Liquidity Risk *(Continued)*

#### (2) Analysis of cash flows of derivative financial instruments *(Continued)*

The Group's derivative settled on a gross basis mainly include foreign exchange derivatives. The following table analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a gross basis by remaining contractual maturities from the balance sheet date to the contractual maturity date:

	30 June 2024					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash outflow	(128,433)	(120,560)	(337,031)	(10,979)	(168)	(597,171)
Cash inflow	126,875	120,944	340,290	10,910	233	599,252
<b>Net (outflow)/inflow</b>	<b>(1,558)</b>	<b>384</b>	<b>3,259</b>	<b>(69)</b>	<b>65</b>	<b>2,081</b>

  

	31 December 2023					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash outflow	(117,249)	(60,250)	(134,051)	(9,249)	(94)	(320,893)
Cash inflow	117,273	60,472	134,799	9,097	105	321,746
<b>Net inflow/(outflow)</b>	<b>24</b>	<b>222</b>	<b>748</b>	<b>(152)</b>	<b>11</b>	<b>853</b>

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3 Liquidity Risk *(Continued)*

##### *(3) Liquidity risk analysis of off-balance sheet items*

The Group's off-balance sheet items include bank acceptances, letters of credit, letters of guarantee, undrawn credit card limit, corporate loan commitments and finance lease commitments, receivables confirmation and other financial guarantee contracts. The table below shows the liquidity analysis of the Group's off-balance sheet items:

	30 June 2024					
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
Bank acceptances issued	59,416	103,098	242,340	–	–	404,854
Letters of credit issued	173,466	25,027	69,518	170	–	268,181
Letters of guarantee issued	3,073	4,561	32,871	14,834	22	55,361
Undrawn credit card facility	18,942	–	–	–	–	18,942
Loan commitments and finance lease commitments	140	130	448	23	92	833
Receivables confirmation and other financial guarantee contracts	19,155	36,250	80,726	6,285	80	142,496
<b>Total</b>	<b>274,192</b>	<b>169,066</b>	<b>425,903</b>	<b>21,312</b>	<b>194</b>	<b>890,667</b>

  

	31 December 2023					
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
Bank acceptances issued	81,247	100,411	186,688	–	–	368,346
Letters of credit issued	161,183	22,429	44,762	86	–	228,460
Letters of guarantee issued	2,909	4,517	16,661	24,648	11	48,746
Undrawn credit card facility	18,424	–	–	–	–	18,424
Loan commitments and finance lease commitments	3,007	15	215	491	–	3,728
Receivables confirmation and other financial guarantee contracts	14,378	30,821	101,398	10,220	80	156,897
<b>Total</b>	<b>281,148</b>	<b>158,193</b>	<b>349,724</b>	<b>35,445</b>	<b>91</b>	<b>824,601</b>

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## XI CAPITAL MANAGEMENT

The core of the Group's capital management is capital adequacy ratio and return on capital. The objective of capital management is to meet external regulatory requirements and shareholders' return, protect the interests of creditors to the best effort, stimulate expansion of assets and improve risk management. The Group prudently determines the objective of capital adequacy ratio which meets the regulatory requirements and coincides with its own risk exposure. By taking a variety of actions such as limit management, the Group ensures the realization of the management objectives.

The Group's business has maintained stable growth in recent years and the assets have become increasingly capital intensive. In order to ensure that the capital adequacy ratio meets the regulatory requirements and to maximize the returns to shareholders with the risks under control, the Group has actively expanded the capital replenishment channels from external sources, while continuing to improve the self-generating function in operations, so as to replenish capital from internal sources.

On 30 June 2024, the Group has calculated and disclosed capital adequacy ratio in accordance with the *Administrative Measures for Capital of Commercial Banks* (Decree No.4 of the National Financial Regulatory Administration), with credit risk-weighted assets measured using the risk-weighted approach, market risk-weighted assets and operational risk-weighted assets measured using the standardized approach. On 31 December 2023, the Group has calculated and disclosed capital adequacy ratio in accordance with the *Administrative Measures on the Capital of Commercial Banks (Trial Implementation)* (Decree 2012 No.1 of the China Banking Regulatory Commission), with credit risk-weighted assets measured using risk-weighted approach, market risk-weighted assets measured using the standardized approach and operational risk-weighted assets measured using the basic indicator approach.

On the balance sheet date, the core tier 1 capital adequacy ratio, the tier 1 capital adequacy ratio, and the capital adequacy ratio calculated in accordance relevant requirements are listed as below:

	30 June 2024	31 December 2023
Net core tier 1 capital	163,351	159,789
Net tier 1 capital	188,690	185,102
Net capital	250,571	236,958
Risk-weighted assets	1,948,476	1,943,402
Core tier 1 capital adequacy ratio	8.38%	8.22%
Tier 1 capital adequacy ratio	9.68%	9.52%
Capital adequacy ratio	12.86%	12.19%

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## XII FAIR VALUE OF FINANCIAL INSTRUMENTS

### 1 Fair values of financial assets and liabilities

#### (1) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy of the Group's assets and liabilities which are measured at fair value at the balance sheet date on a recurring basis. The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities; and

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The tables below analyzes financial instruments, measured at fair value at the balance sheet date, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	30 June 2024			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Derivative financial assets	–	32,082	–	32,082
Loans and advances to customers	–	330,047	14,952	344,999
Financial investments				
– measured at FVTPL	70,309	148,377	5,865	224,551
– measured at FVOCI	–	303,250	1,374	304,624
<b>Total assets measured at fair value on a recurring basis</b>	<b>70,309</b>	<b>813,756</b>	<b>22,191</b>	<b>906,256</b>
Placements from banks and other financial institutions	–	(33,020)	–	(33,020)
Financial liabilities at fair value through profit or loss	(437)	(17,718)	–	(18,155)
Derivative financial liabilities	–	(28,114)	–	(28,114)
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>(437)</b>	<b>(78,852)</b>	<b>–</b>	<b>(79,289)</b>

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

### 1 Fair values of financial assets and liabilities *(Continued)*

#### *(1) Fair value hierarchy (Continued)*

	31 December 2023			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Derivative financial assets	-	21,953	-	21,953
Loans and advances to customers	-	329,744	17,924	347,668
Financial investments				
– measured at FVTPL	49,381	177,461	6,299	233,141
– measured at FVOCI	-	302,841	1,344	304,185
<b>Total assets measured at fair value on a recurring basis</b>	<b>49,381</b>	<b>831,999</b>	<b>25,567</b>	<b>906,947</b>
Placements from banks and other financial institutions	-	(27,720)	-	(27,720)
Financial liabilities at fair value through profit or loss	(413)	(13,019)	-	(13,432)
Derivative financial liabilities	-	(21,034)	-	(21,034)
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>(413)</b>	<b>(61,773)</b>	<b>-</b>	<b>(62,186)</b>

#### *(2) Level 1 fair value measurement*

For financial instruments with unadjusted quoted prices in active markets that are observable for identical assets or liabilities, the Group takes the unadjusted quoted price as the best evidence of fair value when determining the fair value of financial instruments. So as to determine its fair value, and divide it into the first level measured by fair value. The financial instruments defined as level 1 by the Group mainly include open-end funds, open-end wealth management products and unrestricted equity investments in listed companies.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

### 1 Fair values of financial assets and liabilities *(Continued)*

#### **(3) Level 2 fair value measurement**

If the main parameters used in the valuation are observable and available from the active open market, the relevant financial instruments are defined as level 2 fair value measurement. The Group's level 2 financial instruments mainly include bond and ABS investments, term-ended funds, discounted bills, trade finance, restricted equity investments in listed companies, lease-in of precious metals in account caption of placements from banks and other financial institutions, interest rate derivatives, foreign exchange derivatives, precious metal and other derivatives.

For the fair value of RMB bond and ABS investments, the Group adopts the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Co., Ltd. according to the bond market. For the fair value of foreign currency bonds, the Group adopts Bloomberg results. For discounted bills and trade finance, the Group adopts discounted cash flow model for valuation which based on SHIBOR and yield curves issued by Shanghai Commercial Paper Exchange Co., and China Central Depository & Clearing Co., the Group constructs the interest rate curve by five-category loan classification and product type. For restricted equity investments in listed companies, liquidity discounts is considered based on the closing price.

For non-derivative financial instruments and some derivative financial instruments including forwards and swaps of precious metal and foreign exchange and interest rate swaps, etc. that could not be quoted from the active market, the Group adopts discounted cash flow analysis. The main parameters used include the recent transaction price, relevant yield curve, exchange rate and counterparty risk. For the valuation of option derivatives, the Group adopts Black-Scholes model with main parameters of relevant yield curve, exchange rate, volatility, and counterparty risk.

The fair value of shares held by other parties rather than the Group and liabilities of consolidated structured entities is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

### 1 Fair values of financial assets and liabilities *(Continued)*

#### *(4) Level 3 fair value measurement*

The Group has developed relevant procedures to determine the appropriate valuation techniques and inputs for level 3 fair value measurement on a recurring basis, and regularly reviews the appropriateness of the relevant procedures and determination of the fair value. Quantitative information of level 3 fair value measurement is as follows:

	Fair value at 30 June 2024	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	531	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	2,304	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	1,746	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	1,116	Net assets analysis	Net assets
– Equity investments	168	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,374	Net assets analysis	Net assets, Liquidity discount
Loans and advances to customers	14,952	Discounted cash flow method	Risk-adjusted discount rate



# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

### 1 Fair values of financial assets and liabilities *(Continued)*

#### *(4) Level 3 fair value measurement (Continued)*

	Fair value at 31 December 2023	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	533	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	2,756	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	1,701	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	1,138	Net assets analysis	Net assets
– Equity investments	171	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,344	Net assets analysis	Net assets, Liquidity discount
Loans and advances to customers	17,924	Discounted cash flow method	Risk-adjusted discount rate

At the balance sheet date, replacing the original unobservable assumptions with other reasonable unobservable assumptions has no significant impact on the measurement results of fair value. The above assumptions and methods provide a unified basis for the calculation of the fair value of the Group's assets and liabilities. However, due to the different methods and assumptions that may be used by other institutions, the fair values disclosed by different financial institutions may not be completely comparable.

## NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

### XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

#### 1 Fair values of financial assets and liabilities *(Continued)*

##### *(4) Level 3 fair value measurement (Continued)*

Reconciliation of the opening and closing balance for financial assets of level 3 fair value on a recurring basis is as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2024	6,299	1,344	17,924	25,567
Total gains recognized in profit or loss	(4)	–	585	581
Total gains recognized in other comprehensive income	–	30	(232)	(202)
Transfer in	73	–	–	73
Disposals and settlements	(503)	–	(3,325)	(3,828)
<b>At 30 June 2024</b>	<b>5,865</b>	<b>1,374</b>	<b>14,952</b>	<b>22,191</b>
Total unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(17)	–	183	166

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

### 1 Fair values of financial assets and liabilities *(Continued)*

#### *(4) Level 3 fair value measurement (Continued)*

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2023	5,522	1,313	40,080	46,915
Total gains recognized in profit or loss	(550)	6	1,649	1,105
Total gains recognized in other comprehensive income	–	31	(1,143)	(1,112)
Increase	2,686	–	–	2,686
Disposals and settlements	(1,359)	(6)	(22,662)	(24,027)
<b>At 31 December 2023</b>	<b>6,299</b>	<b>1,344</b>	<b>17,924</b>	<b>25,567</b>
Total unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(576)	–	11	(565)

### 2 Transfers between items measured at different levels of fair value

During the reporting period, there were no significant transfers, between Level 1, Level 2 and Level 3, of the Group's above assets and liabilities which are measured at fair value.

### 3 Change in valuation techniques and the rationale

During the reporting period, there were no changes in the valuation techniques adopted by the Group for fair value measurement.

# NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

## XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

### 4 Financial assets and liabilities not measured at fair value

All financial instruments of the Group are carried at amounts not materially different from their fair value at the balance sheet date except as follows:

30 June 2024					
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
Financial assets					
Financial investments measured at AC	–	408,026	84,786	492,812	484,591
Financial liabilities					
Debt securities issued	–	474,359	–	474,359	471,112
31 December 2023					
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
Financial assets					
Financial investments measured at AC	–	372,022	93,839	465,861	463,311
Financial liabilities					
Debt securities issued	–	396,796	–	396,796	395,938

For the above financial assets and liabilities not measured at fair value, the Group used the following methods to determine their fair value:

The fair value of financial investments measured at AC and debt securities issued are quoted in the valuation system of relevant registration and settlement institutions that employs observable inputs that reflect the market in the formation of quotations. For those quotations not available in relevant institutions, the fair value shall be estimated by discounted cash flow method.

## XIII COMPARATIVE FIGURES

For the purpose of the presentation of these financial statements, the Group reclassified certain comparative figures.

## UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

(In RMB millions, unless otherwise stated)

### I ILLUSTRATION OF DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRSs AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

There are no differences between the profit attributable to shareholders of the Bank under IFRSs and PRC GAAP for the six months ended 30 June 2024 (for the six months ended 30 June 2023: no differences). There are no differences between the equity attributable to shareholders of the Bank under IFRSs and PRC GAAP at 30 June 2024 (31 December 2023: no differences).

### II LIQUIDITY COVERAGE RATIO

	30 June 2024	31 December 2023
Liquidity Coverage Ratio	165.78%	166.61%

The liquidity coverage ratio is calculated in accordance with the relevant requirements of the National Financial Regulatory Administration.

### III INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Chinese Mainland. International claims are local claims in foreign currencies and cross-border claims.

International claims include balances with the central bank, due from banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, financial assets at fair value through profit or loss, financial assets measured at amortised cost and financial assets at fair value through other comprehensive income.

## UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

(In RMB millions, unless otherwise stated)

### III INTERNATIONAL CLAIMS *(Continued)*

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is 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.

		Official	Non-bank private	
<b>At 30 June 2024</b>	<b>Bank</b>	<b>sector</b>	<b>sector</b>	<b>Total</b>
Local claims in foreign currencies	3,231	8,777	89,961	101,969
Asia Pacific excluding Mainland China	5,843	1,296	21,905	29,044
– of which attributed to Hong Kong	3,863	1,295	21,233	26,391
Europe	4,485	4,461	653	9,599
North America	1,996	18,010	20,885	40,891
Oceania	221	–	–	221
<b>Total</b>	<b>15,776</b>	<b>32,544</b>	<b>133,404</b>	<b>181,724</b>

		Official	Non-bank private	
<b>At 31 December 2023</b>	<b>Bank</b>	<b>sector</b>	<b>sector</b>	<b>Total</b>
Local claims in foreign currencies	4,187	7,222	68,558	79,967
Asia Pacific excluding Mainland China	5,330	1,259	27,111	33,700
– of which attributed to Hong Kong	5,079	1,259	25,939	32,277
Europe	5,740	1,695	641	8,076
North America	3,067	11,177	17,632	31,876
Oceania	131	–	–	131
<b>Total</b>	<b>18,455</b>	<b>21,353</b>	<b>113,942</b>	<b>153,750</b>

## UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

(In RMB millions, unless otherwise stated)

### IV CURRENCY CONCENTRATIONS

	RMB Equivalent			
	USD	HKD	Others	Total
<b>At 30 June 2024</b>				
Spot assets	118,321	14,684	21,775	154,780
Spot liabilities	(125,894)	(6,719)	(30,474)	(163,087)
Forward purchases	597,977	–	33,154	631,131
Forward sales	(610,067)	(2,466)	(55,007)	(667,540)
Net options position	(24,510)	–	80	(24,430)
Net (short)/long position	<b>(44,173)</b>	<b>5,499</b>	<b>(30,472)</b>	<b>(69,146)</b>
	USD	HKD	Others	Total
<b>At 31 December 2023</b>				
Spot assets	102,999	12,565	14,796	130,360
Spot liabilities	(103,696)	(3,082)	(14,608)	(121,386)
Forward purchases	387,567	2,132	30,537	420,236
Forward sales	(402,567)	(711)	(34,147)	(437,425)
Net options position	(5,353)	–	(330)	(5,683)
Net (short)/long position	<b>(21,050)</b>	<b>10,904</b>	<b>(3,752)</b>	<b>(13,898)</b>

### V NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in Chinese Mainland with its banking business conducted in Chinese Mainland. At 30 June 2024, the Group's non-bank exposures are substantially arising from businesses with Chinese Mainland corporates and individuals.



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