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# 交通銀行股份有限公司 Bank of Communications Co., Ltd.

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 03328)**

## 2023 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board of Directors**”) of Bank of Communications Co., Ltd. (the “**Bank**”) is pleased to announce the unaudited consolidated financial information (the “**Interim Results**”) of the Bank and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), which was prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The Board of Directors of the Bank and the Audit Committee of the Board of Directors have reviewed and confirmed the Interim Results.

### I. CORPORATE GENERAL INFORMATION

	<b>Stock name</b>	<b>Stock code</b>	<b>Stock exchange</b>
<b>A Share</b>	Bank of Communications	601328	Shanghai Stock Exchange
<b>H Share</b>	BANKCOMM	03328	The Stock Exchange of Hong Kong Limited
<b>Domestic Preference Share</b>	BOCOM PREF1	360021	Shanghai Stock Exchange

### Secretary of the Board of Directors and Company Secretary

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## II. FINANCIAL HIGHLIGHTS

The Group has implemented IFRS 17 – Insurance Contracts and its amendments, which was issued by IASB in May 2017 and June 2020 (the “**new insurance contracts standard**”). The new insurance contracts standard mainly includes the following revisions: 1. adjusting the guidelines for recognising the revenue arising from insurance services; and 2. revising the method of measuring liabilities arising from insurance contracts. These changes in accounting policies did not have any material impact on the Group’s financial position and operating results. In accordance with the transition provisions, the Group made retrospective adjustments to the financial reports and re-presented the financial reports for the year 2022 in accordance with the new insurance contracts standard, and the relevant data for the year 2022 in the Interim Results have been re-presented in accordance with the financial reports retrospectively adjusted. As at the end of the Reporting Period, key financial data and financial indicators prepared by the Group under International Financial Reporting Standards (“**IFRSs**”) are as follows:

	<i>(in millions of RMB unless otherwise stated)</i>		
<b>Key financial data</b>	<b>January to June 2023</b>	January to June 2022	Increase/ (decrease) (%)
Net interest income	<b>82,387</b>	85,065	(3.15)
Net fee and commission income	<b>24,580</b>	24,774	(0.78)
Net operating income	<b>137,307</b>	131,094	4.74
Credit impairment losses	<b>36,346</b>	36,827	(1.31)
Operating expenses	<b>40,079</b>	38,372	4.45
Profit before tax	<b>49,674</b>	45,642	8.83
Net profit (attributable to shareholders of the Bank)	<b>46,039</b>	44,052	4.51
Earnings per share (attributable to ordinary shareholders of the Bank, in RMB yuan) <sup>1</sup>	<b>0.57</b>	0.55	3.64

	<b>30 June 2023</b>	31 December 2022	Increase/ (decrease) (%)
Total assets	<b>13,813,360</b>	12,991,571	6.33
Loans and advances to customers <sup>2</sup>	<b>7,795,705</b>	7,294,965	6.86
Total liabilities	<b>12,758,461</b>	11,958,049	6.69
Deposits from customers <sup>2</sup>	<b>8,579,598</b>	7,949,072	7.93
Shareholders' equity (attributable to shareholders of the Bank)	<b>1,043,083</b>	1,022,024	2.06
Net assets per share (attributable to ordinary shareholders of the Bank, in RMB yuan) <sup>3</sup>	<b>11.69</b>	11.41	2.45
Net capital <sup>4</sup>	<b>1,272,971</b>	1,250,317	1.81
Including: Net core tier-1 capital <sup>4</sup>	<b>860,053</b>	840,164	2.37
Other tier-1 capital <sup>4</sup>	<b>176,418</b>	176,480	(0.04)
Tier-2 capital <sup>4</sup>	<b>236,500</b>	233,673	1.21
Risk-weighted assets <sup>4</sup>	<b>8,735,997</b>	8,350,074	4.62
<b>Key financial ratios</b>	<b>January to June 2023</b>	January to June 2022	Change (percentage point)
Annualised return on average assets	<b>0.69</b>	0.73	(0.04)
Annualised weighted average return on net assets <sup>1</sup>	<b>10.16</b>	10.47	(0.31)
Net interest margin <sup>5</sup>	<b>1.31</b>	1.53	(0.22)
Cost-to-income ratio <sup>6</sup>	<b>29.22</b>	29.31	(0.09)
	<b>30 June 2023</b>	31 December 2022	Change (percentage point)
Non-performing loan ratio	<b>1.35</b>	1.35	–
Provision coverage ratio	<b>192.85</b>	180.68	12.17
Capital adequacy ratio <sup>4</sup>	<b>14.57</b>	14.97	(0.40)
Tier-1 capital adequacy ratio <sup>4</sup>	<b>11.86</b>	12.18	(0.32)
Core tier-1 capital adequacy ratio <sup>4</sup>	<b>9.84</b>	10.06	(0.22)

Notes:

1. Calculated pursuant to the requirements of *Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision)* issued by the China Securities Regulatory Commission (the “CSRC”).
2. Loans and advances to customers do not include interest receivable on related loans. Deposits from customers includes interest payable of related deposits.
3. Calculated as shareholders’ equity attributable to the common shareholders of the parent company divided by the total number of common shares after the deduction of other equity instruments at the end of the period.
4. Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* by the China Banking and Insurance Regulatory Commission (“CBIRC”).
5. Represented the ratio of annualised net interest income to total average interest-bearing assets.
6. Calculated as operating expenses divided by net operating income after the deduction of other operating expenses, consistent with the financial report in accordance with China Accounting Standards (“CAS”) and the comparative figures for the same period have been restated in accordance with the current period's presentation.

### III. CHANGES IN SHARES AND SHAREHOLDERS

#### (I). Changes in Ordinary Shares

As at the end of the Reporting Period, the Bank issued a total of 74,262,726,645 ordinary shares including 39,250,864,015 A shares and 35,011,862,630 H shares, which accounted for 52.85% and 47.15% respectively. All the ordinary shares issued by the Bank are not subject to sales restrictions.

**1. Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period<sup>1</sup>**

Name of shareholders (Full name)	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
Ministry of Finance of the People's Republic of China	–	13,178,424,446	17.75	A Share	Nil	Government
The Hongkong and Shanghai Banking Corporation Limited <sup>2,4</sup>	–	14,135,636,613	19.03	H Share	Nil	Foreign legal entity
The National Council for Social Security Fund <sup>3,4</sup>	–	3,105,155,568	4.18	A Share	Nil	Government
Hong Kong Securities Clearing Company Nominees Limited <sup>4,5</sup>	1,982,003	7,708,596,852	10.38	H Share	Unknown	Foreign legal entity
China Securities Finance Corporation Limited	–	1,891,651,202	2.55	A Share	Nil	State-owned legal entity
Hong Kong Securities Clearing Company Ltd.	189,173,360	1,257,458,070	1.69	A Share	Nil	Foreign legal entity
Capital Airports Holdings Limited	–	1,246,591,087	1.68	A Share	Nil	State-owned legal entity
Shanghai Haiyan Investment Management Co., Ltd. <sup>5</sup>	–	808,145,417	1.09	A Share	Nil	State-owned legal entity
Yunnan Hehe (Group) Co., Ltd. <sup>5</sup>	–	745,305,404	1.00	A Share	Nil	State-owned legal entity
FAW Equity Investment (Tianjin) Co., Ltd.	–	663,941,711	0.89	A Share	Nil	State-owned legal entity

Notes:

- The relevant data and information are based on the Bank's register of members at the Share Registrar and Transfer Office and the information provided by shareholders to the Bank.
- According to the Bank's register of members, The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) held 13,886,417,698 H shares of the Bank. HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy was due to a purchase of H shares by HSBC from the secondary market in 2007 and thereafter receiving bonus shares issued by the Bank and participating in the rights issue of the Bank. Those extra shares have been registered under Hong Kong Securities Clearing Company Nominees Limited (“**HKSCC Nominees Limited**”).
- Including the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the National Council for Social Security Fund (“**SSF**”). Other than the above shareholdings, the SSF held additional 637,338,000 H shares, which were indirectly held by certain asset managers (including Hong Kong Stock Connect). As at the end of the Reporting Period, the SSF held a total of 12,175,826,900 A shares and H shares of the Bank, representing 16.40% of the Bank's total ordinary shares issued.

4. HKSCC Nominees Limited held the H shares of the Bank as a nominee. The aggregate number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period. The data did not include 249,218,915 and 7,027,777,777 H shares indirectly held by HSBC and SSF respectively, which were registered under HKSCC Nominees Limited. The data did not include 13,886,417,698 and 1,405,555,555 H shares of the Bank directly held by the aforementioned two shareholders respectively as well, which were registered in the Bank's register of members.
5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under the Provisional Measures on Shareholdings Administration of Commercial Banks (China Banking Regulatory Commission Order No.1 of 2018). 7 subordinate enterprises of China National Tobacco Corporation including Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. authorised and entrusted China National Tobacco Corporation to present at the Shareholders' General Meeting of the Bank and to exercise the voting rights on their behalf. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Furthermore, the Bank is not aware of the existence of any related relationship among the other Top 10 shareholders, or whether they are parties acting in concert as defined in the Provisional Measures on Shareholdings Administration of Commercial Banks.

**2. *Substantial Shareholders and Holders of Interest or Short Positions Required to be Disclosed under Division 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”)***

As at the end of the Reporting Period, to the knowledge of the directors, supervisors and chief executives of the Bank, the substantial shareholders and other persons (excluding the directors, supervisors and chief executives of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the SFO are as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest <sup>1</sup>	Percentage of total issued A shares (%)	Percentage of total issued shares (%)
The Ministry of Finance of the People's Republic of China	Beneficial owner	13,178,424,446 <sup>2</sup>	Long position	33.57	17.75
The National Council for Social Security Fund	Beneficial owner	3,105,155,568 <sup>4</sup>	Long position	7.91	4.18

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest <sup>1</sup>	Percentage of total issued A shares (%)	Percentage of total issued shares (%)
The Ministry of Finance of the People's Republic of China	Beneficial owner	4,553,999,999 <sup>2</sup>	Long position	13.01	6.13
HSBC Holdings plc	Interests of controlled corporation	14,135,636,613 <sup>3</sup>	Long position	40.37	19.03
The National Council for Social Security Fund	Beneficial owner	9,070,671,332 <sup>4</sup>	Long position	25.91	12.21

Notes:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at the end of the Reporting Period, the Ministry of Finance of the People's Republic of China ("**Ministry of Finance**") held 4,553,999,999 H shares and 13,178,424,446 A shares of the Bank, respectively representing 6.13% and 17.75% of the total ordinary shares issued by the Bank.
3. HSBC Holdings plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the SFO, HSBC Holdings plc was deemed to own the interests associated with the 14,135,636,613 H shares held by HSBC.
4. To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held a total of 9,070,671,332 H shares and 3,105,155,568 A shares (please refer to the details in Shareholdings of Top 10 Ordinary Shareholders and relevant notes) of the Bank, respectively representing 12.21% and 4.18% of the Bank's total ordinary shares issued.

Save as disclosed above, as at the end of the Reporting Period, no other person (excluding the directors, supervisors and chief executives of the Bank) or corporation were recorded in the register required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") pursuant to Divisions 2 and 3 of Part XV of the SFO.

## (II). Information of Preference Shares

### 1. Top 10 Preference Shareholders and their Shareholdings as at the end of the Reporting Period

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
China Mobile Communications Corporation	-	100,000,000	22.22	Domestic preference share	Nil	State-owned legal entity
Hwabao Trust Co., Ltd. – Hwabao Trust – Baofu Investment No.1 Collective Capital Trust Plan	-	48,910,000	10.87	Domestic preference share	Nil	Others
CCB Trust Co., Ltd. – “Qian Yuan – Ri Xin Yue Yi” open-ended wealth management single fund trust	-	20,000,000	4.44	Domestic preference share	Nil	Others
Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No.5 Specific Multi-customer Asset Management Plan		20,000,000	4.44	Domestic preference share	Nil	Others
Avic Trust Co.,Ltd. – AVIC Trust-Tiangui Win-win No. 2 Securities Investment Pooled Fund Trust Plan	10,000,000	20,000,000	4.44	Domestic preference share	Nil	Others
China Ping An Life Insurance Co., Ltd. – Self-owned fund	-	18,000,000	4.00	Domestic preference share	Nil	Others
China National Tobacco Corporation – Henan Branch	-	15,000,000	3.33	Domestic preference share	Nil	State-owned legal entity
China Life Property & Casualty Insurance Company Limited –Traditional – Common insurance product	-	15,000,000	3.33	Domestic preference share	Nil	Others
CITIC Securities – Postal Saving Bank – CITIC Securities Xingchen No.28 Collective Asset Management Plan	-	14,000,000	3.11	Domestic preference share	Nil	Others
China Ping An Life Insurance Co., Ltd. – Traditional – Common insurance product	9,800,000	13,800,000	3.07	Domestic preference share	Nil	Others

Notes:

1. Shareholdings of preference shareholders are summarised according to the Bank's register members of preference shareholders.
2. "Percentage" refers to the percentage of number of preference shares held by preference shareholders in the total number of preference shares.
3. According to the Administrative Measures on the Connected Transactions of Banking and Insurance Institutions issued by the CBIRC, to the knowledge of the Bank, China National Tobacco Corporation Henan Branch is related to Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd., which are among top 10 ordinary shareholders of the Bank.
4. The Bank is not aware of the existence of any related relationship among the top 10 preference shareholders or any relationship between the above shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

## **2. Dividend Distribution of Preference Shares**

In accordance with the resolution and authorisation of the Shareholders' General Meeting, the 7th meeting of the 10th Session of Board of Directors of the Bank was held on 28 April 2023, at which the proposal for the dividend distribution of domestic preference shares was considered and approved.

The dividend on domestic preference shares was calculated at the nominal dividend yield of 4.07% and amounted to RMB1,831,500,000, which will be distributed on 7 September 2023. Please refer to the announcement published by the Bank for details of dividend distribution of preference shares.

### **(III). Issuance, Listing, Purchase or Sale and Redemption of Securities**

During the Reporting Period, the Bank did not issue any ordinary share or convertible bond, or any corporate bond that was required to be disclosed in accordance with the *Standards on the Content and Format of Information Disclosure of Publicly Listed Company No.3 – Content and Format of the Interim Report (2021 Revision)* and the *Administrative Measures for Information Disclosure of Enterprise Credit Bonds*. During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Bank.

The Bank did not issue any preference share during the past three years. During the Reporting Period, there was no redemption or conversion of preference shares of the Bank.

The Bank has no employee stock.

## **1. Issuance of Bonds**

The Bank issued a 30.0 billion special financial bond for loans to small and micro enterprises in China's National Interbank Bond Market in March 2023 with a term of 3 years and a coupon rate of 2.80%. The proceeds were all used for providing loans to small and micro enterprises.

The Bank issued a 30.0 billion green financial bond in China's National Interbank Bond Market in April 2023 with a term of 3 years and a coupon rate of 2.77%. The proceeds were all used for green industry projects stipulated in *the Green Bond Endorsed Projects Catalogue (2021 Edition)*.

The Bank issued a 38.0 billion financial bond in China's National Interbank Bond Market in July 2023 with a term of 3 years and a coupon rate of 2.59%. The proceeds were all used for optimising the Bank's debt structure, enriching working capital, and promoting business development.

## **2. Equity Linked Agreement**

The Bank privately issued domestic preference shares with an amount of 450 million in September 2016. Assuming that the Bank triggers a mandatory share conversion event, and all preference shares are mandatorily required to be converted into ordinary shares at the initial share conversion price, the number of the above domestic preference shares being converted into ordinary A shares will not exceed 7.2 billion shares.

# **IV. MANAGEMENT DISCUSSION AND ANALYSIS**

## **(I) Financial Statement Analysis**

In the first half of 2023, the Group strictly carried out the decisions and arrangements by the CPC Central Committee and continuously executed the three major financial tasks to improve the accuracy and effectiveness of financial services, keep and consolidate "the development status of maintaining stability with progress made and quality improved" while increasing efforts in serving the real economy.

**Operating efficiency remains stable.** During the Reporting Period, the Group's net profit (attributable to shareholders of the Bank) amounted to 46.039 billion, representing a year-on-year increase of 4.51%. the Group's net operating income amounted to 137.307 billion representing a year-on-year increase of 4.74%.

**The business scale has steadily increased.** As at the end of the Reporting Period, the total assets of the Group increased by 6.33% over the end of the previous year to 13.81 trillion, of which, the balance of the Group's loans and advances to customers increased by 500.740 billion or 6.86% over the end of the previous year to 7.80 trillion; the balance of deposits from customers increased by 630.526 billion or 7.93% over the end of the previous year to 8.58 trillion.

**Asset quality continues to consolidate.** As at the end of the Reporting Period, non-performing loan ratio of the Group was 1.35%, which was flat from the end of the previous year. Provision coverage ratio was 192.85%, representing an increase of 12.17 percentage points over the end of the previous year.

## 1. Analysis on Key Income Statement Items

### (1) Profit before tax

During the Reporting Period, the Group's profit before tax increased by 4.032 billion on a year-on-year basis, representing an increase of 8.83% to 49.674 billion. The profit before tax was mainly derived from the net interest income and the net fee and commission income.

The selected items from the income statement of the Group during the periods indicated are shown below:

*(in millions of RMB unless otherwise stated)*

	<b>Six months ended on 30 June</b>		
	<b>2023</b>	2022	Increase/ (decrease)(%)
Net interest income	<b>82,387</b>	85,065	(3.15)
Net non-interest income	<b>54,920</b>	46,029	19.32
Including: Net fee and commission income	<b>24,580</b>	24,774	(0.78)
<b>Net operating income</b>	<b>137,307</b>	131,094	4.74
Credit impairment losses	<b>(36,346)</b>	(36,827)	(1.31)
Impairment losses on other assets	<b>(594)</b>	(690)	(13.91)
Other operating expenses	<b>(50,693)</b>	(47,935)	5.75
Including: Operating expenses	<b>(40,079)</b>	(38,372)	4.45
<b>Profit before tax</b>	<b>49,674</b>	45,642	8.83
Income tax	<b>(3,108)</b>	(1,491)	108.45
<b>Net profit</b>	<b>46,566</b>	44,151	5.47
<b>Net profit attributable to shareholders of the Bank</b>	<b>46,039</b>	44,052	4.51

The breakdown of the net operating income of the Group during the periods indicated is shown below:

*(in millions of RMB unless otherwise stated)*

<b>Item</b>	<b>Six months ended on 30 June</b>		<b>Increase/ (decrease)(%)</b>
	<b>2023</b>	<b>Proportion(%)</b>	
Net interest income	<b>82,387</b>	<b>60.00</b>	<b>(3.15)</b>
Net fee and commission income	<b>24,580</b>	<b>17.90</b>	<b>(0.78)</b>
Net gains arising from trading activities	<b>17,637</b>	<b>12.84</b>	<b>77.19</b>
Net gains arising from financial investments	<b>(32)</b>	<b>(0.02)</b>	<b>(104.85)</b>
Net share of profits of associates and joint ventures	<b>161</b>	<b>0.12</b>	<b>130.00</b>
Other operating income	<b>12,574</b>	<b>9.16</b>	<b>18.95</b>
<b>Total net operating incomes</b>	<b>137,307</b>	<b>100.00</b>	<b>4.74</b>

(2) *Net interest income*

During the Reporting Period, the Group's net interest income decreased by 2.678 billion or 3.15% on a year-on-year basis to 82.387 billion, accounting for 60.00% of the net operating income, which was a major component of the Group's income.

The average balances, associated interest income and expenses and annualised average rate of return or annualised average rate of cost of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated are shown below:

*(in millions of RMB unless otherwise stated)*

	Six months ended on 30 June 2023			Six months ended on 30 June 2022		
	Average balance	Interest income (expense)	Annualised average rate of return/ (cost) (%)	Average balance	Interest income (expense)	Annualised average rate of return/ (cost) (%)
<b>Assets</b>						
Cash and balances with central banks	793,390	6,022	1.53	767,769	5,264	1.38
Due from and placements with banks and other financial institutions	964,263	13,950	2.92	830,602	7,204	1.75
Loans and advances to customers	7,596,925	153,272	4.07	6,745,018	143,149	4.28
Investment securities	3,293,470	55,162	3.38	2,903,146	46,923	3.26
<b>Interest-bearing assets</b>	<b>12,648,048</b>	<b>228,406</b>	<b>3.64</b>	<b>11,246,535</b>	<b>202,540</b>	<b>3.63</b>
<b>Non-interest-bearing assets</b>	<b>1,074,056</b>			<b>1,075,706</b>		
<b>Total assets</b>	<b>13,722,104</b>			<b>12,322,241</b>		
<b>Liabilities and Shareholders' Equity</b>						
Deposits from customers	8,203,920	95,767	2.35	7,240,760	76,882	2.14
Due to and placements from banks and other financial institutions	2,120,747	26,488	2.52	2,114,868	20,766	1.98
Debt securities and others	1,674,064	23,764	2.86	1,414,821	19,827	2.83
<b>Interest-bearing liabilities</b>	<b>11,998,731</b>	<b>146,019</b>	<b>2.45</b>	<b>10,770,449</b>	<b>117,475</b>	<b>2.20</b>
<b>Shareholders' equity and noninterest-bearing liabilities</b>	<b>1,723,373</b>			<b>1,551,792</b>		
<b>Total liabilities and shareholders' equity</b>	<b>13,722,104</b>			<b>12,322,241</b>		
<b>Net interest income</b>		<b>82,387</b>			<b>85,065</b>	
<b>Net interest spread<sup>1</sup></b>			<b>1.19</b>			<b>1.43</b>
<b>Net interest margin<sup>2</sup></b>			<b>1.31</b>			<b>1.53</b>
<b>Net interest spread<sup>1,3</sup></b>			<b>1.40</b>			<b>1.65</b>
<b>Net interest margin<sup>2,3</sup></b>			<b>1.53</b>			<b>1.74</b>

Notes:

1. Represented the difference between the average rate of return on total average interest-bearing assets and the average rate of cost of total average interest-bearing liabilities.
2. Represented the ratio of net interest income to total average interest-bearing assets.
3. Taken into account the tax exemption on the interest income from bond investment.

During the Reporting Period, the Group's net interest income decreased by 3.15% on a year-on-year basis. The net interest spread was 1.19%, representing a decrease of 24 basis points on a year-on-year basis. The net interest margin was 1.31%, representing a decrease of 22 basis points on a year-on-year basis.

The table below illustrates the impact of changes in scales and interest rates on the Group's interest income and interest expenses. The changes in scales and interest rates are based on the changes in average balance and the changes on interest rates of interest-bearing assets and interest-bearing liabilities during the periods indicated.

*(in millions of RMB)*

	Comparison between January to June 2023 and January to June 2022		
	Increase/(Decrease) due to		Net increase/ (decrease)
	Amount	Interest rate	
<b>Interest-bearing assets</b>			
Cash and balances with central banks	175	583	758
Due from and placements with banks and other financial institutions	1,160	5,586	6,746
Loans and advances to customers	18,081	(7,958)	10,123
Investment securities	6,310	1,929	8,239
Changes in interest income	25,726	140	25,866
<b>Interest-bearing liabilities</b>			
Deposits from customers	10,221	8,664	18,885
Due to and placements from banks and other financial institutions	58	5,664	5,722
Debt securities and others	3,638	299	3,937
Changes in interest expenses	13,917	14,627	28,544
<b>Changes in net interest income</b>	<b>11,809</b>	<b>(14,487)</b>	<b>(2,678)</b>

During the Reporting Period, the Group's net interest income decreased by 2.678 billion on a year-on-year basis, of which the increase of 11.809 billion was due to changes in the average balances of assets and liabilities and the decrease of 14.487 billion was due to changes in the annualised average rate of return and the annualised average rate of cost.

## ① Interest Income

During the Reporting Period, the Group's interest income increased by 25.866 billion or 12.77% on a year-on-year basis to 228.406 billion. The interest income from loans and advances to customers, investment securities and cash and balances with central banks accounted for 67.11%, 24.15% and 2.64% of total interest income respectively.

### A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers increased by 10.123 billion or 7.07% on a year-on-year basis to 153.272 billion, which was mainly due to the impact of the average balance of loans and advances to customers increasing by 851.907 billion or 12.63%. The increase was mainly due to constantly increase efforts to serve the real economy.

#### Analysis of the average income of loans and advances to customers by business type and term structure

*(in millions of RMB unless otherwise stated)*

	January to June 2023			January to June 2022		
	Average balance	Interest income	Annualised average rate of return (%)	Average balance	Interest income	Annualised average rate of return (%)
Corporate loans	4,997,794	97,101	3.92	4,274,664	85,363	4.03
– Short-term loans	1,550,476	25,910	3.37	1,368,390	23,465	3.46
– Medium and long-term loans	3,447,318	71,191	4.16	2,906,274	61,898	4.29
Personal loans	2,350,849	54,170	4.65	2,250,620	55,617	4.98
– Short-term loans	595,375	14,382	4.87	566,803	14,862	5.29
– Medium and long-term loans	1,755,474	39,788	4.57	1,683,817	40,755	4.88
Discounted bills	248,282	2,001	1.63	219,734	2,169	1.99
Total loans and advances to customers	7,596,925	153,272	4.07	6,745,018	143,149	4.28

### B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by 8.239 billion or 17.56% on a year-on-year basis to 55.162 billion, which was mainly due to the year-on-year increase of 390.324 billion or 13.44% in the average balance of investment securities.

C. Interest income from cash and balances with central banks

The balances with central banks mainly included balances in statutory reserves and excess reserves. During the Reporting Period, interest income from cash and balances with central banks increased by 758 million or 14.40% on a year-on-year basis to 6.022 billion, which was mainly due to the year-on-year increase by 15 basis points in the annualised average rate return on cash and balances with central banks.

D. Interest income from balances due from and placements with banks and other financial institutions

During the Reporting Period, the interest income from due from and placements with banks and other financial institutions increased by 6.746 billion or 93.64% on a year-on-year basis to 13.950 billion, which was mainly due to the year-on-year increase of 117 basis points in the annualised average rate of return on due from and placements with banks and other financial institutions.

② Interest expenses

During the Reporting Period, the Group's interest expenses increased by 28.544 billion or 24.30% on a year-on-year basis to 146.019 billion. Among them, deposits from customers, balances due to and placements from banks and other financial institutions, debt securities issued and others accounted for 65.59%, 18.14%, and 16.27%, respectively.

A. Interest expenses on deposits from customers

Deposits from customers is the Group's primary funding source. During the Reporting Period, interest expenses on deposits from customers increased by 18.885 billion or 24.56% on a year-on-year basis to 95.767 billion, accounting for 65.59% of total interest expenses. The increase in interest expenses on deposits from customers was mainly due to the average balance of customer deposits increased by 963.160 billion, an increase of 13.30%, and the annualised average cost ratio increased by 21 basis points year-on-year.

## Analysis of the average cost of deposits from customers by product type

(in millions of RMB unless otherwise stated)

	January to June 2023			January to June 2022		
	Average balance	Interest expense	Annualised average rate of cost (%)	Average balance	Interest expense	Annualised average rate of cost (%)
Corporate deposits	5,036,894	58,058	2.32	4,694,613	48,136	2.07
– Demand deposits	1,945,909	10,455	1.08	1,914,985	8,835	0.93
– Time deposits	3,090,985	47,603	3.11	2,779,628	39,301	2.85
Personal deposits	3,167,026	37,709	2.40	2,546,147	28,746	2.28
– Demand deposits	823,913	1,003	0.25	788,675	1,399	0.36
– Time deposits	2,343,113	36,706	3.16	1,757,472	27,347	3.14
Total deposits from customers	8,203,920	95,767	2.35	7,240,760	76,882	2.14

### B. Interest expenses on balances due to and placements from banks and other financial institutions

During the Reporting Period, interest expenses on balances due to and placements from banks and other financial institutions increased by 5.722 billion or 27.55% on a year-on-year basis to 26.488 billion, which was mainly due to a year-on-year increase of 54 basis points in the annualised average rate of cost of due to and placements from banks and other financial institutions.

### C. Interest expenses on debt securities issued and other interest-bearing liabilities

During the Reporting Period, interest expenses on debt securities issued and other interest-bearing liabilities increased by 3.937 billion or 19.86% on a year-on-year basis to 23.764 billion, which was mainly due to a year-on-year increase of 259.243 billion or 18.32% in the average balance of debt securities issued and others.

### (3) Net fee and commission income

The net fee and commission income is an important part of the Group's net operating income. However, this was affected by various factors such as the ongoing turbulence in the capital market, the transformation of the net value of wealth management products and the reduction of fees and concessions. During the Reporting Period, the Group's net fee and commission income decreased by 194 million or 0.78% on a year-on-year basis to 24.580 billion.

The breakdown of the Group's net fee and commission income for the periods indicated is shown below:

*(in millions of RMB unless otherwise stated)*

	<b>Six months ended on 30 June</b>		
	<b>2023</b>	2022	Increase/(decrease) (%)
Bank cards	<b>10,005</b>	9,923	0.83
Wealth management business	<b>4,088</b>	5,232	(21.87)
Custody and other fiduciary businesses	<b>4,887</b>	4,249	15.02
Agency services	<b>3,518</b>	3,394	3.65
Investment banking	<b>1,676</b>	1,968	(14.84)
Guarantee and commitment	<b>1,661</b>	1,489	11.55
Settlement services	<b>750</b>	720	4.17
Others	<b>106</b>	97	9.28
<b>Total fee and commission income</b>	<b>26,691</b>	27,072	(1.41)
<b>Less: fee and commission expense</b>	<b>(2,111)</b>	(2,298)	(8.14)
<b>Net fee and commission income</b>	<b>24,580</b>	24,774	(0.78)

The fee income from wealth management business decreased by 21.87% on a year-on-year basis, mainly due to the slower growth in the relevant products and the decrease in management fee rate and sales fee rate as a result of the persistent impact of capital market volatility. Investment banking revenue decreased by 14.84% on a year-on-year basis, mainly due to the decline in revenue of financial advisory and bond underwriting as a result of the impact of scarcity of high-quality assets, intensified competition across the industry, among other factors.

(4) *Other non-interest income*

The breakdown of the Group's other non-interest income for the periods indicated is shown below:

*(in millions of RMB unless otherwise stated)*

	<b>Six months ended on 30 June</b>		
	<b>2023</b>	2022	Increase/ (decrease)(%)
Net gains arising from trading activities	<b>17,637</b>	9,954	77.19
Net gains arising from financial investments	<b>(32)</b>	660	(104.85)
Share of profits of associates and joint ventures	<b>161</b>	70	130.00
Other operating income	<b>12,574</b>	10,571	18.95
<b>Total other non-interest income</b>	<b>30,340</b>	21,255	42.74

During the Reporting Period, the Group realised other non-interest income of 30.340 billion, of which 17.637 billion was gain on investments, representing an increase of 7.683 billion on a year-on-year basis or 77.19%, mainly attributable to the growth of subsidiaries' equity investments and gain on changes in fair value. Meanwhile, there was also an increase in the gains and losses on debt and interest-rate derivatives, due to the combined impact of factors such as business scale expansion, improvement in market expectations, and the expected slowdown in rising interest rate of the US dollar. Besides, it also attributable to the decline in the gains and losses on the translation of US dollar (long position) and losses on certain currency swap products.

(5) *Operating expenses*

During the Reporting Period, the Group's operating expenses increased by 1.707 billion or 4.45% on a year-on-year basis to 40.079 billion. The Group's cost-to-income ratio was 29.22%, representing a year-on-year decrease of 0.09 percentage point. The cost-to-income ratio is around 26% if the tax exemption effect of bond interest income and other income was restored.

The breakdown of the Group's operating expenses for the periods indicated is shown below:

*(in millions of RMB unless otherwise stated)*

	<b>Six months ended on 30 June</b>		
	<b>2023</b>	2022	Increase/ (decrease)(%)
Staff remuneration, bonus, allowance and welfare	<b>9,808</b>	9,776	0.33
Other staff costs	<b>5,606</b>	5,021	11.65
Operating expenses	<b>19,933</b>	19,365	2.93
Depreciation and amortisation	<b>4,732</b>	4,210	12.40
<b>Total operating expenses</b>	<b>40,079</b>	38,372	4.45

(6) *Asset impairment losses*

During the Reporting Period, the Group's asset impairment losses were 36.940 billion, representing a year-on-year decrease of 577 million or 1.54%, of which the credit impairment losses on loans decreased by 1.179 billion or 3.41% on a year-on-year basis to 33.413 billion. Pursuant to the *CBIRC Notice on Promulgation of the Administrative Measures for Implementation of the Expected Credit Losses Method by Commercial Banks (Yin Bao Jian Gui [2022] No. 10)*, the Group continued to adopt the expected credit loss method and updated the parameters of the impairment model in a timely manner to reflect the impact of changes in the external environment on asset credit risk. In recent years,

the Group has continued to strengthen asset quality by making reasonable and adequate provisions based on accurate measurement, therefore, sufficient risk resistance and loss absorption capacity has been well established.

(7) *Income tax*

During the Reporting Period, the Group's income tax expenses increased by 1.617 billion or 108.45% on a year-on-year basis to 3.108 billion. The effective tax rate of 6.26% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group, as promulgated in relevant tax provisions.

2. *Analysis on Key Balance Sheet Items*

(1) *Assets*

As at the end of the Reporting Period, the Group's total assets increased by 821.789 billion or 6.33% over the end of the previous year to 13,813.360 billion, which was mainly due to the increase in the scale of loans and advances to customers as well as financial investments. The balances (after provision) of the key components of the Group's total assets and their proportions to the total assets as at the dates indicated are shown below:

*(in millions of RMB unless otherwise stated)*

	<b>30 June 2023</b>		31 December 2022	
	<b>Balance</b>	<b>Proportion (%)</b>	Balance	Proportion (%)
Loans and advances to customers (after provision)	<b>7,613,830</b>	55.12	7,135,454	54.93
Financial investments	<b>4,030,061</b>	29.18	3,955,207	30.44
Cash and balances with central banks	<b>815,757</b>	5.91	806,102	6.20
Due from and placements with banks and other financial institutions	<b>834,882</b>	6.04	690,421	5.31
Others	<b>518,830</b>	3.75	404,387	3.12
<b>Total assets</b>	<b>13,813,360</b>	100.00	12,991,571	100.00

① Loans and advances to customers

During the Reporting Period, the Group resolutely implemented the decision-making and deployment of the CPC Central Committee, such as consolidating the real economy, driving consumption, increasing investments and expanding foreign trade with multiple measures and precise efforts, by way of intensified financial support to achieve effective qualitative enhancement and reasonable quantitative growth.

The balance and breakdown of the Group's loans and advances to customers at the dates indicated are shown below:

*(in millions of RMB unless otherwise stated)*

	30 June 2023		31 December 2022		31 December 2021	
	Proportion		Proportion		Proportion	
	Balance	(%)	Balance	(%)	Balance	(%)
<b>Corporate loans</b>	<b>5,134,956</b>	<b>65.87</b>	4,711,353	64.58	4,138,582	63.09
– Short-term loans	1,562,770	20.05	1,438,252	19.72	1,309,291	19.96
– Medium and long-term loans	3,572,186	45.82	3,273,101	44.86	2,829,291	43.13
<b>Personal loans</b>	<b>2,416,037</b>	<b>30.99</b>	2,365,317	32.43	2,285,096	34.83
– Mortgage	1,496,827	19.20	1,512,648	20.74	1,489,517	22.70
– Credit card	480,828	6.17	477,746	6.55	492,580	7.51
– Others	438,382	5.62	374,923	5.14	302,999	4.62
<b>Discounted bills</b>	<b>244,712</b>	<b>3.14</b>	218,295	2.99	136,722	2.08
<b>Total</b>	<b>7,795,705</b>	<b>100.00</b>	7,294,965	100.00	6,560,400	100.00

As at the end of the Reporting Period, the Group's total loans and advances to customers increased by 500.740 billion or 6.86% over the end of the previous year to 7,795.705 billion, among which the RMB loans from domestic banking institutions increased by 492.282 billion or 7.47% over the end of the previous year.

The corporate loan balance was 5,134.956 billion, achieving an increase of 423.603 billion or 8.99% over the end of the previous year. The proportion of corporate loans in loans and advances to customers increased by 1.29 percentage points to 65.87% over the end of the previous year, among which short-term loans increased by 124.518 billion, and medium and long-term loans increased by 299.085 billion, the proportion of medium and long-term loans in loans and advances to customers increased to 45.82%.

The personal loan balance was 2,416.037 billion, representing an increase of 50.720 billion or 2.14% over the end of the previous year. The proportion of personal loans in loans and advances to customers decreased by 1.44 percentage points to 30.99% over the end of the previous year. Mortgage loans decreased by 15.821 billion or 1.05% over the end of the previous year. The proportion of mortgage loans in loans and advances to customers decreased by 1.54 percentage points to 19.20% over the end of the previous year. Credit card loans increased by 3.082 billion or 0.65% over the end of the previous year.

Discounted bills increased by 26.417 billion or 12.10% over the end of the previous year.

### Distribution of loans and advances to customers by security types

*(in millions of RMB unless otherwise stated)*

	30 June 2023		31 December 2022	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	2,729,462	35.02	2,461,988	33.75
Guaranteed loans	1,296,753	16.63	1,179,381	16.17
Loans secured by collateral	2,608,465	33.46	2,579,866	35.36
Pledged loans	1,161,025	14.89	1,073,730	14.72
Total	7,795,705	100.00	7,294,965	100.00

### Expected credit loss allowance for loans and advances to customers

*(in millions of RMB)*

	30 June 2023	31 December 2022
Balance at the end of the previous year	178,019	161,162
Accrual/(Reversal) in the period	33,413	58,102
Write-offs and disposals in the period	(11,859)	(46,313)
Recovered after written-off	2,804	5,146
Other movements	49	(78)
Balance at the end of the period	202,426	178,019

### ② Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by 74.854 billion or 1.89% over the end of the previous year to 4,030.061 billion.

## The breakdown of investments by nature

*(in millions of RMB unless otherwise stated)*

	30 June 2023		31 December 2022	
	Balance	Proportion (%)	Balance	Proportion (%)
Bonds	3,507,457	87.03	3,416,632	86.38
Equity instruments and others	522,604	12.97	538,575	13.62
<b>Total</b>	<b>4,030,061</b>	<b>100.00</b>	<b>3,955,207</b>	<b>100.00</b>

## The breakdown of investments by the presentation basis of financial statements

*(in millions of RMB unless otherwise stated)*

	30 June 2023		31 December 2022	
	Balance	Proportion (%)	Balance	Proportion (%)
Financial investments at fair value through profit and loss	664,524	16.49	705,357	17.83
Financial investments at amortised cost	2,541,755	63.07	2,450,775	61.97
Financial investments at fair value through other comprehensive income	823,782	20.44	799,075	20.20
<b>Total</b>	<b>4,030,061</b>	<b>100.00</b>	<b>3,955,207</b>	<b>100.00</b>

As at the end of the Reporting Period, the balance of the Group's bonds investments increased by 90.825 billion or 2.66% over the end of the previous year to 3,507.457 billion. In the future, the Bank will reinforce the research and judgement of the economic and financial situation, and focus on the allocation of incremental investment and optimisation of historical bonds investments. Firstly is to maintain the overall strategy of investing mainly in interest rate bonds and make reasonable arrangements for investment in treasury bonds and local treasury bonds. Secondly is to serve the new development pattern and the real economy, actively connected with the financing needs of debt-issuing entities in areas such as science and technology innovation, green development and infrastructure construction, and make a sound project reserve for credit bonds and investment arrangements. Thirdly is to increase the bonds transaction volume and expedite the turnover of treasury bonds and policy bank financial bonds. Fourthly is to seize the market opportunity of higher US bond yields to enhance the value contribution of foreign currency bonds based on good liquidity management.

## The breakdown of bonds investment by issuers

(in millions of RMB unless otherwise stated)

	30 June 2023		31 December 2022	
	Balance	Proportion (%)	Balance	Proportion (%)
Government and central banks	2,700,358	76.98	2,626,005	76.86
Public sector entities	36,686	1.05	37,930	1.11
Interbank institutions and other financial institutions	547,709	15.62	539,009	15.78
Corporate entities	222,704	6.35	213,688	6.25
<b>Total</b>	<b>3,507,457</b>	<b>100.00</b>	<b>3,416,632</b>	<b>100.00</b>

As at the end of the Reporting Period, financial bonds held by the Group amounted to 547.709 billion, including bonds issued by policy banks of 89.181 billion and by interbank institutions and non-bank financial institutions of 458.528 billion, which accounted for 16.28% and 83.72% of the total bonds, respectively.

## Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond name	Face value	Annual		Maturity date	Impairment allowance
		interest rate (%)			
Policy Bank Bond issued in 2017	6,330	4.39		2027/09/08	1.79
Policy Bank Bond issued in 2018	5,005	4.98		2025/01/12	1.43
Commercial Bank Subordinated Bond issued in 2022	3,500	3.00		2032/11/07	–
Commercial Bank Bond issued in 2022	3,436	SOFR+1.06		2027/09/29	2.61
Commercial Bank Subordinated Bond issued in 2022	3,360	3.00		2032/11/10	–
Policy Bank Bond issued in 2017	3,332	4.30		2024/08/21	0.95
Policy Bank Bond issued in 2019	3,227	2.70		2024/03/19	0.37
Commercial Bank Bond issued in 2022	2,980	2.45		2025/11/11	1.68
Commercial Bank Bond issued in 2022	2,978	SOFR+0.78		2025/04/28	0.49
Policy Bank Bond issued in 2018	2,752	4.88		2028/02/09	0.79

③ Foreclosed asset

The selected information of the Group's foreclosed asset on the dates indicated is shown below:

*(in millions of RMB)*

	<b>30 June 2023</b>	31 December 2022
Original value of foreclosed assets	<b>1,437</b>	1,412
Less: Impairment allowance	<b>(424)</b>	(412)
<b>Net value of foreclosed assets</b>	<b>1,013</b>	1,000

(2) *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities increased by 800.412 billion or 6.69% over the end of the previous year to 12,758.461 billion. Among them, deposits from customers increased by 630.526 billion or 7.93% over the end of the previous year, which accounted for 67.25% of total liabilities and represented an increase of 0.78 percentage points over the end of the previous year. The balance of due to and placements from interbank institutions and other financial institutions decreased by 72.501 billion or 6.72% over the end of the previous year to 1,006.092 billion, which accounted for 7.89% of total liabilities and represented a decrease of 1.13 percentage points over the end of the previous year.

**Deposits from customers**

Deposits from customers is the Group's primary funding source. As at the end of the Reporting Period, the Group's balance of deposits from customers increased by 630.526 billion or 7.93% over the end of the previous year to 8,579.598 billion. In terms of customer structure, the proportion of corporate deposits was 60.25%, representing a decrease of 1.11 percentage points over the end of the previous year. The proportion of personal deposits was 38.19%, representing an increase of 1.01 percentage points over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 1.03 percentage points over the end of the previous year to 35.13%, while the proportion of time deposits increased by 0.93 percentage points over the end of the previous year to 63.31%.

The balance and breakdown of the Group’s deposits from customers as of the dates indicated are shown below:

*(in millions of RMB unless otherwise stated)*

	30 June 2023		31 December 2022		31 December 2021	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
<b>Corporate deposits</b>	<b>5,168,576</b>	<b>60.25</b>	4,877,033	61.36	4,550,020	64.63
– Demand deposits	2,124,907	24.77	1,989,383	25.03	2,061,672	29.28
– Time deposits	3,043,669	35.48	2,887,650	36.33	2,488,348	35.35
<b>Personal deposits</b>	<b>3,276,988</b>	<b>38.19</b>	2,955,724	37.18	2,402,812	34.13
– Demand deposits	889,001	10.36	885,013	11.13	850,831	12.09
– Time deposits	2,387,987	27.83	2,070,711	26.05	1,551,981	22.04
<b>Other deposits</b>	<b>2,061</b>	<b>0.02</b>	4,227	0.05	3,359	0.05
<b>Accrued interest</b>	<b>131,973</b>	<b>1.54</b>	112,088	1.41	83,586	1.19
<b>Total</b>	<b>8,579,598</b>	<b>100.00</b>	7,949,072	100.00	7,039,777	100.00

(3) *Off-balance sheet items*

The Group’s off-balance sheet items included derivative financial instruments, contingencies and commitments as well as collaterals.

The Group entered into various derivative financial instruments including interest rate contracts, exchange rate contracts, precious metals and commodity contracts for trading, hedging, asset and liability management and on behalf of customers. Please refer to “VII. Financial Report 8” Derivative Financial Instruments for the details of nominal amount and fair value of the derivative financial instruments.

The Group’s contingencies and commitments mainly included outstanding litigations, credit related commitments and financial guarantees, capital expenditure commitments, operating leasing commitments, commitments on security underwriting and bond acceptance. Please refer to “VII. Financial Report 10” Contingencies for the details of contingencies, and “VII. Financial Report 11” Commitments for the details of commitments.

The Group uses part of its assets as collaterals for interbank repurchase arrangements and other liabilities-related business.

### 3. *Analysis on Key Cash Flow Items*

As at the end of the Reporting Period, the balance of Group's cash and cash equivalents decreased by 24.605 billion over the end of the previous year to 224.198 billion.

The net cash outflows from operating activities increased by 94.232 billion on a year-on-year basis to 5.123 billion, which was mainly resulted from decreases in cash inflows from deposits from customers and the net cash outflow from liquidity instruments such as interbank lending.

The net cash outflows from investing activities decreased by 46.050 billion on a year-on-year basis to 62.228 billion, which was mainly due to the decrease of net cash outflow from securities investment.

The net cash inflows from financing activities increased by 38.877 billion on a year-on-year basis to 40.986 billion, which was mainly due to the increase of net cash inflow from issuance and redemption of bonds.

### 4. *Segment Analysis*

#### (1) *Operating results by geographical segments*

The profit before tax and net operating income from each of the Group's geographical segments for the periods indicated are as below:

*(in millions of RMB unless otherwise stated)*

	Six months ended on 30 June							
	2023				2022			
	Profit before tax	Proportion (%)	Net operating income <sup>1</sup>	Proportion (%)	Profit before tax	Proportion (%)	Net operating income <sup>1</sup>	Proportion (%)
Yangtze River Delta	25,050	50.43	48,302	35.18	21,003	46.02	43,093	32.87
Pearl River Delta	3,481	7.01	12,773	9.30	4,277	9.37	12,584	9.60
Bohai Rim								
Economic Zone	7,652	15.40	15,658	11.40	2,459	5.39	16,311	12.44
Central China	10,107	20.35	19,504	14.21	14,842	32.51	19,292	14.71
Western China	4,243	8.54	11,562	8.42	2,924	6.41	12,044	9.19
North Eastern China	611	1.23	3,662	2.67	325	0.71	3,841	2.93
Overseas	4,057	8.17	9,219	6.71	2,251	4.93	5,647	4.31
Head Office <sup>2</sup>	(5,527)	(11.13)	16,627	12.11	(2,439)	(5.34)	18,282	13.95
Total <sup>3</sup>	49,674	100.00	137,307	100.00	45,642	100.00	131,094	100.00

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investments, net share of profits of associates and joint ventures, and other income. Same applies hereinafter.
2. Head Office included the Pacific Credit Card Centre. Same applies hereinafter.
3. Total included profit/(loss) attributable to non-controlling interests.
4. The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

(2) *Deposits and loans and advances by geographical segments*

The Group's loans and advances balances by geographical segments as at the dates indicated are as below:

*(in millions of RMB unless otherwise stated)*

	<b>30 June 2023</b>		31 December 2022	
	<b>Loans and advances balances</b>	<b>Proportion (%)</b>	Loans and advances balances	Proportion (%)
Yangtze River Delta	<b>2,179,884</b>	<b>27.96</b>	1,999,175	27.40
Pearl River Delta	<b>1,061,872</b>	<b>13.62</b>	978,749	13.42
Bohai Rim Economic Zone	<b>1,210,249</b>	<b>15.52</b>	1,137,282	15.59
Central China	<b>1,285,421</b>	<b>16.49</b>	1,196,075	16.40
Western China	<b>924,395</b>	<b>11.86</b>	875,476	12.00
North Eastern China	<b>258,556</b>	<b>3.32</b>	250,190	3.43
Overseas	<b>375,740</b>	<b>4.82</b>	376,277	5.16
Head Office	<b>499,588</b>	<b>6.41</b>	481,741	6.60
<b>Total</b>	<b>7,795,705</b>	<b>100.00</b>	7,294,965	100.00

The Group's deposit balances by geographical segments as at the dates indicated are as below:

*(in millions of RMB unless otherwise stated)*

	<b>30 June 2023</b>		31 December 2022	
	<b>Deposit balances</b>	<b>Proportion (%)</b>	Deposit balances	Proportion (%)
Yangtze River Delta	<b>2,337,595</b>	<b>27.25</b>	2,157,812	27.15
Pearl River Delta	<b>1,137,068</b>	<b>13.25</b>	1,024,315	12.89
Bohai Rim Economic Zone	<b>1,764,817</b>	<b>20.57</b>	1,671,923	21.02
Central China	<b>1,384,100</b>	<b>16.13</b>	1,260,425	15.86
Western China	<b>914,059</b>	<b>10.65</b>	846,610	10.65
North Eastern China	<b>416,712</b>	<b>4.86</b>	391,719	4.93
Overseas	<b>489,839</b>	<b>5.71</b>	480,408	6.04
Head Office	<b>3,435</b>	<b>0.04</b>	3,772	0.05
Accrued interest	<b>131,973</b>	<b>1.54</b>	112,088	1.41
<b>Total</b>	<b>8,579,598</b>	<b>100.00</b>	7,949,072	100.00

(3) *Operating results by business segments*

The Group's four main business segments are corporate banking, personal banking, treasury businesses and other businesses.

The Group's profit before tax and net operating income from each of the Group's business segments for the periods indicated are as below:

*(in millions of RMB unless otherwise stated)*

	<b>Six months ended on 30 June</b>		2022	
	<b>2023</b>	<b>Proportion (%)</b>	Amount	Proportion (%)
<b>Net operating income</b>	<b>137,307</b>	<b>100.00</b>	131,094	100.00
Corporate banking	<b>66,812</b>	<b>48.67</b>	62,310	47.53
Personal banking	<b>54,364</b>	<b>39.59</b>	52,531	40.07
Treasury businesses	<b>16,016</b>	<b>11.66</b>	15,961	12.18
Other businesses	<b>115</b>	<b>0.08</b>	292	0.22
<b>Profit before tax</b>	<b>49,674</b>	<b>100.00</b>	45,642	100.00
Corporate banking	<b>20,614</b>	<b>41.50</b>	13,949	30.56
Personal banking	<b>17,144</b>	<b>34.51</b>	17,895	39.21
Treasury businesses	<b>12,117</b>	<b>24.39</b>	13,810	30.26
Other businesses	<b>(201)</b>	<b>(0.40)</b>	(12)	(0.03)

Note: The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

## 5. Capital Adequacy Ratio

### (1) Measurement scope

The calculation of capital adequacy ratio included all of the Group's domestic and overseas branches and subsidiaries of those financial institutions (excluding insurance companies).

### (2) Measurement method

The Group calculated the capital adequacy ratios pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation) issued by the CBIRC and the relevant requirements. Since the adoption of the Advanced Approach of Capital Management upon the first approval by the CBIRC in 2014, the Bank promoted the implementation and deepened the application of advanced methods in accordance with regulatory requirements. Upon the approval by the CBIRC in 2018, the Bank expanded the application scope of advanced methods and ended the parallel period. According to the Additional *Regulatory Rules on Systemically Important Banks (Trial Implementation)* issued by the People's Bank of China (the "PBOC") and the CBIRC in 2021, the additional capital requirement of the Group is 0.75%.

### (3) Measurement result

As at the end of the Reporting Period, the Group's capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio were 14.57%, 11.86%, and 9.84% respectively, all of which met the regulatory requirements.

*(in millions of RMB unless otherwise stated)*

	30 June 2023		31 December 2022	
	The Group	The Bank	The Group	The Bank
Net core tier-1 capital	<b>860,053</b>	<b>711,766</b>	840,164	701,902
Net tier-1 capital	<b>1,036,471</b>	<b>886,555</b>	1,016,644	876,692
Net capital	<b>1,272,971</b>	<b>1,119,391</b>	1,250,317	1,104,732
Core tier-1 capital adequacy ratio (%)	<b>9.84</b>	<b>9.14</b>	10.06	9.40
Tier-1 capital adequacy ratio (%)	<b>11.86</b>	<b>11.38</b>	12.18	11.74
Capital adequacy ratio (%)	<b>14.57</b>	<b>14.37</b>	14.97	14.80

Note: China BoCom Insurance Co., Ltd. and BOCOM MSIG Life Insurance Company Limited were excluded from the scope of consolidation.

(4) *Risk-weighted assets*

According to the implementation scope of the Advanced Measurement Approach of Capital Management approved by the CBIRC, the credit risk that met the regulatory requirements was assessed by the internal rating-based approach, the market risk was assessed by the internal model approach, and the operational risk was assessed by the standardised approach. The credit risk not covered by the internal rating-based approach was assessed by the weighted approach. The market risk not covered by the internal rating-based approach was assessed by the standardised approach. The operational risk not covered by the standardized approach was assessed by the basic-indicator approach.

*(in millions of RMB)*

	<b>30 June 2023</b>	31 December 2022
Credit risk-weighted asset	<b>8,052,118</b>	7,610,940
Covered under internal rating-based approach	<b>5,931,351</b>	5,615,945
Not covered under internal rating-based approach	<b>2,120,767</b>	1,994,995
Market risk-weighted asset	<b>270,655</b>	325,910
Covered under internal model approach	<b>208,530</b>	263,735
Not covered under internal model approach	<b>62,125</b>	62,175
Operational risk-weighted asset	<b>413,224</b>	413,224
Additional risk-weighted assets due to use of capital floor	–	–
<b>Total risk-weighted assets</b>	<b>8,735,997</b>	8,350,074

(5) *Credit risk exposure*

*(in millions of RMB)*

	<b>30 June 2023</b>		31 December 2022	
	<b>Covered under internal rating- based approach</b>	<b>Not covered under internal rating- based approach</b>	Covered under Internal rating- based approach	Not covered under internal rating- based approach
Corporate risk exposure	<b>6,191,778</b>	<b>319,394</b>	5,752,836	298,071
Sovereign risk exposure	–	<b>2,682,705</b>	–	2,581,026
Financial institution risk exposure	<b>1,141,027</b>	<b>541,947</b>	1,107,200	498,076
Retail risk exposure	<b>2,594,362</b>	<b>519,123</b>	2,629,585	442,362
Equity risk exposure	–	<b>76,799</b>	–	77,138
Asset securitisation risk exposure	–	<b>6,713</b>	–	6,757
Other risk exposures	–	<b>1,300,411</b>	–	1,169,691
<b>Total</b>	<b>9,927,167</b>	<b>5,447,092</b>	9,489,621	5,073,121

(6) *Market risk capital requirement*

*(in millions of RMB)*

<b>Risk type</b>	<b>30 June 2023</b>	31 December 2022
Market risk covered under internal model approach	<b>16,682</b>	21,099
Market risk not covered under internal model approach	<b>4,970</b>	4,974
Interest rate risk	<b>3,667</b>	3,646
Stock risk	<b>119</b>	121
Foreign exchange risk	<b>976</b>	1,183
Commodity risk	<b>8</b>	4
Option risk	<b>200</b>	20
<b>Total</b>	<b>21,652</b>	26,073

(7) *Value at risk (VaR)*

The Group adopted the historical simulation method to calculate VaR and stressed value at risk (SVaR), both of which had a historical observation period of one year and a holding period of ten working days with a one-tailed confidence interval of 99%.

*(in millions of RMB)*

	January to June 2023			January to June 2022				
	At the end of the period	Average	Maximum	Minimum	At the end of the period			
					Average	Maximum	Minimum	
Value at risk (VaR)	1,125	1,668	2,074	1,125	1,659	1,367	1,834	867
Stressed value at risk (SVaR)	3,191	3,818	4,451	3,153	3,754	3,410	4,251	2,663

6. *Leverage Ratio*

The Group calculated the leverage ratio pursuant to *the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* issued by the CBIRC. According to the *Additional Regulatory Rules on Systemically Important Banks (Trial Implementation)* issued by the PBOC and the CBIRC in 2021, the additional required leverage ratio of the Group is 0.375%. As at the end of the Reporting Period, the Group's leverage ratio was 6.84%, which met the regulatory requirements.

*(in millions of RMB unless otherwise stated)*

	30 June 2023	31 March 2023	31 December 2022	30 September 2022
Net tier-1 capital	<b>1,036,471</b>	1,039,682	1,016,644	993,562
Balance of adjusted on- and off balance sheet assets	<b>15,150,643</b>	14,983,789	14,349,614	14,005,204
Leverage ratio (%)	<b>6.84</b>	6.94	7.08	7.09

## (II) Business Review

### 1. *Development Strategies and Implementation*

The Group is guided by Xi Jinping Thoughts on Socialism with Chinese Characteristics for a New Era and is led by the strategic goal of “build a world-class banking group with business features and advantages”, performed the enterprise mission of “Creating Shared Value”. In order to promote the implementation of the strategy, the Bank has formulated the “14th Five-Year Plan” (2021-2025), committing to creating four major business features, took Green Finance as the background of the Group’s business operation and development, took the construction of Shanghai Base and digital transformation as two breakthroughs in achieving the implementation of strategy.

#### (1) *Create business features*

**Inclusive finance** Bank intensified its efforts in the strategic deployment of “Enhancing the Inclusiveness of Finance” and expanding domestic demand, and steadily improved the quality and efficiency of inclusive financial businesses. As at the end of the Reporting Period, the balance of inclusive loans for small and micro enterprises and personal consumption loan increased by 19% and 39% respectively, compared with over the end of the previous year, while the share was continually increasing. Additionally, the number of customers of inclusive small and micro enterprises with loans balance increased by 10% over the end of the previous year, while the coverage of financial services was continually expanding. Besides, in terms of innovative rural financial services, the balance of agriculture-related loans increased by 16% over the end of the previous year.

**Trade finance** The Bank actively served the development of industrial chain and supply chain and high-level opening to the outside world under the background of “Dual Circulation”, realized domestic and overseas, local and foreign currency, onshore and offshore integrated financial services integration. In the first half of the year, the amount of trade finance incurred was 761.8 billion, exceeding the amount of the whole year of 2020. Meanwhile, the market share of cross-border business was 4.05% and cross-border business income was 10.55% of the income from intermediary businesses, representing an increase of 0.41 and 4.2 percentage points compared with the end of 2020, respectively.

**Sci-tech finance** The Bank kept up with the pace of national technological self-reliance and industrial transformation and upgrading, served and supported a virtuous cycle of “Technology-Industry-Finance”. As at the end of the Reporting Period, the number of credit customers of sci-tech finance increased by 17% as compared with the end of the previous year, which was 2.6 times over the end of 2020. The balance of loans to strategic emerging industries increased by 31% over the end of the previous year, and the proportion of public loans increased by 13 percentage points compared with the end of 2020.

**Wealth finance** The Bank strengthened the operation of full volume of customers, brought wealth management products’ and service brand’s superiorities into full play, better met the multi-level wealth management needs of the people. As at the end of the Reporting Period, the balance of the Group’s wealth management products increased by 4% compared with the end of the previous year. Individual financial assets under management (AUM<sup>1</sup>) managed by domestic branches increased by 6% over the end of the previous year. The Bank continuously deepened customer expansion and potential exploration, and the number of middle and high-end customers increased by 7% over the end of the previous year. During the Reporting Period, the proportion of the wealth management’s net income from intermediary businesses increased by 3.5 percentage points from the end of 2020.

The Bank integrated the concept of green development into the entire process of creating business characteristics and strived to open up a new situation for the development of green finance. As at the end of the Reporting Period, the balance of green loans increased by 25% compared with the end of previous year, with the increment in the first half of 2023 exceeding that of the full year of 2022, reaching the highest level in the same period of recent years; furthermore, the green credit business had been fully covered across the National Green Finance Reform and Innovation Pilot Zone. As at the end of the Reporting Period, the Bank had issued 110.0 billion of green financial bonds in the interbank market.

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<sup>1</sup> Excluding the number value of customers’ securities. Same applies hereinafter.

(2) *Focusing on two breakthroughs and continuing to exert efforts*

**Leverage the advantages of “Shanghai Base” and leading role** The Group regarded the construction of “Shanghai Base” as a strategic arrangement and continued to promote innovation and breakthroughs, and was committed to making “Shanghai Base” a source of innovation for the Group. Furthermore, the Group has promoted its nine typical experiences and practices including “One Thing” for sci-tech finance, “One Thing” for medical treatment payments etc., in Shanghai base to all branches. In terms of consolidating the financial service function and serving the economic and social development in Shanghai, the coverage rate of cooperation in major projects at the city and district level in Shanghai increased by 8 percentage points compared over the end of the previous year; the balance of loans and the number of loan customers of sci-tech finance in Shanghai increased by 27% compared with the end of the previous year. In an effort to build up the 20 key industrial chains in the Yangtze River Delta, the business volume and the number of customers acquired increased by 44% and 30% on a year-on-year basis, respectively. In respect of serving the factor market construction for Shanghai International Financial Centre, the trading volume of the interbank market in the first half of 2023 increased by 42% on a year-on-year basis, and the trading volume of currencies, bonds, foreign exchange and precious metals maintained the Bank as an active trader.

**Deeply promoting digital transformation** The Group fully utilised the new elements empowerment business of “Data + Technology” to improve the quality and enhance the efficiency, and continuously strengthened the ability of value creation of financial technology. During the Reporting Period, the Bank continued to increase investment in digital transformation, fintech talents accounted for 6.51% of the total number of the Group. The Bank accelerated the construction of channels and scenarios, further expanded innovative scenarios and facilitated the replication of models by relying on the new-generation open banking platform, and besides, the Cloud BoCom built a “cloud outlet, cloud teller, and cloud butler” system based on remote video services. The Bank steadily pushed forward the construction of enterprise-level architectures for retail credit, B2B payment, and digital risk management projects, and therefore, the role of middle-office and enterprise-level architecture gradually came to the fore in supporting business innovation. Furthermore, the Bank made efforts to build a new AI-based business card for BoCom, proactively deployed the AIGC cutting-edge technologies, increased the depth and breadth of AI application in various business scenarios, and empowered the refined customer operations.

## 2. *Corporate Banking Business*

- ◆ The Bank promoted an increase in total credit allocation with an excellent structure. During the Reporting Period, the Group's corporate loan balance increased by 423.603 billion or 8.99% over the end of the previous year, in which domestic Medium and long-term loans of the manufacturing industry, green credit, strategic emerging industry loans and the agriculture-related loans increased by 28.71%, 25.23%, 31.10% and 15.61% respectively, all exceeding the average growth rate of the Group's loans.
- ◆ The Bank served national strategies and supported the development of key areas. As at the end of the Reporting Period, the balance of loans of three major regions including the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area and the Beijing-Tianjin-Hebei Region increased by 7.64% over the end of the previous year, exceeding the average growth rate of the Group's loans by 0.78 percentage points. Balance of loans in these three major regions accounted for 53.84%, representing an increase of 0.39 percentage points over the end of the previous year.
- ◆ The Bank deepened business features and continued to accelerate the rapid development of sci-tech finance as well as industrial chain finance. At the end of the Reporting Period, the number of credit customers in sci-tech finance increased by 17.02% compared with the end of the previous year, and loans to scientific and technological enterprises increased by 39.00% compared with the end of the previous year; the business volume of industrial chain finance increased by 31.41% year-on-year.

### (1) *Customer development*

The Bank continuously optimised the management of corporate customers by tiered classification and built a refined and professional service system. As at the end of the Reporting Period, the total number of corporate customers of domestic branches increased by 4.36% over the end of the previous year.

For group customers, the Bank increased its services and support for national strategies such as strong manufacturing and transportation and continued to optimise credit management policies and processes. It also established a group-wide integrated and collaborative service system and comprehensively improved the level of Group customer service. As at the end of the Reporting Period, the number of the Bank's Group customers reached 94.5 thousand, representing an increase of 5.8 thousand over the end of the previous year. For government institutions customers, the Bank actively participated in the construction of digital government and the process of urban digital transformation. It assisted in the provision of convenient government services and built a smart government

product system. As at the end of the Reporting Period, the number of government institutions customers reached 74.7 thousand, representing an increase of 688 over the end of the previous year. For small and micro basic customers, the Bank further implemented the Online Management and Remote Management system; built a four-in-one service system: electronic channels, online products, outbound service and branch support; enhanced digital marketing support and improved services for basic customers. As at the end of the Reporting Period, the number of small and micro basic customers reached 2,363.7 thousand, representing an increase of 107.8 thousand over the end of the previous year.

(2) *Scenario construction*

The Bank intensively explored scenario construction through digital thinking and gained noticeable achievement in subdivided scenarios such as medical care, schools, parks and central corporate treasury. The “Credit for Medical Treatment” initiative has been launched in 57 cities, including Shanghai, Nanjing, Dalian, Guangzhou and Kunming, to solve the problem in queuing for medical treatment through the new model of “Treatment First and Payment Later”. The total number of customers signed up on the Intelligent Financial Services Platform exceeded 127.2 thousand, an increase of 15.9 thousand from the end of the previous year, with a collection and settlement volume of RMB893.935 billion, an increase of 287.76% year-on-year. In terms of scenario construction, the Bank has provided a comprehensive service platform for smart national or provincial-level industrial parks across 11 provinces and cities, including Anhui, Jiangsu and Hubei. The service capability of BoCom Smart Schools was further improved to accurately serve the education authorities, various schools at all levels, catering companies and other segmented customer groups. The Bank accelerated the financial services for the construction of treasury system by launching the innovative bank account monitoring service based on RPA technology, for the purpose of assisting the digital transformation and upgrading of the financial management of central enterprise and other state-owned enterprise groups.

(3) *Services to inclusive small and micro enterprises*

The Bank continued to optimise its inclusive financial service series products by focusing on customer experience, expanding the coverage of inclusive financial services, and also focusing on small and micro financial services in key areas such as sci-tech-based small and micro enterprises, industrial chain finance, and transportation and logistics. The Bank vigorously developed scenario finance, and established the customised scenario model in the four major fields of science and innovation, manufacturing, rural revitalisation, and individual businesses, so as to meet the personalised financial needs of small and micro customers. Full life cycle financial services were provided for small and micro customers by focusing on customers and market needs. The Bank adhered to the concept of digital risk control and implemented a centralised operating model for post-loan business, so as to improve the accuracy and convenience of post-loan management based on online intensive management methods.

At the end of the Reporting Period, the balance of inclusive loans to small and micro enterprises was 540.914 billion, which was an increase of 18.55% over the end of the previous year. The number of customers with loan balances was 321.4 thousand, representing an increase of 9.65% over the end of the previous year. The accumulated average interest rate of inclusive loans to small and micro enterprises was 3.53%, representing a decrease of 22 basis points over the end of the previous year. Non-performing loan ratio of inclusive small and micro enterprises was 0.68%, representing a decrease of 13 basis points over the end of the previous year. Also, 2,774 business outlets of the Bank provided financing services and other financial services for small and micro enterprises.

(4) *Industrial chain finance*

Using innovative products, the Bank deepened cooperation with leading enterprises in manufacturing, strategic emerging industry, science and innovation, green development and other key industries to meet their upstream and downstream financing needs and serve the construction of modern industrial systems. Concentrating on technological empowerment, the Bank developed an industrial chain rapid financing product line. The Bank also promoted the application of BoCom's self-built smart transaction chain platform. Moreover, the Bank promoted cooperation among 16 mainstream platforms, such as TravelSky and CSCC, to realise cross-scenario financial cooperation and automate the whole process of rapid payment, which greatly improved user experience. The Bank stimulated special authorisation, system innovation and process optimization to meet the personalised financing needs of enterprises in the principle of "one policy for one chain". During the Reporting Period, the industrial chain financial business was 280.385 billion, which increased by 31.41% on a year-on-year basis. There were 27.6 thousand financing customers, increased by 49.19% on a year-on-year basis.

(5) *Sci-tech services*

The Bank proactively adhered to the strategy of strengthening the country through science and technology, by guiding financial resources to gather in those original and leading “hard & core technology” fields, providing multi-level, specialised and distinctive sci-tech financial products and services for sci-tech-based enterprises, and therefore, driving the formation of a virtuous interactive cycle among finance, science and technology, and the industry. The Bank made great efforts to improve the strategic emerging industries, advanced manufacturing industry, sci-tech innovation, green and low-carbon, the upgrading of traditional industries and others by optimising customer structure and asset structure, thereby increasing the interest income and the income from intermediary businesses. The Bank innovated and continued to expand the integrated business model of “special-level of sci-tech finance”, integrated the resources from the government, institutions, capital market and other channels by taking “specialisation in science and technology” as a breakthrough, accurately supporting key customer groups such as sci-tech-based small and medium-sized enterprises, national manufacturing champions, specialised and sophisticated enterprises, and thereby creating a sci-tech financial ecosystem. As at the end of the Reporting Period, sci-tech finance credit customers increased by 17.02% over the end of the previous year. The loan balance of strategic emerging industries increased by 31.10% compared with the end of the previous year. There were 3,492 “little giant” enterprises of “specialisation, delicacy, characterisation and novelty”, with a market coverage rate of 39.00%, and their loan balances increased by 18.69% over the end of the previous year.

(6) *Investment bank*

The Bank attempted to serve the national strategies and build an innovative investment bank. During the Reporting Period, the bond underwriting according to NAFMII (debt financing instruments for non-financial enterprises) reached 169.470 billion. During the Reporting Period, the increase in new domestic and overseas mergers and acquisitions finance was 42.1 billion, of which the size of domestic Renminbi mergers and acquisitions loans moved up 1 place in the rankings compared with that of the beginning of the year. The Bank served the green development strategy by underwriting green bonds (including carbon neutrality bonds) for 7.082 billion, increased by 70.04% year-on-year. The bank landed 3.1 billion in green M&A loans and invested 2.202 billion in green new energy equity. The Bank improved the balance sheet of high-quality real estate enterprises and promoted the stable and healthy development of the real estate market, helped real estate enterprises to raise 20.4 billion in debt financing, landed 9.171 billion in real estate mergers and acquisitions loans. The Bank was awarded the “Outstanding Institution of the Year” at the 9th Annual Conference of China Securitisation Forum in 2023, the “2023 Tianji Award for Boutique

Investment Bank in the Banking Industry” and the “2023 Tianji Award for Outstanding Banking Financial Advisor of the Year” by the Securities Times, etc.

### 3. *Personal Banking Businesses*

- ◆ The personal deposits and loans in banks grew steadily. As at the end of the Reporting Period, the balance of personal deposits was 3,276.988 billion, representing an increase of 10.87% over the end of the previous year. The balance of personal loans was 2,416.037 billion, representing an increase of 2.14% over the end of the previous year. The balance of personal consumption loans of domestic branches increased by 39.30% over the end of the previous year, whose market share<sup>2</sup> increased by 0.77 percentage points over the end of the previous year.
- ◆ The base of retail customers is stable and strengthened, AUM sustainably grew. As at the end of the Reporting Period, the number of retail customers of domestic branches (including debit card and credit card customers) increased by 1.44% over the end of the previous year, and the number of middle and high-end customers<sup>3</sup> increased by 6.92% over the end of the previous year. The scale of AUM increased by 6.11% over the end of the previous year.

#### (1) *Retail customers and AUM*

The Bank attempted to drive financial services based on big data by accelerating retail digital transformation, creating a closed loop of “online + offline” service channels, strengthening the full product and business process management. The Bank deepened the management of retail customer stratification and classification, by optimising the customer profile system based on the retail marketing platform, and building a closed loop of digital marketing to achieve more accurate and effective customer reach. The Bank strengthened digital operation, promoted digital customer management strategies, enriched financial service scenarios, enhanced the effectiveness of customer acquisition and activation in all channels and scenarios, empowered business development with digitalisation, and realised sustained and stable growth in AUM scale. As at the end of the Reporting Period, the number of retail customers of domestic branches (including debit card and credit card customers) increased by 1.44% over the end of the previous year to 194 million. The number of qualified customers of OTO Fortune increased by 6.91% over the end of the previous year to 2,372.0 thousand. The scale of AUM increased by 6.11% over the end of the previous year to 4,903.758 billion.

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<sup>2</sup> Standards of 17 commercial banks. Same applies hereinafter.

<sup>3</sup> Including the qualified OTO Fortune customers of domestic branches and the private banking customers of the Group.

(2) *Wealth management*

Adhering to the customer orientation, the Bank reinforced the investment and research support, enhanced digital operation, so as to serve customers' multi-level and personalised wealth management needs, and form a retail digital operation system. By giving full play to the Group's advantages in terms of integrated operation, the Bank integrated the Group's investment and research resources, and enhanced the support of investment and research results for performance enhancement of various wealth management products, product selection, marketing services, and customer accompaniment. Adhering to the customer orientation, the Bank strengthened the supply capacity of wealth management products, held on to the principle of openness and integration, and selected high-quality products from the market. The Bank integrated quantitative indicators and expert experience, focused on customer benefits and experience, optimised the "OTO Best Choice" product system, and thereby improving customer accompaniment and after-sales service, The "OTO Best Choice" product series outperformed their market counterparts in the first half of 2023. The Bank adhered to the principle of providing financial benefits for the public and benefiting customers, such as launching preferential activities for fund subscription rates in mobile banking. As at the end of the Reporting Period, the balance of personal public funds product on consignment was 243.839 billion. The balance of wealth management products on consignment was 808.282 billion. The balance of insurance products on consignment was 284.756 billion.

(3) *Scenarios and payment*

The Bank focused on the construction of government affairs scenarios and government APP for citizens, and established a cashier + wallet + credit service solution, strengthened the application depth and breadth of digitalisation in various business scenarios, and improved service capabilities in scenarios such as ride-hailing, payment, credit, and payment, etc. The Bank expanded the coverage of transportation scenarios, built a membership system in the fields of public transportation, new energy vehicles, airlines, and aftermarket, enriched preferential payment rights and interests, for the purpose of providing customers with safe, convenient and compliant account and payment services. The Bank focused on medical and health scenarios, optimised the payment process for medical treatment, expanded service scenarios such as community hospitals, cross-provincial medical treatment, and drug purchase, so as to provide convenient and beneficial payment services. The Bank deepened the construction of smart schools and provided safe, convenient and intelligent solutions for education needs to schools through open banking.

As at the end of the Reporting Period, the accumulated number of debit cards issued amounted to 178.7197 million, representing a net increase of 5.2042 million over the end of the previous year. During the Reporting Period, the number of debit card customers acquired online increased by 5.26 percentage points compared with the end of the previous year. In an effort to promote the development of time-honoured brands and boost the consumption of time-honoured brands, the Bank jointly carried out time-honoured carnival-themed marketing activities with the Ministry of Commerce, China UnionPay and other institutions to enrich consumer payment scenarios. During the Reporting Period, the accumulated consumption paid by debit card amounted to 1,189.355 billion.

(4) *Consumer finance*

The Bank proactively implemented the national housing credit policy by supporting rigid and improved housing demand according to urban-specific policies; and in response to the housing needs of new citizens and young people, the Bank provided differentiated credit policies and service plans to tap the market potential. In order to support the expansion of domestic demand, the Bank continued to improve the consumer loan products, and expand the breadth and depth of consumer loan services; besides, the Bank provided innovate exclusive consumer credit products for new citizens, and also offered the “Elite Benefit Loan” to meet the differentiated service needs of fresh graduates. The Bank launched the Auto Scenario Loan 2.0 to continuously improve customer experience and cover a wider range of car buyers. The Bank continued to promote digital transformation and technology empowerment, used enterprise-level architecture to efficiently integrate business processes, and strengthened flexible product configuration and rapid promotion; furthermore, the Bank improved digital risk control capacity building, promoted the unified pre-credit-granting and credit line view, deepened anti-fraud capacity building and application, thereby building an omni-channel joint prevention and control system.

As at the end of the Reporting Period, the personal housing loan balance decreased by 1.05% over the end of the previous year. The personal consumption loan balance of domestic branches increased by 39.30% over the end of the previous year. The overdraft balance of domestic banks’ credit cards increased by 0.65% over the end of the previous year, the combined market share of personal consumption loans and credit card overdrafts increased by 0.2 percentage points over the end of the previous year.

(5) *Private banking*

The Bank consolidated the Group's resources to establish an investment and research driving mechanism, planned a product strategy system, regularly released the list of "private banking selection" products, so as to improve customer service. With the accelerating development of family wealth management business, and as at the end of the Reporting Period, the family trust business increased by 69% compared to the end of the previous year. The Bank guided wealth for good, innovated the "Ruishan Light Up Dreams" charitable trust; by leveraging the Group's advantages, the Bank opened up the "Great Wealth-Great Asset Management-Great Investment Bank" business service chain, and launched sustainable trust products. As at the end of the Reporting Period, there were 82.4 thousand private banking customers of the Group, representing an increase of 7.03% over the end of the previous year; the assets of private banking customers under management of the Group were 1,145.7 billion, representing an increase of 5.65% over the end of the previous year.

(6) *Credit card*

The Bank took multiple measures to promote consumption and benefit people's livelihood, such as upgrading the Red Hot Friday activity, launching a number of large-scale card-using activities such as Spring Festival Consumption Promotion Activity, Shanghai's Double-Five Shopping Festival, offering consumption cashback for 618 Shopping Festival at E-commerce Platforms, etc., for the purpose of deepening the construction of the card-using environment. The Bank promoted the installment business for car purchase scenarios by optimising the automotive installment products, systems and risk strategies. The Bank launched card products for different customer groups such as new citizen card, car owner customer group theme card, and Yiran Platinum card. During the Reporting Period, the total spending of credit cards ranked third in the industry, unchanged from the end of the previous year. Among the new active users, high-quality target customers accounted for 60.37%, an increase of 13.44 percentage points over the end of the previous year.

Deepening digital transformation. The Bank explored the deepening application of intelligent scenarios based on large language model technology. The Bank continued to optimise the online operation platform of Go Pay APP to improve the user experience of credit card services, and the online business diversion rate reached 98.08%.

As at the end of the Reporting Period, the cards in force reached 74.5598 million. The net increase of new cards reached 51.5 thousand. The accounts receivables from domestic branches reached 480.726 billion<sup>4</sup>. During the Reporting Period, the total spending reached 1,432.923 billion. In detail, the volume of online payment transactions up 6.58% on a year-on-year basis.

(7) *Pension finance*

The Bank proactively served the national strategy of coping with the aging population by building a pension finance service system. The Bank solidly promoted personal pension business, offered multi-channel account opening service, and continuously optimised the account opening experience; a total of 148 types of products was sold on a commission basis, with all categories of product shelves available. Giving full play to the advantages of integrated operation, the Bank's subsidiaries proactively carried out commercial pension finance business, with the management scale of pension target funds ranking first in the industry, the yield of pension wealth management products among the leaders in the market, furthermore, the Bank released the first personal pension annuity insurance product to serve the diversified pension investment needs of the masses. The Bank continued to strengthen the account management and custody services of the national social security fund, basic pension fund and enterprise (occupational) annuity, realising stable business growth in this regard. The Bank proactively promoted the development of special inclusive pension refinancing business, improved financial support for elderly care service institutions, and the number of credit customers in the elderly care service industry increased by 12.09% compared with the end of the previous year.

**4. *Interbank and Financial Market Businesses***

- ◆ The Bank actively supported the construction of Shanghai as an international financial centre, intensively participated in the financial market development of bonds, currencies and foreign exchange of China, improved its market making and quotation ability, deepened its cooperation in financial element market businesses, optimised its custody professional services, and transformed financial market products into quality services satisfying the demands of all kinds of customers, to constantly strengthen the capability to serve the real economy.

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<sup>4</sup> The credit card overdraft balance in domestic branches includes the balance of personal credit card loans and the balance of corporate business card loans.

(1) *Inter-bank businesses*

The Bank optimised the settlement business in the financial factor market and served the smooth operation of the financial market. During the Reporting Period, the volume of the Bank's agent clearing business in Shanghai Clearing House topped in the market, and the volume of securities and futures settlement was also leading the market. The Bank seized the opportunity of innovation in the interbank market, being one of the first to carry out the "foreign currency pairs" agency clearing business, and the digital RMB settlement service for the spot clearing business of commodities in the Shanghai Clearing House.

The Bank enriched inter-industry cooperation to better meet the financial services needs of various types of customers. The Bank supported the development of capital markets by joining hands with 107 securities companies in third-party depository management business, 93 securities companies in the financing and securities depository management business, and 148 futures companies in the bank-futures transfer business, it provided settlement and other services for corporate and individual clients to participate in capital market investment transactions. The Bank strengthened cooperation with cross-border inter-bank payment clearing companies and expanded the network coverage of the renminbi cross-border payment system by expanding domestic and foreign participating banks. It actively promoted processing and information interaction products of renminbi cross-border business to provide safe and efficient renminbi cross-border payment services for enterprises going global. As at the end of the Reporting Period, the Bank topped the market in terms of the number of peer-to-peer customers of the standard transmit product of online renminbi cross-border payment system.

(2) *Financial market businesses*

Focusing on national strategies and the needs of the real economy, the Bank used a combination of investment and trading instruments to provide key support to key regions such as the Yangtze River Delta, Beijing-Tianjin-Hebei Region and the Greater Bay Area, as well as key projects to benefit the people's livelihood, replenish shortcomings and new infrastructure in order to serve high-quality economic development.

The Bank played the role of "Stabiliser" as a market maker in the interbank market and carried out market making, quotation and trading to help shape the "Shanghai Price". During the Reporting Period, the trading volume of domestic bank currency market amounted to 63.74 trillion; the trading volume of Renminbi bonds amounted to 3.36 trillion; the trading volume in interbank foreign exchange market amounted to USD2.09 trillion; the trading volume of self-operated gold amounted to 3,280 tons, maintaining its market position as an active trading bank.

Serving the construction of Shanghai as an international financial centre, the Bank seized the important opportunity of the reform and opening-up development of the financial market, actively promoted product innovation, As one of the first quotation providers of the “Swap Connect”, the Bank successfully completed the first batch of transactions on the first day of business opening. Besides, the Bank was approved to become a Chinese licensed cross-currency market maker bank under the Framework for Local Currency Settlement between China and Indonesia, which allows the Bank to set up direct conversion business of RMB to Indonesian rupiah (CNY.IDR).

(3) *Custody businesses*

The Bank vigorously developed the public fund custody business through cooperation with leading fund companies, so as to expand the business of high-quality public fund products to meet the wealth management needs of citizens. For the three-pillar pension system, the Bank proactively grasped the opportunities of individual pension business and consolidated the advantages of pension custody business, so as to help the construction of our national pension security system. The Bank focused on key industrial fields encouraged and supported by national policies, such as sci-tech innovation and “specialised and sophisticated enterprises”, and proactively expanded the custody business of private equity funds. Based on the QDII and QFII custody business, the Bank provided efficient custody services for cross-border investment and financing. As at the end of the Reporting Period, the assets under custody reached 13.37 trillion.

(4) *Wealth management businesses*

The Bank adhered to prudent operation of wealth management business and the proportion of net value wealth management products continued to increase. As at the end of the Reporting Period, the balance of asset management products of the Group reached 1,254.462 billion, representing an increase of 3.94% over the end of the previous year, and the balance of net-worth wealth management products reached 1,162.187 billion, accounting for 92.64% of the wealth management products and representing an increase of 2.71 percentage points over the end of the previous year.

## 5. *Integrated operation*

- ◆ The Group established development pattern with commercial banking business as the body, in close coordination and connection with other businesses including financial leasing, fund, wealth management, trust, insurance, overseas securities and debt-to-equity swap, so as to provide comprehensive financial services for customers.
  
- ◆ During the Reporting Period, net profits of subsidiaries<sup>5</sup> that are attributable to shareholders of the Bank amounted to 6.704 billion, the proportion of which to the Group's net profit was 14.56%. As at the end of the Reporting Period, total assets of the subsidiaries are 665.016 billion, the proportion of which to the total assets of the Group was 4.81%.

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<sup>5</sup> Excluding Bank of Communications (Luxembourg) S.A., Bank of Communications (Brazil) Co., Ltd. and Bank of Communications (Hong Kong) Limited, same applies hereinafter

**Bank of Communications Financial Leasing Co., Ltd.** As the Bank’s wholly owned subsidiary, the company was set up in December 2007 with a registered capital of 20 billion. The main business scope includes financing leasing and operating leasing in sectors such as aviation, shipping and energy power, transportation infrastructure, equipment manufacturing and livelihood services. The company was elected as the Fifth Chief Administration Unit of China Banking Association (CBA) Financial Leasing Committee. During the Reporting Period, the company adhered to the development strategies of “Professionalism, Internationalisation, Differentiation and Characteristics”, and was deeply engaged in aviation, shipping, traditional financing leasing and other businesses. As at the end of the Reporting Period, total assets were 409.078 billion, taking the lead in exceeding 400 billion in the industry. The balance of net assets was 43.339 billion, the balance of leasing assets was 357.597 billion. The company’s total assets, leasing assets, operating income, net profit and other main business indicators are ranked first in the industry. The company owned and managed 453 ships and was the largest leasing company in the domestic merchant fleet. The company also had a fleet of 293 planes, making the value of aircraft leasing assets ranked second domestically and tenth globally in the financial leasing industry. The company’s net profit during the Reporting Period was 2.002 billion, representing a year-on-year increase of 6.08%. The company’s total assets, leasing assets, operating income, net profit and other main operating indicators are among the first in the industry. The company has won 15 honorary awards, including the “Best Financial Leasing Company of the Year” by the Financial Times, “Leading Financial Institution Award for 2022 Forbes Financial Leasing Industry”, and “Outstanding Contribution Organisation in Shanghai Interbank Industry” by Shanghai Banking Association.

During the Reporting Period, the company focused on the strategy of “three new and one high (i.e. new stage of development, new concept of development, new pattern of development, high-quality development)”, and continuously optimised the layout of business structure; and as at the end of the Reporting Period, the balance of domestic leasing assets accounted for 63.1%. During the Reporting Period, the company continued to deepen its transformation, with operating leases business accounting for 50.36%, direct leasing business accounting for 50.38%, and green leasing business accounting for 40.34%, continuing to maintain an industry-leading position. During the Reporting Period, the company witnessed an increase of 13.173 billion new business in the Yangtze River Delta region, representing a year-on-year increase of 123.99%, of which Shanghai contributed to 4.720 billion, representing a year-on-year increase of 108.76%, further highlighting its advantage as the home base. The company proactively contributed to the construction of modern industrial system, and during the Reporting Period, it invested 22.076 billion to new infrastructure and new energy projects, representing a year-on-year increase of 127.68%. The company deeply served the Manufacturing Power Strategy, and during the Reporting Period, it

invested 9.212 billion to the manufacturing industry, representing an increase of 89.24% on a year-on-year basis; it ordered 13 ships with value of nearly 6 billion in domestic shipyards, and successively completed the delivery of 6 ultra-large container ships with largest carrying capacity and packing volume across the world. With the important opportunity of the China-Central Asia Summit, the company delivered aircraft to customers in Central Asia for the first time, helping to build the “Air Silk Road”. In order to support high level technology self-reliance of our country, during the Reporting Period, the company served 42 technology-based enterprises, achieved an investment of 9.845 billion, representing a year-on-year increase of 194.96%. As the only financial leasing company selected as a pilot institution of sci-tech finance of the Shanghai Office of CBIRC, the company led the establishment of Shanghai Financial Leasing Service Integrated Circuit Industry Laboratory, and successfully launched the innovative model of “SPV integrated circuit equipment leasing”.

**Bank of Communications International Trust Co., Ltd.** The company was set up in October 2007 with a registered capital of 5.765 billion, of which the Bank and Hubei Provincial Communications Investment Group Co., Ltd. contributed 85% and 15% shares respectively. The main business scope includes trust loans, equity investment trusts, securities investment trusts, credit asset securitization, corporate asset securitization, qualified domestic institutional investor (QDII), family trusts, charitable trusts, etc. During the Reporting Period, based on the strategic goal of “building the most trustworthy first-class trust company”, the company proactively served the real economy, accelerated transformation and development, and deepened the synergy effect of the Group in accordance with the regulatory requirements of the “Three Categories” of trust management. As at the end of the Reporting Period, the total assets, net assets and the assets under management of the company were 19.192 billion, 15.858 billion and 532.580 billion respectively. The company’s net profit during the Reporting Period was 0.44 billion, representing a decrease of 12.81% on a year-on-year basis. The company has been rated as Level A (the highest level) for eight consecutive years in the industry rating launched by the China Trustee Association.

As at the end of the Reporting Period, the business scale of fixed income standard products independently managed by the company totalled 96.8 billion, representing an increase of 59.21% over the end of the previous year; the business scale of family wealth management business totalled 13.091 billion, representing an increase of 55.94% over the end of the previous year. During the Reporting Period, seven “Yongfeng Dividend” perpetual trust projects amounting to 3.495 billion were implemented to help enterprises optimise their debt structure. Self-owned funds and private equity subsidiaries completed three private equity investment fund projects, with a subscribed capital contribution of 194 million, all focusing on strategic emerging industries.

**Bank of Communications Schroder Fund Management Co., Ltd.** The company was set up in August 2005 with a registered capital of 0.2 billion. It was jointly contributed by the Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd., with the shares accounting for 65%, 30% and 5% respectively. The primary businesses include fund raising, fund sales and asset management. The company has been awarded the “Golden Bull Fund Management Company” for four consecutive years. It won the “Golden Bull Award for Outstanding Return of Fund Investment Advisor Service” in the first Golden Bull Award for China Fund Investment Advisor, being the only one to win this award. As at the end of the Reporting Period, the company’s total assets and net assets were 7.584 billion and 6.302 billion respectively, and the public fund under management reached 502.6 billion. Affected by the fluctuations in the market, the company’s net profit during the Reporting Period was 0.797 billion, representing a decrease of 4% on a year-on-year basis.

As the backbone of the Group to build wealth management feature, the company, centring on the Group’s strategy and the 14th Five-Year Plan, continuously improved core competitiveness in investment research and built multi-level product lines. Relying on spill over effect of initiative management investment research advantages, the company improved its management ability in equities, fixed income+ and FOF, investment advisory portfolios, strived to make itself a first-class fund company with core competitiveness for high-quality development and actively assisted the Group in the construction of wealth management ability.

**BOCOM Wealth Management Co., Ltd.** As a wholly-owned subsidiary of the Bank, the company was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues wealth management products of fixed income, equity, commodities, financial derivatives and hybrid categories to customers. During the Reporting Period, the company adhered to the customer-centric and investor-oriented principles and adjusted the focus of product design and issuance in a timely manner. The company actively expanded consignment agencies outside the Bank, and the balance of products sold under consignment outside the Bank reached 605.748 billion, accounting for 52.12% of the balance of products. The company has preliminarily established an open and diversified omni-channel system with the Bank as the main body. As at the end of the Reporting Period, the balance of wealth management products increased by 7.07% over the end of the previous year to 1,162.187 billion. As at the end of the Reporting Period, the company’s total assets and net assets were 12.021 billion and 11.703 billion respectively. The company’s net profit during the Reporting Period was 0.595 billion, indicating a decrease of 6.15% on a year-on-year basis.

During the Reporting Period, the company effectively improved investment management capabilities driven by the assets end and liabilities end, expanded the source of funds at the liabilities end, strengthened risk management and control, and helped the Group to create wealth & finance features. During the Reporting Period, the company won several awards including Golden Dragon Award, Golden Reputation Award, Golden financial and other awards. The company's "Innovation Case for Pension Finance Service" was firstly awarded the "Service Case in the China Banking and Insurance Industry".

**BOCOM MSIG Life Insurance Company Limited.** The company was set up in January 2010 with a registered capital of 5.1 billion, of which the Bank and the MS&AD Insurance Group contributed 62.50% and 37.50% shares respectively. The business scope includes life insurance, health insurance, accident insurance and reinsurance businesses of the aforementioned insurances in Shanghai as well as regions where its branches were established. As at the end of the Reporting Period, the company's total assets and net assets were 119.601 billion and 6.629 billion respectively. The company focused on the development of the value-based instalment payment business during the Reporting Period, and the premium service income achieved 877 million, representing an increase of 16.65% on a year-on-year basis; the amount of new businesses value was 906 million, representing an increase of 66.86% on a year-on-year basis. The equity market was better than the same period last year, investment income increased and net profit was 390 million during the Reporting Period, indicating an increase of 91.18% on a year-on-year basis.

During the Reporting Period, the company further enriched its product offering for all customers, matched the insurance demands of stratified customers, and strengthened the development of its insurance professional teams. The company also actively served the construction of the national livelihood security system, and was selected as a co-insurer of the Shanghai "Huhuibao" insurance product for the first time, providing more inclusive insurance protection for citizens in Shanghai. The company took the initiative to integrate into the Group's pension financial strategy, launched the personalised pension insurance products at an early stage in the industry, and continuously improved the construction of the pension product system.

**BOCOM Financial Asset Investment Co., Ltd.** As a wholly-owned subsidiary of the Bank, it was set up in December 2017 with a registered capital of 15.0 billion. As one of the first pilot banks to implement debt-to-equity swap as determined by the State Council, it is mainly engaged in debt-to-equity swap and supporting services. During the Reporting Period, the company made efforts to develop the main business of market-oriented debt-to-equity swap, and actively reduced leverage ratio and controlled risks for the real economy. Its net incremental investment of the year was 6.1 billion. As at the end of the Reporting Period, the company's total assets and net assets were 63.030 billion and 23.546 billion respectively. The company's net profit during the Reporting Period was 3.058 billion, representing an increase of 331.31% on a year-on-year basis. The increase in the company's net profit was mainly due to the realisation of gains from the listing or the withdrawal of the company's investments. The company managed 21 funds through its subsidiary, Bank of Communications Capital Management Co., Ltd. with a subscription amount of 12.149 billion, which represented a continuous increase in the scale, providing comprehensive financial services for the Group through the equity investments.

**BOCOM International Holdings Company Limited.** The company was set up in June 1998 (formerly known as Communications Securities Co., Ltd. It changed its name to BOCOM International Holdings Company Limited in May 2007). It was listed on the main board of Hong Kong Stock Exchange on 19 May 2017. The main businesses include securities brokerage and margin financing, corporate financing and underwriting, asset management and consulting, investment and loan. As at the end of the Reporting Period, the Bank's shareholding in the company was 73.14%. During the Reporting Period, the company focused on key national regions to strengthen its business lay out and provided customers with comprehensive financial services integrating the industrial chain. As at the end of the Reporting Period, the total assets and net assets of the company were HKD23.039 billion and HKD2.288 billion respectively. Affected by adverse market conditions, the company's net loss during the Reporting Period was HKD0.373 billion.

**China BoCom Insurance Co., Ltd.** As a wholly-owned subsidiary of the Bank, it was set up in November 2000 with a registered capital of HKD0.4 billion. The main business includes the operation of 17 types of general insurances approved by the Insurance Authority of Hong Kong. As at the end of the Reporting Period, the company's total assets and net assets were HKD1.223 billion and HKD0.551 billion respectively. The company's net profit during the Reporting Period decreased by 17.86% on a year-on-year basis to HKD4 million.

The company continuously took advantages of the full business license for general insurances, focused on serving the people's livelihood in Hong Kong, promoted the improvement and innovation of insurance products, and actively integrated into the development of the Guangdong-Hong Kong-Macao Greater Bay Area. The company was also approved as one of the first insurance companies in Hong Kong to provide the "equivalent priority recognition" cross-border vehicle insurance for the "Northbound Travel for Hong Kong vehicles" policy, and issued the first insurance policy. During the Reporting Period, the company's gross premiums achieved HKD0.21 billion, reaching a record high for the same period in history; and the premium profits before expenditure were HKD14.46 million, decreasing by 5.24% on a year-on-year basis, and the net compensation rate was 32.79%, maintaining a favourable condition.

## 6. *Global Service Capabilities*

- ◆ The Group formed an overseas operating network covering major international financial centres across five continents and had 23 overseas branches (sub-branches) and representative offices in 18 countries and regions, with 69 overseas operating outlets. During the Reporting Period, the net profit of overseas banking institutions amounted to 3.424 billion, whose contribution to the Group's total net profit accounted for 7.44%. As at the end of the Reporting Period, the total assets of overseas banking institutions amounted to 1,300.383 billion, whose contribution to the Group's total assets accounted for 9.41%.
- ◆ The Group supported the high-level opening-up and promoted the renminbi cross-border settlements. During the Reporting Period, the cross-border renminbi settlement volume increased by 34.64% year-on-year.

### (1) *Internationalisation development*

The Group actively responded to changes in internal and external conditions. It carried out operational management in a steady and orderly manner, actively seized strategic opportunities to consolidate the trend of globalization and continued to optimize the development structure, coordinated development and safety. The Group actively served the new development pattern of the national high-level opening-up, and actively built a financial bridge for the domestic and overseas markets to provide the financial guarantee for the "dual circulation" development. The Bank provided financial services to Chinese enterprises that were in line with the national strategy to "go global" and actively built a financial bridge between the inside and outside world. The Group also firmly adhered to the bottom line of the prevention and control over financial risks, strengthened the dynamic monitoring as well as the risk pre-research and prediction, and built a solid foundation for sustainable and high-quality development of overseas banks.

(2) *International settlement and trade financing*

The Bank supported the stabilisation of foreign trade and effectively served cross-border financial needs of enterprises. During the Reporting Period, the amount of international settlement processed by the Bank reached USD255.925 billion; and the volume of financing for cross-border trade reached 114.292 billion. The Bank promoted the facilitation of trade and investment, continuously optimised the functions of the Easy series of online settlement and financing products, and improved the service experience; also, the Bank used the open banking technologies to enrich the cross-border financial services of its platform for large clients in international business through technology empowerment. The Bank supported the development of new foreign trade forms. During the Reporting Period, the business volume of cross-border e-commerce, comprehensive foreign trade services and market procurement trade totalled 15.373 billion, representing a year-on-year increase of 66.26%.

(3) *Overseas service network*

The arrangement of the overseas service network is progressing steadily. As at the end of the Reporting Period, the Group had 23 overseas branches (sub-branches) and representative offices in places including Hong Kong, New York, London, Singapore, Tokyo, Frankfurt, Luxembourg and Sydney, providing customers with financial services including deposits, loans, international settlement, trade financing and foreign currency exchange. The Group established overseas banking service network with 1,031 banks in 129 countries and regions, set up 221 cross-border renminbi interbank accounts for 94 overseas renminbi participating banks in 30 countries and regions. In addition, 114 foreign currency settlement accounts in 28 major currencies were opened in 67 banks in 32 countries and regions.

(4) *Cross-border RMB transactions*

The Bank supported the construction of the financial infrastructure for the cross-border renminbi payment system to contribute to the internationalisation of renminbi. The Bank actively promoted the promotion and application of the CIPS standard transmit product at the enterprise side, continuously promoted the construction of CIPS scenarios, and strengthened the combined use of CIPS and products with cross-border settlement and cross-border investment and financing. As at the end of the Reporting Period, the Bank topped the market in terms of the number of corporate customers of the CIPS standard transceiver. The Bank continued to expand the cross-border use of renminbi and promoted steady growth in the scale of cross-border renminbi settlement. During the Reporting Period, the volume of cross-border renminbi settlement of domestic banking institutions reached RMB899.715 billion, representing an increase of 34.64% on a year-on-year basis.

(5) *Offshore services*

The Bank strengthened the integrated development of offshore and onshore businesses as well as the integrated operation of non-resident accounts, and fully explored the business potentials of the integration of Yangtze River Delta and Lin-Gang Special Area of Shanghai Pilot Free Trade Zone. As at the end of the Reporting Period, the asset balance of offshore business was USD15.943 billion.

7. ***Channel construction***

- ◆ The Bank focused on the customer experience, accelerated the digital transformation, and strengthened major online channels such as online banking, mobile banking, Go Pay APP. The Bank continued to deepen the channel synergy, enriched the ecological scenarios, strengthened the characteristic service capabilities, enhanced the digital innovation and digital operation levels, and optimised service quality and efficiency.

(1) *Corporate online banking and corporate mobile banking*

The Bank launched the Corporate Online Banking Version 6.0 and the Corporate Mobile Banking Version 2.0 to focus on customer demands and provide efficient, easy-to-use and secure online electronic banking services. As at the end of the Reporting Period, the number of contracted customers of corporate online banking (Bank corporate direct connection) increased by 7.08% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 19.97% on a year-on-year basis. The number of contracted customers of corporate mobile banking increased by 8.01% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 27.42% on a year-on-year basis.

(2) *Personal mobile banking*

The Bank adhered to the “mobile first” strategy, focused on the customers, enriched the online scenario ecosystem, launched services such as the internet insurance zone and the market condition centre, and optimised the wealth management capabilities. The Bank also deepened the construction of bank-government cooperation scenarios and launched the “Jiaozhengtong” service to support the online cross-provincial treatments of over 50 social and livelihood services in the Yangtze River Delta region. As at the end of the Reporting Period, the number of monthly active users (MAU) of personal mobile banking increased by 6.26% over the end of the previous year to 43.0863 million.

(3) *Go Pay APP*

The Bank upgraded the Go Pay APP, promoted the optimisation of the Go Pay APP in terms of new growth, new trend and new experience, improved the livelihood scenarios such as transportation, rural revitalisation, interest-free shopping, elderly-friendly services, and enhance the service capabilities of consumer finance business to serve the financial demands of new citizens and other groups. In addition, the Bank strengthened the in-depth synergy between the Go Pay APP and the mobile banking APP in terms of mutual traffic attraction, mutual channel construction, mutual services and content interaction. As at the end of the Reporting Period, the cumulative number of registered customers of Go Pay APP amounted to 76.3741 million and the number of monthly active users was 26.2855 million.

(4) *Open Banking*

The Bank expanded its financial services for livelihood service scenarios such as government affairs, medical care, transportation, education, and actively promoted the digital transformation of enterprises in the scenarios of platform economy, cross-border, justice, pension, housing and rural revitalisation. As at the end of the Reporting Period, 3,868 interfaces were launched for open banking with accumulative 2.5 billion calls. New retail customers acquired via the open banking increased by 79.52% on a year-on-year basis to 0.5472 million. 79.732 billion financing amount was collected through online chain financial service of open banking.

(5) *Cloud BoCom*

The Bank continuously enriched the function of Cloud BoCom, and launched 23 convenient service scenarios on personal and corporate mobile banking, “BoCom” WeChat Mini Program, smart screen and other channels, serving a total of 260 thousand customers. Meanwhile, the bank continuously promoted the application of video technology, innovated new models for serving the people, launched new connotations of cloud outlets, cloud tellers, and cloud butler services, innovated online and offline integrated services, and built a three-dimensional new service platform for the convenience of the people and enterprises.

The Bank strengthened the user management capabilities of new media channels such as “BoCom” WeChat Mini Program, “BoCom Loans” WeChat Mini Program and Cloud BoCom, so as to maximise the value contribution of businesses from the new media channels. As at the end of the Reporting Period, customers served by “BoCom” WeChat Mini Program increased by 27.62% over the end of the previous year to 30.1975 million. “BoCom Loans” WeChat Mini Program increased by 48.66% over the end of the previous year to 2.4592 million.

Continuously enriched Cloud BoCom service capabilities, serving 6.4323 million users, an increase of 16.89% over the end of the previous year.

## 8. *FinTech and Digital Transformation*

### (1) *Accelerate digital transformation to empower the real economy and business development.*

The Bank constructed the enterprise-level architecture to expand business and enhance efficiency. In terms of retail credit, the Bank completed the process restructuring and optimisation of products such as loans for tobacco retailers and employee loans for car purchase, and improved the online level and the business acceptance efficiency. The accumulated loan amount in the first half of the current year exceeded 1.2 billion. In the field of B2B payment, the Bank strived to build an enterprise-level payment settlement platform. Centring on the brand of “BoCom Express Pay”, the Bank provided customers with one-stop services related to user, account, payment, clearing and financing, with a transaction scale exceeding 10.0 billion.

The role of the middle office was further developed. A total of 24,000 sets of market strategies have been deployed in the market middle office, which actively reached about 35 million customers on a daily basis; the operation middle office realised the omni-channel scheduling of manual tasks, improved the task scheduling and processing capabilities, and increased the average monthly scheduling tasks by 8 million; the risk middle office launched 221 risk model assets to further consolidate the risk data foundation and enhance the risk monitoring as well as anti-money laundering capabilities.

The Bank further strengthened the deployment of artificial intelligence (AI). The Bank actively explored the AIGC advanced technologies, developed generative artificial intelligence (AI) construction plans, established a special research team for GPT large models, and laid the foundation for systematic and large-scale application. Focusing on the target of “cost reduction, risk control, experience optimisation and efficiency improvement”, the Bank enhanced the depth and range of AI applications, piloted the automation scenarios of corporate account management processes, sorting scenarios of anti-money laundering suspicious events as well as retail customers’ interest and preference scenarios, so as to reduce the manpower input, improve the quality and efficiency of risk analysis, and empower customers for refined operations. The Bank also participated in the 2023 World Artificial Intelligence Conference and held the “New Generation of AI, New Era of Finance” forum to enhance the influence of BoCom’s FinTech brand.

(2) *Strengthen the foundation of digital technology and improve the continuity of IT services.*

The Bank accelerated the construction of the new data centre. The Bank strived to promote the construction of a new local data centre in Pujiang District and scientifically planned the construction of new remote data centres to provide safe, stable, sufficient, sustainable, green and energy-saving arithmetic capability for business development.

The Bank improved the autonomous and controllable capabilities of the digital infrastructure. The Bank drove the cloud-based transformation of the infrastructure and built a new data centre in Pujiang District for the cloud-based IT application innovation, and provided sufficient basic guarantees for the cloud uploading based on the distributed new technology application system. The Bank also continuously promoted the cloud platform nanotube multi-chip servers to strengthen the supporting capability with multiple cores in one cloud platform.

The Bank adhered to the bottom line of safety production. During the Reporting Period, the overall operation of the Bank's production systems was stable, the safety production guarantees for the important periods (such as the Spring Festival, "Two Sessions" and the Labour Day holiday) in the first half of the year were successfully completed. Meanwhile, the efficiency of incident handling was gradually enhanced and the ability to prevent production incidents was steadily improved to guarantee the reliable and stable operation of the information systems.

(3) *Deepen data governance and Enhance data support capabilities.*

The Bank promoted the implementation of enterprise-level data standards and guaranteed the uniformity of data standards in the systems. The Bank also drove the application of the data quality management platform in various business scenarios and enhanced the online management capability of data quality. The enterprise-level data middle office provided integrated and efficient big-data foundation support and data application services for the risk control middle office, marketing middle office and operation middle office as well as for the key areas such as the customer manager work platform as well as the value analysis and decision-making platform. Besides, the Bank improved and unified the data analysis platform, upgraded various data analysis tools, and enhanced the level of self-service data usage across the Bank. The management was strengthened to support the management decision-making of the digital operation at all levels. The Bank developed the unified data portal and established the statement governance and operation mechanism to support the one-stop query of the statement resources. Besides, the Bank improved the data security management system, strengthened the security management of data movement, and deepened the security control of key data application scenarios.

### **(III) Risk Management**

The Board of Directors of the Bank established the overall risk appetite of “Stability, Balance, Compliance and innovation” for the Bank and further set specific indicators of risk limits against various risks including credit, market, operation, liquidity, interest rate of banking book, information technology and country to exercise strict control over various risk types. During the Reporting Period, the Group closely focused on the “three major tasks” under the financial planning, strictly adhered to the bottom-line thinking, coordinated the development and security, and mainly considered the battle for asset quality to continuously improve its comprehensive risk management capability. Besides, the Bank deepened the reform of risk credit and anti-money laundering, strengthened the modernisation of risk governance system and governance capability, and promoted the digital transformation of risk management. Also, the annual risk management objectives and tasks were successfully completed, which strongly facilitating the Bank’s high-quality development.

#### ***1. Risk Management Framework***

The Board of Directors of the Bank assumed the ultimate responsibility, served the highest function of decision-making and monitored the Bank’s risk condition through the subordinate Risk Management and Related Party Transaction Control Committee. The Bank’s senior management established the Comprehensive Risk Management and Internal Control Committee, as well as two business review committees namely the Credit and Investment Review Committee and the Risk Asset Review Committee. The business review committees were guided by and reported regularly to the Comprehensive Risk Management and Internal Control Committee. Each provincial and directly managed branch, overseas branch and subsidiary established the Comprehensive Risk Management and Internal Control Committee accordingly based on the aforementioned framework, which served as the main platform to study the prevention and control of systematic and regional risks and decision-making risk management on major issues, ensuring that the comprehensive risk management system had been implemented throughout the Group.

#### ***2. Risk Management Tool***

The Bank actively practiced digital transformation in risk management and built a full-process, full-coverage digital risk management under the guideline of being market-driven, customer-based, grass roots-oriented and urgency-prioritised. The Bank built a strong foundation for risk data across the Group and enterprise-grade risk management applications, and enhanced intelligent risk management. During the Reporting Period, the bank accelerated the construction of risk measurement centres centring on the requirements of “Four Transformations”, strengthened the unified risk measurement and monitoring throughout the Group, steadily improved the risk measurement capacity of the whole group. The Bank constructed the unified model management platform, promoted the implementation of new capital regulations, adjusted and improved the implementation plans and system functions.

### 3. *Credit Risk Management*

During the Reporting Period, the Bank continued to strengthen unified credit risk management. The Bank actively served the real economy, optimised the structure of credit assets, vigorously developed the green finance, and adopted the structural monetary policy tools (such as the special refinancing) to support key areas such as carbon emission reduction, clean and efficient use of coal, transportation and logistics, scientific and technological innovation, inclusive pensions, equipment renovation, and “guaranteed delivery of houses”. The Bank continuously improved the credit granting policy framework system, actively implemented the national major strategies and regulatory requirements, and closely tracked market changes. Based on the outline of credit granting and risk policy, the guidelines on industry investment and “one policy for one bank”, the Bank expanded the coverage of special strategy guidelines on green and low-carbon transformation of industry, biomedicine, etc. The Bank also promoted the optimisation of the entire credit process with digitalisation and intelligence, continuously enhanced the quality and efficiency of loan management. Moreover, the Bank enriched the post-loan (post-investment) management and risk monitoring methods, introduced quantitative rules to improve the risk classification management system. The bank further standardised the credit risk management mechanism of subsidiaries and continuously improved the level of consolidated management.

The Group promoted risk disposal and resolution continuously. During the Reporting Period, the Bank focused on the significant risks and key sectors, brought into play the professional disposal capability, steadily and orderly performed the risk disposals on significant items. In addition, the Bank steadily responded to new risk trends and actively explored new solutions of market and legal risks in local state-owned enterprises, real estate and other fields. During the Reporting Period, the disposal of non-performing loans reached 29.58 billion. Among them, the substantive settlement was 17.72 billion.

During the Reporting Period, the Group reinforced risk identification and continuously promoted risk management. The business accountability mechanism for credit granting of key customers was continuously deepened, the approval procedures of credit business were also continuously deepened, the post-loan management was continuously improved and enhanced. The Bank continuously strengthened the credit risk identification and management in key sectors, further optimised systems and models of risk monitoring, assessment and measurement, and the direct operation and management mechanism for the asset preservation was significantly effective. By maintaining strict asset quality classification standards, the foundation of asset quality was continuously strengthened, and the asset quality was steadily improved. As at the end of the Reporting Period, the balance of non-performing loans was 104.964 billion, representing an increase of 6.438 billion, and the non-performing loan ratio was 1.35%, which remained stable as compared with the end of last year. The period also witnessed an increase in proportion of overdue loans. The Group adopted prudent

classification standards for overdue loans. All the corporate loans overdue for more than 60 days were included in non-performing loans and accounted for 70%. Loans overdue for over 90 days were included in non-performing loans and accounted for 63% of non-performing loans.

### Distribution of loans by five categories of loan classification

*(in millions of RMB unless otherwise stated)*

	30 June 2023		31 December 2022		31 December 2021	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Pass loan	7,572,532	97.14	7,091,355	97.21	6,374,975	97.17
Special mention loan	118,209	1.52	105,084	1.44	88,629	1.35
<b>Total performing loan balance</b>	<b>7,690,741</b>	<b>98.65</b>	<b>7,196,439</b>	<b>98.65</b>	<b>6,463,604</b>	<b>98.52</b>
Sub-standard loan	41,551	0.53	40,465	0.55	52,960	0.81
Doubtful loan	30,143	0.39	33,257	0.46	25,978	0.40
Loss loan	33,270	0.43	24,804	0.34	17,858	0.27
<b>Total non-performing loan Balance</b>	<b>104,964</b>	<b>1.35</b>	<b>98,526</b>	<b>1.35</b>	<b>96,796</b>	<b>1.48</b>
<b>Total</b>	<b>7,795,705</b>	<b>100.00</b>	<b>7,294,965</b>	<b>100.00</b>	<b>6,560,400</b>	<b>100.00</b>

### Distribution of special mention loans and overdue loans by business type

*(in millions of RMB unless otherwise stated)*

	30 June 2023				31 December 2022			
	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan ratio (%)	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan ratio (%)
Corporate loans	92,913	1.81	53,945	1.05	84,584	1.80	46,309	0.98
Personal loans	25,281	1.05	45,858	1.90	20,499	0.87	38,483	1.63
Mortgage	8,616	0.58	13,253	0.89	8,051	0.53	13,023	0.86
Credit cards	14,964	3.11	26,681	5.55	10,808	2.26	20,122	4.21
Personal business loans	574	0.19	2,227	0.75	436	0.18	1,985	0.83
Others	1,127	0.81	3,697	2.65	1,204	0.88	3,353	2.45
Discounted bills	15	0.01	24	0.01	1	0.00	36	0.02
<b>Total</b>	<b>118,209</b>	<b>1.52</b>	<b>99,827</b>	<b>1.28</b>	<b>105,084</b>	<b>1.44</b>	<b>84,828</b>	<b>1.16</b>

The balance of corporate overdue loan was 53.945 billion, representing an increase of 7.636 billion over the end of the previous year. The overdue ratio was 1.05%, representing an increase of 0.07 percentage points over the end of the previous year. The balance of personal overdue loan was 45.858 billion, representing an increase of 7.375 billion over the end of the previous year. The overdue loan ratio was 1.90%, representing an increase of 0.27 percentage points over the end of the previous year.

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

(in millions of RMB unless otherwise stated)

	30 June 2023				31 December 2022			
	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)
Corporate loans	5,134,956	65.87	81,661	1.59	4,711,353	64.58	78,487	1.67
Personal loans	2,416,037	30.99	23,279	0.96	2,365,317	32.43	20,003	0.85
Mortgage	1,496,827	19.20	7,104	0.47	1,512,648	20.74	6,731	0.44
Credit cards	480,828	6.17	11,714	2.44	477,746	6.55	9,310	1.95
Personal business	298,769	3.83	1,829	0.61	239,271	3.28	1,716	0.72
Others	139,613	1.79	2,632	1.89	135,652	1.86	2,246	1.66
Discounted bills	244,712	3.14	24	0.01	218,295	2.99	36	0.02
<b>Total</b>	<b>7,795,705</b>	<b>100.00</b>	<b>104,964</b>	<b>1.35</b>	<b>7,294,965</b>	<b>100.00</b>	<b>98,526</b>	<b>1.35</b>

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

(in millions of RMB unless otherwise stated)

	30 June 2023				31 December 2022			
	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)
<b>Corporate loans</b>	<b>5,134,956</b>	<b>65.87</b>	<b>81,661</b>	<b>1.59</b>	4,711,353	64.58	78,487	1.67
Transportation, storage and postal services	876,686	11.25	5,958	0.68	823,156	11.28	5,645	0.69
Manufacturing	953,919	12.24	20,456	2.14	836,532	11.46	21,934	2.62
Leasing and commercial services	793,513	10.18	7,972	1.00	729,818	10.00	9,079	1.24
Real estate	506,589	6.50	17,172	3.39	519,857	7.13	14,560	2.80
Water conservancy, environmental and other public facilities	458,767	5.88	5,080	1.11	429,222	5.88	5,343	1.24
Production and supply of electric power, heat, gas and water	375,619	4.82	3,101	0.83	342,617	4.70	3,237	0.94
Wholesale and retail trade	306,165	3.93	7,450	2.43	254,447	3.49	3,911	1.54
Construction	204,618	2.62	1,997	0.98	176,696	2.42	2,000	1.13
Finance	182,638	2.34	1,913	1.05	148,747	2.04	1,874	1.26
Education, science, culture and public health	141,116	1.81	2,929	2.08	128,762	1.77	2,861	2.22
Mining	124,015	1.59	1,678	1.35	118,246	1.62	2,162	1.83
Others	103,703	1.33	1,208	1.16	94,839	1.30	1,012	1.07
Information transmission, software and information technology services	72,094	0.92	465	0.64	68,246	0.94	648	0.95
Accommodation and catering	35,514	0.46	4,282	12.06	40,168	0.55	4,221	10.51
<b>Personal loans</b>	<b>2,416,037</b>	<b>30.99</b>	<b>23,279</b>	<b>0.96</b>	2,365,317	32.43	20,003	0.85
<b>Discounted bills</b>	<b>244,712</b>	<b>3.14</b>	<b>24</b>	<b>0.01</b>	218,295	2.99	36	0.02
<b>Total</b>	<b>7,795,705</b>	<b>100.00</b>	<b>104,964</b>	<b>1.35</b>	7,294,965	100.00	98,526	1.35

The Group actively implemented the national policies and deployment, continuously increased financing support for the real economy. Manufacturing loans represents an increase of 117.387 billion or 14.03% over the end of the previous year, higher than the average growth rate of all loans. In stabilising investments and growth in key sectors, the loans of Transportation, storage and postal services increased by 53.531 billion or 6.50% over the end of the previous year. Leasing and commercial services loans increased by 63.695 billion or 8.73% over the end of the previous year. Wholesale and retail trade increased by 51.718 billion or 20.33% over the end of the previous year.

## Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

	30 June 2023				31 December 2022			
	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)
Yangtze River Delta	2,179,884	27.96	19,848	0.91	1,999,175	27.40	21,107	1.06
Pearl River Delta	1,061,872	13.62	8,647	0.81	978,749	13.42	8,403	0.86
Bohai Rim Economic Zone	1,210,249	15.52	14,190	1.17	1,137,282	15.59	10,707	0.94
Central China	1,285,421	16.49	15,290	1.19	1,196,075	16.40	14,520	1.21
Western China	924,395	11.86	8,737	0.95	875,476	12.00	9,333	1.07
North Eastern China	258,556	3.32	12,883	4.98	250,190	3.43	13,595	5.43
Overseas	375,740	4.82	13,656	3.63	376,277	5.16	11,551	3.07
Head office	499,588	6.41	11,713	2.34	481,741	6.60	9,310	1.93
<b>Total</b>	<b>7,795,705</b>	<b>100.00</b>	<b>104,964</b>	<b>1.35</b>	<b>7,294,965</b>	<b>100.00</b>	<b>98,526</b>	<b>1.35</b>

Note: Head Office included the Pacific Credit Card Centre.

The Group implemented differentiated policies of “One Strategy for One Bank” to make dynamic adjustments to business authorisation based on regional economic traits.

## Overdue loans and advances

(in millions of RMB unless otherwise stated)

Overdue Period	30 June 2023		31 December 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 3 months	<b>34,202</b>	<b>0.44</b>	27,737	0.38
3 months to 1 year	<b>34,791</b>	<b>0.45</b>	33,480	0.46
1 to 3 years	<b>24,506</b>	<b>0.31</b>	19,083	0.26
Over 3 years	<b>6,328</b>	<b>0.08</b>	4,528	0.06
<b>Total</b>	<b>99,827</b>	<b>1.28</b>	84,828	1.16

As at the end of the Reporting Period, the balance of overdue loans was 99.827 billion, representing an increase of 14.999 billion over the end of the previous year. The overdue ratio was 1.28%, representing an increase of 0.12 percentage point over the end of the previous year. The balance of loans overdue for over 90 days was 65.625 billion, representing an increase of 8.534 billion over the end of the previous year.

## Restructured loans

*(in millions of RMB unless otherwise stated)*

	30 June 2023		31 December 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Restructured loans	14,171	0.18	13,660	0.19
Including: Restructured loans overdue over three months	2,281	0.03	1,533	0.02

## Loan migration rates

(%)	January to June 2023	2022	2021
Pass loan migration rate	<b>0.85</b>	1.89	1.86
Special mention loan migration rate	<b>15.93</b>	26.55	45.72
Sub-standard loan migration rate	<b>19.19</b>	52.87	29.61
Doubtful loan migration rate	<b>18.09</b>	26.61	17.42

Note: Data calculated pursuant to the Notice on the Distribution of the Regulatory Indicator and Calculation Formula for Off-Field Investigation issued by the CBIRC.

## Credit risk concentration

As at the end of the Reporting Period, the total loans to the largest single borrower of the Group accounted for 5.66% of the Group's net capital, and the total loans to top 10 customers accounted for 19.04% of the Group's net capital. The situation of loans to top 10 single borrowers as at the end of the Reporting Period is shown below.

*(in millions of RMB unless otherwise stated)*

**30 June 2023**

	<b>Industry</b>	<b>Amount</b>	<b>Percentage of total loans (%)</b>
Customer A	Production and supply of electric power, heat, gas and water	72,000	0.92
Customer B	Transportation, storage and postal services	34,319	0.44
Customer C	Production and supply of electric power, heat, gas and water	30,700	0.39
Customer D	Real estate	19,946	0.26
Customer E	Manufacturing	15,360	0.20
Customer F	Transportation, storage and postal services	15,113	0.19
Customer G	Transportation, storage and postal services	15,038	0.19
Customer H	Transportation, storage and postal services	13,541	0.17
Customer I	Transportation, storage and postal services	13,507	0.17
Customer J	Transportation, storage and postal services	12,864	0.17
<b>Total of Top 10 Customers</b>		<b>242,388</b>	<b>3.11</b>

#### **4. *Market Risk Management***

Market risk refers to the risk of losses of on- and off-balance sheet businesses of the Bank arising from unfavourable changes in interest rate, exchange rate, commodity price, share price and others. Interest rate risk and exchange rate risk were the major market risks encountered by the Group.

The aim of the market risk management of the Group was to proactively identify, measure, monitor, control and report its market risks based on the risk appetite determined by the Board of Directors. By using methods and means of quota management, risk hedging and risk transfer, the Group was able to manage its market risk exposure to an acceptable level and pursued a maximisation of its risk-adjusted profits based on its controlled risks.

The exchange rate risk and general market risk of interest rate risk of trading book of legal persons were assessed with the use of the internal model-based approach to measure capital at risk by the Group, while the market risk not covered by the internal model-based approach was assessed under the standardised approach to measure capital at risk. In terms of the internal model-based approach, historical simulation method was adopted to calculate value at risk (“**VaR**”) and stressed value at risk (“**SVaR**”), which had a historical observation period of 1 year, a holding period of 10 working days and a 99% confidence interval. Daily capital transaction positions of the Group and the most updated market data were obtained to perform position valuation and sensitivity analysis in a timely manner. In addition, using the historical simulation method, the Group measured VaR of market risk on a daily basis from different perspectives, including risk factors and investment portfolios and products and performed reverse testing on a daily basis to verify the accuracy of the VaR model. The results of internal model approach were applied to capital measurement, quota monitoring and management, performance assessment and risk monitoring and analysis.

During the Reporting Period, the Group kept improving the market risk management system, improved management policies and procedures, optimised the risk management system, strengthened product management, optimised limit setting, and improved derivatives business risk management. The Group closely monitored the financial market fluctuations, strengthened market research and judgement on the market, enhanced exposure monitoring and risk warning, improved the risk assessment and inspection, and strictly controlled various market risk exposure limits to improve the level of market risk management.

## 5. *Liquidity Risk Management*

Liquidity risk is the risk that occurs when the commercial bank cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet other funding needs in the normal course of business. The main factors affecting the liquidity risk include early withdrawal by deposit customers, deferred repayment by loan customers, mismatch of asset and liability structure, difficulty in asset realisation, decline in financing capability, etc.

The governance structure of liquidity risk management of the Group consisted of a decision-making body comprised the Board of Directors and its Special Committees and Senior Management, a supervisory body comprised the Board of Supervisors and Audit Supervision and an executive body comprised Financial Management Department, Financial Markets Department, Risk Management Division, Operations and Channel Management Department, branches, subsidiaries and the Head Office's departments in charge of each business.

The Group's liquidity risk management goal was to establish and improve the liquidity risk management system, and effectively identify, measure, monitor and manage the liquidity risk at legal entity level and group level, subsidiaries, branches and business lines to ensure that the liquidity needs can be timely satisfied at a reasonable cost.

The Group annually determined liquidity risk appetite and formulated liquidity risk management strategies and policies according to business strategies, business characteristics, financial strength, financing abilities, overall risk appetite and market influence. The strategies and policies covered all on- and off-balance sheet businesses, as well as all business departments, branches and subsidiaries that might have a significant impact on liquidity risk at home and abroad and included liquidity risk management under normal and stressful conditions.

During the Reporting Period, the Group continuously improved its liquidity risk management system, adhered to the balance between capital source and utilization, timely and flexibly adjusted its liquidity management strategies and business development structure and rhythm, and promoted the coordinated development of the entire bank's asset liability business. The Group adhered to the balance between sources and utilisation of funds, and actively promoted the stable growth of total deposits; strengthened the coordination and scheduling, dynamically adjusted the pace of absorbing interbank liabilities and the pace of non-credit business; expanded diversified financing channels and issued longer-term bonds to supplement stable funds. The Group conducted cash flow calculation and analysis on a daily basis and strengthened daytime liquidity management and financing management to ensure liquidity safety during major holidays, key time points, and epidemic situations. The Bank strictly monitored liquidity risk related indicators, strengthened proactive risk early warning and prediction, and timely made strategic adjustments to ensure the

smooth operation of liquidity risk indicators throughout the Bank. Also, the Bank organised the liquidity risk emergency drills for overseas branches and subsidiaries to improve the response speed and liquidity risk handling capabilities.

The Group launched regular stress testing for liquidity risk, in which the stressed scenarios and various factors which may affect liquidity situation were reasonably considered. The results of stress tests showed that the Bank's liquidity risk was in a controllable range under various pressures scenarios.

As at the end of the Reporting Period, the table below shows the liquidity ratio indicator of the Group:

	<b>Standard value</b>	<b>30 June 2023</b>	31 December 2022	31 December 2021
Liquidity ratios (%)	>25	<b>70.69</b>	69.76	67.11

Note: Calculated according to the regulatory standard of the CBIRC.

The daily average liquidity coverage ratio of the Group during the second quarter of 2023 was 136.52% (the daily average within the quarter was the arithmetic average of daily data of the quarter, the number of daily data required was 91), The ratio increased by 13.46 percentage points over the previous quarter mainly due to decreased in net cash outflows; The Group's qualified HQLA mainly included cash, reserves that can be withdrawn from the central bank under stress scenarios and bonds that meet the definition of primary and secondary assets *in the Administrative Measures for Liquidity Risk Management of Commercial Banks*.

In the first quarter of 2023, the quarter-end net stable funding ratio of the Group was 110.41%, representing an increase of 1.25 percentage points over the previous quarter, which was mainly due to the increase of deposits and wholesale funding to retail and small business customers. In the second quarter of 2023, the quarter-end net stable funding ratio was 109.88%, representing a decrease of 0.53 percentage points over the previous quarter, which was mainly due to the decrease of wholesale financing.

## **6. *Operational Risk Management***

The Group developed comprehensive operational risk management system dealing with the nature, scale and product complexity of the Group's businesses. The Group also standardised the procedures of operational risk controls, control self-assessment, loss data collection, key risk indicator monitoring and operational risk event management. During the Reporting Period, the Group further enhanced the operational risk classification and matrix evaluation mechanism, strengthened the integrated management of operational risks of subsidiaries, and strengthened operational risk monitoring assessment on key areas. The Group also strengthened business continuity and outsourcing risk management.

## **7. *Legal Compliance and Anti-money Laundering***

During the Reporting Period, the Group strengthened the legal knowledge education and the construction of compliance culture, improved the legal compliance management system, and promoted various legal compliance works in an orderly manner, contributing to steady legal and compliance management. During the Reporting Period, the Group took the measures to enhance anti-money laundering management capabilities, including strengthening the anti-money laundering customer due diligence, optimising the customer money laundering risk ratings and risk controls, improving the quality and efficiency of large-sum transactions and suspicious transactions' reports, promoting the digital transformation of the anti-money laundering, and promoting the anti-money management capability continuously.

## **8. *Reputation Risk Management***

The Group strictly complied with the regulatory requirements and established a long-term mechanism for the Group's reputation risk management through two dimensions, namely, the full-process management and the normalisation, in accordance with the management strategy of "prevention first, effective handling, timely modification, and comprehensive coverage", so as to prevent and resolve the reputation risk as well as maintain the Group's reputation and market image. During the Reporting Period, the Group's reputational risk management system operated well, and the reputational risk was under control.

## **9. *Cross-Industry, Cross-Border and By-Country Risk Management***

The Group set up the risk management system across industries and borders, characterised by “centralised management, clear allocation, adequate tools, IT support, risk quantification, and consolidation of substantially controlled entities”. All subsidiaries and overseas branches take into account both the Group’s standardised requirements and the respective requirements from local regulatory governing bodies while performing risk management. During the Reporting Period, considering the uncertainties caused by external changes, the Group strengthened risk management in overseas institutions, improved the institutional system, advanced assessment mechanism, and strengthened the development and drilling of various emergency plans to ensure stable operation of business. In addition, the Group also strengthened management of key areas such as liquidity, business continuity and asset quality in overseas institutions. The Group enhanced the consolidation management, improved unified risk management of the Group, refined the full lifecycle management of subsidiaries, and optimised risk information reporting mechanism. The Group strengthened by-country risk management, increased the frequency of monitoring by-country risk exposure, improved the management of by-country risk limits, carried out by-country risk analysis and rating, continuously paid attention to and responded to by-country risk events in a timely manner, and integrated by country risk management requirements throughout the entire process of relevant business development.

## **10. *Management of Large Exposure Risk***

The Group thoroughly implemented the requirements of the *Administrative Measures for the Large Exposures of Commercial Banks* issued by the CBIRC, boosted the construction of management system, continuously monitored situations of large exposure risk, and strictly adhered to various delegated authorities’ standards, so as to improve the Group’s ability to prevent systematic and regional risk. During the Reporting Period, the Group’s large exposure risk indicators all met the regulatory requirements.

## ***11. Climate and Environmental Risk Management***

The Group actively supported the target of “Carbon Peak and Carbon Neutrality” and promoted the further integration of climate and environmental risks into the comprehensive risk management system. During the Reporting Period, the Group added relevant provisions on climate risk management in the revised Comprehensive Risk Management Policy of Bank of Communications Co., Ltd., which included climate risk as a separate category in the identification of major risks, took climate factors into account in the internal capital adequacy assessment process (ICAAP), and guided operating units to continuously improve the governance structure, strengthen the institutional constraints, enhance the risk assessment, optimise the management and control methods so as to effectively respond to new challenges brought about by climate change and the low-carbon transformation of the socio-economy.

### **(IV) Outlook**

Amid the sophisticated and challenging international environment, domestic economy is facing new difficulties and challenges. However, on the whole, China’s economy has a strong development resilience and ample potential, the fundamentals sustaining China’s sound economic growth in the long run stay unchanged. With the accumulation of positive factors for sustainable development, the economy is expected to continue showing an upward trend of recovery.

At the next stage, the Group will continue to implement deployment requirements of the CPC Central Committee, adhere to the general guideline of making progress while maintaining stability, implement the new development concept completely, accurately and comprehensively. Besides, the Group will help construct the new development pattern, actively fulfil its responsibilities as a major state-owned bank, and promote the implementation of the Group’s strategies to achieve high-quality development, focusing on the following aspects:

**I. Serve the real economy accurately.** The Group continues to increase the financial supply in key areas and weak links, and plays a “Combined Fist” to serve the real economy from the aspects of business strategy, mechanism, resources and products. the Group has focused on key areas such as boosting consumption, increasing people’s livelihood protection, self-reliance and self-improvement in science and technology, and pilot reform and opening up, proactively improved the supply of financial services, fully tap the full demand of customers, and actively show new achievements while firmly grasping policy priorities.

**II. Deepen the construction of business features.** Centring on the requirements of stabilising growth, stabilising employment and stabilising prices, the Group focused on the needs of small and medium-sized enterprises and individual customers, and promoted the expansion of inclusive finance. Furthermore, based on “Chain Finance”, the Group built the high-quality and modernised service industry system, and supported the development of strategic emerging industries and advanced manufacturing industries, enhanced the accuracy and directness of the “BoCom Sci-tech Innovation” series products, continuously improved the customer experience, and specialised in sci-tech finance.

**III. Enhance and optimise the construction of Shanghai Base.** Focusing on the construction of “Four Functions” and “Five Centres” in Shanghai, the Group strengthened scientific and technological innovation, high-level systematic opening up, financial functions of urban construction of international consumption centers and global resource allocation, integrated resources to deepen the business of free trade zones, accelerated the localization of home field experience, the replication and promotion, so as to better play the leading role of home field innovation.

**IV. Consolidate and enhance the comprehensive risk management.** The Group strengthened its overall risk management, implemented the requirements of the centralised operation, strict management, unified management of matters under the same category and comprehensive consolidated statement management, improved the governance and risk management system of its subsidiaries, and conducted the joint prevention and control in cross-border, cross-industry and cross-market areas. Besides, the Group strengthened the prevention and control of risks in key areas such as the real estate market, local government debts, continuously enhanced its risk management and control capabilities, and adhered to the bottom line of the safeguard on systemic financial risks.

## V. CORPORATE GOVERNANCE

The Bank has strictly complied with the *Company Law of the People’s Republic of China*, the *Securities Law of the People’s Republic of China*, *Law of the People’s Republic of China on Commercial Banks* and other relevant laws, regulations and rules. The Bank actively explored the corporate governance mechanisms of large commercial banks with Chinese characteristics and consistently improved the level of corporate governance in order to sufficiently protect the rights of both domestic and overseas investors as well as other relevant stakeholders.

The Board of Directors confirmed that the Bank fully complied with the code provisions under the *Corporate Governance Code* as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Hong Kong Listing Rules**”) and adhered to the majority of the recommended best practices as set out in the *Corporate Governance Code* during the Reporting Period.

## **I. Shareholders' General Meeting**

On 1 March 2023, the Bank held the 2023 First Extraordinary General Meeting, at which four proposals were considered and approved, including the appointment of executive directors and the approval of the remuneration plan of Directors and supervisors of the Bank for the year 2021. On 27 June 2023, the Bank held the 2022 Annual General Meeting, at which eight proposals were considered and approved, including 2022 Report of the Board of Directors, 2022 Report of the Board of Supervisors and 2022 Financial Report, etc. The results announcements for the above Shareholders' General Meetings were published on the websites of Shanghai Stock Exchange ("SSE"), Hong Kong Stock Exchange and the Bank, and were published via media designated by the CSRC.

## **II. Profit Distribution**

Pursuant to the 2022 Profit Distribution Plan approved at the 2022 Annual General Meeting of the bank, a cash dividend of 0.373 (inclusive of tax) for each share, totalling 27.700 billion, which was calculated based on a total share capital of 74.263 billion ordinary shares as at 31 December 2022 was approved. The aforementioned dividend was distributed to holders of A shares and H shares of the Bank on 12 July 2023 and 2 August 2023 respectively.

The Bank will not distribute an interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2023.

## **VI. SIGNIFICANT EVENTS**

### **I. Material litigation and arbitration**

During the Reporting Period, the Group was not involved in any material litigation and arbitration that had significant impact<sup>6</sup> on its operating activities. As at the end of the Reporting Period, the Group was involved in certain outstanding litigations and arbitrations as defendant or third party with an amount of approximately 1.565 billion.

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<sup>6</sup> "Significant impact" is based on Article 19 of CSRC's Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 26 – Special Provisions on Information Disclosure by Commercial Banks, which stipulates that "if the amount of a single litigation matter involved in a commercial bank exceeds 1% of the net assets attributable to the shareholders of the Bank in the audited consolidated financial statements of the previous year, the company shall make a timely announcement".

## II. Punishment

During the Reporting Period, neither the Bank, nor any of its directors, supervisors or senior management was subject to any investigation by competent authorities, any enforcement measures by judiciary authorities, any transferring to the judiciary authorities for criminal responsibilities, any investigation or administrative penalty by the CSRC, any prohibition from access to market or disqualification, any material administrative penalty by administrative departments including environmental, safety supervision and tax departments and any other administrative departments, or any situations of being suspected of serious violations of discipline and law or job-related crimes, being detained by the discipline inspection and supervision organ, being unable to perform duties and being taken administrative supervision measures by the CSRC or disciplinary sanctions by the stock exchange.

## III. Integrity

During the Reporting Period, neither did the Group refuse to execute any court orders nor fail to settle any significant due debts involving litigation.

## IV. Related Party Transactions

### 1. *Connected transactions with connected natural persons under the caliber of the CSRC and SSE*

According to CSRC's *Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 26 – Special Provisions on Information Disclosure by Commercial Banks*, at the end of the Reporting Period, the balance of loans between the Bank and related natural persons was 1.2123 million, and the overdraft limit of credit cards for related natural persons (including the credit undrawn) was 9.6539 million, whose transaction type mainly included loans and credit card overdrafts.

### 2. *Significant connected transactions with related parties under the caliber of the Administrative Measures on the Connected Transactions of Banking and Insurance Institutions*

During the Reporting Period, the Bank entered into some significant related party transactions with related parties—Bank of Communications Financial Leasing Co., Ltd. (“**Bank of Communications Financial Leasing**”) and Rong Kong United Finance Co., Limited (“**Rong Kong United**”), under the caliber of the *Administrative Measures on the Connected Transactions of Banking and Insurance Institutions*. The 6rd meeting of the 10th Board of Directors of the Bank deliberated and approved the above transaction, based on which the independent directors issued written opinions before submitting for deliberation. The six independent directors all believed that the above transactions met the requirements of the regulatory authorities on fairness and compliance of related party transactions and had fulfilled the business review and approval procedures.

In accordance with the *Administrative Measures on the Connected Transactions of Banking and Insurance Institutions*, the Bank shall disclose the transactions one by one on its website within 15 working days after the signing of the contract, and report to the regulator in the meantime. The details are as follows:

(1) *Basic information of related parties*

① Bank of Communications Financial Leasing

Established in December 2007, The initial registered capital of the company was 2 billion and after several capital increases, its registered capital reached 20 billion. With the registered address on Floors 28 and 29, No. 333, Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone, and the legal representative is Xu Bing. The company is a non-bank financial institution, the Bank consistently maintains its wholly-owned control over the company, and its business scope includes: financial leasing business, accepting lease deposits from lessees, fixed income securities investment business, transferring and accepting financial lease assets, absorbing time deposits (for more than 3 months (inclusive)) of non-bank shareholders, interbank lending, borrowing from financial institutions, overseas borrowing, sale and disposal business of leased properties, economic consulting, setting up project companies in domestic bonded areas to carry out financial leasing business, and providing guarantees for external financing of holding subsidiaries and project companies.

② Rong Kong United Finance

Established in Hong Kong in February 2015, Rong Kong United Finance is indirectly wholly owned by Bank of Communications Financial Leasing, a wholly-owned subsidiary of the Bank. The registered capital is 1 Hong Kong dollar, the registered place is 1/F., Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, PRC, and the directors of the company are Cai Zichu and Wang Jing.

(2) *Related Party Transactions*

(1) Pursuant to the Board of Directors' resolutions, the Bank entered into two contracts with Bank of Communications Financial Leasing as follows:

A domestic letter of credit contract is signed. The contract amount is 12 billion, exceeding 1% of the Bank's net capital at the end of 2022; the contract term is 402 days, and the business term does not exceed 1 year; the specific charging items and rates should abide by relevant laws, regulations, rules, regulatory provisions, and the effective *List of Service Charges of Bank of Communications* published by the Bank.

A bank acceptance bill contract is signed. The contract amount is 6 billion, the sum of which together with the contract amount of the above domestic letter of credit contract exceeds 1% of the Bank's net capital at the end of 2022; the contract term is 401 days, and the business term does not exceed 6 months; the acceptance fee is charged at 0.5‰ of the nominal amount of the acceptance bills and the rates of off-balance sheet exposure management fees should be agreed upon by the two parties.

When negotiating the transaction price for the specific transactions under the above-mentioned contracts, the two parties should follow the principle of market-oriented pricing with reference to the quotations provided by the Bank to customers of the same type and level or the quotations provided by third-party banks to BOC Financial Leasing for similar business.

- (2) Pursuant to the Board of Directors' resolutions, the Bank entered into an interbank loan contract with Rong Kong United Finance, with the contract amount of USD1.6 billion (equivalent to RMB10.995 billion), accounting for approximately 1% of the Bank's net capital at the end of 2022; the contract term is 249 days, and the maximum business term does not exceed 1 year; currency includes US dollar, Euro, Hong Kong dollar, Japanese yen, Australian dollar, British pound, etc.; the loan interest rate should be separately agreed upon in the withdrawal application.

When negotiating the loan interest rate, the two parties should follow the principle of market-oriented pricing with reference to the market price or quotation for the loans with the same maturity.

## **V. Material Contracts and Performance of Obligations Thereunder**

### **1. *Material Trust, sub-contract and lease***

During the Reporting Period, the Bank did not hold in trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, and no other corporation held in trust or entered into any material sub-contract or lease arrangement in respect of the Group's assets.

### **2. *Material guarantees***

The provision of guarantees was one of the off-balance sheet businesses carried out by the Bank in its ordinary course of business. During the Reporting Period, the Bank did not provide any material guarantees that needed to be disclosed except for the financial guarantee services within the business scope as approved by the regulatory authority.

## **VI. Audit Committee**

The Bank has established an Audit Committee under the Board of Directors in accordance with the requirements of the Hong Kong Listing Rules. The Audit Committee is mainly responsible for proposing the appointments, re-appointments or removals of the Bank's auditors who conduct regular statutory audits of the Bank's financial reports and the Committee is also responsible for specific implementation matters, monitoring and evaluating the Bank's relationship with the external auditors and the works of the external auditors, guiding, assessing and evaluating the internal audit work and the implementation of internal audit system, reviewing the Bank's financial information and disclosure, examining the Bank's accounting policies and practices, financial position and financial reporting procedures, and monitoring and evaluating the effectiveness and implementation of the Bank's internal controls.

As at the date of this Report, the Audit Committee comprised seven members, including Ms. Li Xiaohui, Mr. Li Longcheng, Mr. Chang Baosheng, Mr. Chen Junkui, Mr. Woo Chin Wan, Raymond, Mr. Shi Lei and Mr. Zhang Xiangdong. Ms. Li Xiaohui, independent non-executive director, served as the Chairman. The Audit Committee and the senior management have reviewed the Bank's accounting policies and practices and discussed issues relating to internal controls and financial reporting including reviewing this announcement. At the same time, the Committee is also responsible for the coordination of the Bank's senior management, internal audit division and other relevant departments as well as their communication with the external auditors so as to ensure that the internal audit department has sufficient resources to operate within the Bank and has appropriate status.

## **VII. Securities Transactions by Directors, Supervisors and Senior Management**

The Bank has required the directors, supervisors and senior management of the Bank to strictly adhere to the *Rules on the Administration of Shares held by Directors, Supervisors and Senior Management Personnel of Listed Companies and the Changes of Such Shares* issued by the CSRC and the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Hong Kong Listing Rules. The Bank has adopted a set of codes of conduct for securities transactions by the directors, supervisors and senior management no less stringent than the standards set out in the above rules. Upon enquiry, all the directors, supervisors and senior management of the Bank confirmed that the securities transactions conducted by them were in compliance with the above rules during the Reporting Period.

## **VIII. Appointment of Accounting Firm**

With the approval at the 2022 Annual General Meeting, the Bank has appointed KPMG Huazhen LLP to perform the audit of the financial statements prepared by the Group in accordance with China Accounting Standards, the internal control audit and other related professional services and appointed KPMG to perform the audit of the financial statements prepared by the Group in accordance with IFRSs and to provide other related professional services. The term of appointment started upon the approval on the date of the Bank's 2022 Annual General Meeting and will end upon the conclusion of the Bank's 2023 Annual General Meeting.

## **IX. Other Significant Events**

1. Bank of Communications Financial Leasing, a wholly-owned subsidiary of the Bank, converted 6 billion of undistributed profits into registered capital (without offering cash options to shareholders). Please refer to the announcement the Bank published on 15 June 2023.
2. The Bank signed the 2023 Interbank Transactions Master Agreement with HSBC for a term of three years. For details, please refer to the announcement of the Bank published on 29 May 2023.

The above announcements were published on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## VII. FINANCIAL REPORT

### Unaudited interim condensed consolidated statement of profit or loss and other comprehensive income

*(All amounts presented in millions of RMB except when otherwise indicated)*

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
		(Restated)
Interest income	<b>228,406</b>	202,540
Interest expense	<u>(146,019)</u>	<u>(117,475)</u>
<b>Net interest income</b>	<b>82,387</b>	85,065
Fee and commission income	<b>26,691</b>	27,072
Fee and commission expense	<u>(2,111)</u>	<u>(2,298)</u>
<b>Net fee and commission income</b>	<b>24,580</b>	24,774
Net gains arising from trading activities	<b>17,637</b>	9,954
Net (loss)/gains arising from financial investments	<b>(32)</b>	660
<i>Including: Net gains/(loss) on derecognition of</i>		
<i>financial assets measured at amortised cost</i>	<b>10</b>	(13)
Share of profits of associates and joint ventures	<b>161</b>	70
Other operating income	<u><b>12,574</b></u>	<u>10,571</u>
<b>Net operating income</b>	<b>137,307</b>	131,094
Credit impairment losses	<b>(36,346)</b>	(36,827)
Other assets impairment losses	<b>(594)</b>	(690)
Other operating expenses	<u><b>(50,693)</b></u>	<u>(47,935)</u>
<b>Profit before tax</b>	<b>49,674</b>	45,642
Income tax	<u><b>(3,108)</b></u>	<u>(1,491)</u>
<b>Net profit for the period</b>	<b>46,566</b>	44,151

**Unaudited interim condensed consolidated statement of profit or loss and other comprehensive income (continued)**

*(All amounts presented in millions of RMB except when otherwise indicated)*

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
		(Restated)
<b>Other comprehensive income, net of tax</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Changes in fair value of debt instruments measured at fair value through other comprehensive income		
<i>Amount recognised in equity</i>	2,923	(6,508)
<i>Amount reclassified to profit or loss</i>	(190)	(607)
Expected credit losses of debt instruments measured at fair value through other comprehensive income		
<i>Amount recognised in equity</i>	448	296
<i>Amount reclassified to profit or loss</i>	-	-
Effective portion of gains or losses on hedging instruments in cash flow hedges		
<i>Amount recognised in equity</i>	(1,079)	709
<i>Amount reclassified to profit or loss</i>	888	(97)
Translation differences for foreign operations	3,865	4,122
Others	(1,220)	(69)
	<u>5,635</u>	<u>(2,154)</u>
Subtotal	-----5,635	----- (2,154)
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Actuarial losses on pension benefits	4	(20)
Changes in fair value of equity investments designated at fair value through other comprehensive income	1,129	(145)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss	(148)	46
Others	(225)	7
	<u>(225)</u>	<u>7</u>
Subtotal	-----760	----- (112)

**Unaudited interim condensed consolidated statement of profit or loss and other comprehensive income (continued)**

*(All amounts presented in millions of RMB except when otherwise indicated)*

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
		(Restated)
Other comprehensive income, net of tax	<u>6,395</u>	<u>(2,266)</u>
<b>Total comprehensive income for the period</b>	<b><u>52,961</u></b>	<b><u>41,885</u></b>
<b>Net profit attributable to:</b>		
Shareholders of the parent company	46,039	44,052
Non-controlling interests	<u>527</u>	<u>99</u>
	<b><u>46,566</u></b>	<b><u>44,151</u></b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the parent company	51,959	41,692
Non-controlling interests	<u>1,002</u>	<u>193</u>
	<b><u>52,961</u></b>	<b><u>41,885</u></b>
<b>Basic and diluted earnings per share for profit attributable to holders of ordinary shares of the parent company (in RMB yuan)</b>	<b><u>0.57</u></b>	<b><u>0.55</u></b>

## Unaudited interim condensed consolidated statement of financial position

(All amounts presented in millions of RMB except when otherwise indicated)

	As at <b>30 June</b> <b>2023</b>	As at 31 December 2022 (Restated)
<b>ASSETS</b>		
Cash and balances with central banks	815,757	806,102
Due from and placements with banks and other financial institutions	834,882	690,421
Derivative financial assets	102,325	69,687
Loans and advances to customers	7,613,830	7,135,454
Financial investments at fair value through profit or loss	664,524	705,357
Financial investments at amortised cost	2,541,755	2,450,775
Financial investments at fair value through other comprehensive income	823,782	799,075
Investments in associates and joint ventures	8,787	8,750
Property and equipment	213,955	194,169
Deferred tax assets	43,251	39,512
Other assets	150,512	92,269
<b>Total assets</b>	<b>13,813,360</b>	<b>12,991,571</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Due to and placements from banks and other financial institutions	2,115,896	2,034,894
Financial liabilities at fair value through profit or loss	43,708	47,949
Derivative financial liabilities	84,750	46,804
Deposits from customers	8,579,598	7,949,072
Certificates of deposits issued	1,054,383	1,092,366
Income tax payable	5,288	3,937
Debt securities issued	586,390	530,861
Deferred tax liabilities	2,409	1,786
Other liabilities	286,039	250,380
<b>Total liabilities</b>	<b>12,758,461</b>	<b>11,958,049</b>

## Unaudited interim condensed consolidated statement of financial position (continued)

(All amounts presented in millions of RMB except when otherwise indicated)

	As at <b>30 June</b> <b>2023</b>	As at 31 December 2022 (Restated)
<b>LIABILITIES AND EQUITY (CONTINUED)</b>		
<b>EQUITY</b>		
Share capital	74,263	74,263
Other equity instruments	174,790	174,790
<i>Including: Preference shares</i>	44,952	44,952
<i>Perpetual bonds</i>	129,838	129,838
Capital surplus	111,428	111,429
Other reserves	396,871	368,808
Retained earnings	<u>285,731</u>	<u>292,734</u>
<b>Equity attributable to shareholders of the parent company</b>	<b><u>1,043,083</u></b>	<b><u>1,022,024</u></b>
Equity attributable to non-controlling interests of ordinary shares	8,247	8,040
Equity attributable to non-controlling interests of other equity instruments	<u>3,569</u>	<u>3,458</u>
<b>Non-controlling interests</b>	<b><u>11,816</u></b>	<b><u>11,498</u></b>
<b>Total equity</b>	<b><u>1,054,899</u></b>	<b><u>1,033,522</u></b>
<b>Total equity and liabilities</b>	<b><u>13,813,360</u></b>	<b><u>12,991,571</u></b>

# Unaudited interim condensed consolidated statement of changes in equity

(All amounts presented in millions of RMB except when otherwise indicated)

	Other equity instruments			Equity attributable to shareholders of the parent company										Attributable to non-controlling interests			Total	
	Share capital	Preference Share	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary surplus reserve	Statutory general reserve	Revaluation reserve for other comprehensive income	Revaluation reserve for financial assets at fair value through profit or loss	the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings of the parent company	Attributable to the shareholders of the parent company		Non-controlling interests of ordinary shares
As at 31 December 2022 (Restated)	74,263	44,952	129,838	111,429	88,154	140,182	144,541	(6,664)	(157)	693	1,164	(121)	1,016	292,734	1,022,024	8,040	3,458	1,033,522
Impact of adoption of accounting policies amendments	-	-	-	-	-	-	-	191	-	-	-	-	-	127	318	190	-	508
As at 1 January 2023	74,263	44,952	129,838	111,429	88,154	140,182	144,541	(6,473)	(157)	693	1,164	(121)	1,016	292,861	1,022,342	8,230	3,458	1,034,030
Total comprehensive income	-	-	-	-	-	-	-	3,463	(148)	(191)	3,701	4	(909)	46,039	51,959	826	176	52,961
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,700)	(27,700)	(290)	-	(27,990)
Dividends paid to preference shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,832)	(1,832)	-	-	(1,832)
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,685)	(1,685)	-	-	(1,685)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(65)
Transferred to reserves	-	-	-	-	8,468	-	13,579	-	-	-	-	-	-	(22,047)	-	-	-	-
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	(95)	-	-	-	-	-	95	-	-	-	-
Others	-	-	-	(1)	-	-	-	-	-	-	-	-	-	-	(1)	(519)	-	(520)
As at 30 June 2023	<u>74,263</u>	<u>44,952</u>	<u>129,838</u>	<u>111,428</u>	<u>96,622</u>	<u>140,182</u>	<u>158,120</u>	<u>(3,105)</u>	<u>(305)</u>	<u>502</u>	<u>4,865</u>	<u>(117)</u>	<u>107</u>	<u>285,731</u>	<u>1,043,083</u>	<u>8,247</u>	<u>3,569</u>	<u>1,054,899</u>

## Unaudited interim condensed consolidated statement of changes in equity (continued)

*(All amounts presented in millions of RMB except when otherwise indicated)*

	Other equity instruments				Equity attributable to shareholders of the parent company										Attributable to non-controlling interests			Total	
	Share capital	Preference Share	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary surplus reserve	Statutory general reserve	Revaluation reserve for the changes in the value of financial assets through other comprehensive income	Other reserves	Revaluation reserve for the changes in the value of financial assets through profit or loss	credit risk of the financial liabilities designated through fair value	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings	Attributable to the shareholders of the parent company		Non-controlling interests of ordinary shares
As at 31 December 2021 (Restated)	74,263	44,952	129,838	111,428	79,967	140,022	130,280	1,530	(24)	(104)	(6,884)	(87)	1,379	257,187	963,747	8,881	3,165	975,793	
Total comprehensive income	-	-	-	-	-	-	-	(6,848)	46	618	3,834	(20)	10	44,052	41,692	(12)	205	41,885	
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(26,363)	(26,363)	(380)	-	(26,743)	
Dividends paid to preference shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,832)	(1,832)	-	-	(1,832)	
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,685)	(1,685)	-	-	(1,685)	
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(59)	(59)
Transferred to reserves	-	-	-	-	7,784	-	13,328	-	-	-	-	-	-	(21,112)	-	-	-	-	-
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	8	-	-	-	-	-	(8)	-	-	-	-	-
As at 30 June 2022	<u>74,263</u>	<u>44,952</u>	<u>129,838</u>	<u>111,428</u>	<u>87,751</u>	<u>140,022</u>	<u>143,608</u>	<u>(5,310)</u>	<u>22</u>	<u>514</u>	<u>(3,050)</u>	<u>(107)</u>	<u>1,389</u>	<u>250,239</u>	<u>975,559</u>	<u>8,489</u>	<u>3,311</u>	<u>987,359</u>	

## Unaudited condensed consolidated interim statement of cash flows

(All amounts presented in millions of RMB except when otherwise indicated)

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
		(Restated)
<b>Cash flows from operating activities:</b>		
Profit before tax:	<b>49,674</b>	45,642
Adjustments for:		
Provision for credit impairment losses	<b>36,346</b>	36,827
Provision for other assets impairment losses	<b>594</b>	690
Depreciation and amortization	<b>8,927</b>	7,980
(Reversal)/provision for outstanding litigation and unsettled obligation	<b>(22)</b>	103
Net gains on the disposal of property, equipment and other assets	<b>(416)</b>	(246)
Interest income on financial investments	<b>(55,162)</b>	(46,923)
Fair value net (gains)/losses	<b>(600)</b>	3,429
Net gains on investments in associates and joint ventures	<b>(161)</b>	(70)
Net losses/(gains) on financial investments	<b>32</b>	(660)
Interest expense on debt securities issued	<b>8,036</b>	7,627
Interest expense on lease liabilities	<b>84</b>	90
	<hr/>	<hr/>
Operating cash flows before movements in operating assets and liabilities	<b>47,332</b>	54,489
Net increase in balances with central banks	<b>(30,155)</b>	(47,139)
Net increase in due from and placements with banks and other financial institutions	<b>(139,134)</b>	(137,891)
Net increase in loans and advances to customers	<b>(493,878)</b>	(525,819)
Net decrease/(increase) in financial assets at fair value through profit or loss	<b>40,397</b>	(27,867)
Net increase in other assets	<b>(47,053)</b>	(23,508)
Net increase/(decrease) in due to and placements from banks and other financial institutions	<b>76,117</b>	(39,037)
Net (decrease)/increase in financial liabilities at fair value through profit or loss	<b>(7,721)</b>	2,659
Net increase in deposits from customers and certificates of deposit issued	<b>545,780</b>	815,909
Net increase in other liabilities	<b>7,519</b>	24,254
Net increase/(decrease) in value-added tax and other taxes payable	<b>564</b>	(67)
Income tax paid	<b>(4,891)</b>	(6,874)
	<hr/>	<hr/>
<b>Net cash flows (used)/generated in operating activities</b>	<b>(5,123)</b>	89,109

## Unaudited interim condensed consolidated statement of cash flows (continued)

(All amounts presented in millions of RMB except when otherwise indicated)

	<b>Six months ended 30 June</b>	
	2023	2022
		(Restated)
<b>Cash flows from investing activities:</b>		
Cash payment for investment in subsidiaries, associated ventures and joint ventures	–	(1,588)
Cash payments for financial investments	<b>(588,084)</b>	(551,750)
Proceeds from disposal or redemption of financial investments	<b>493,374</b>	407,104
Dividends received	<b>236</b>	722
Interest received from financial investments	<b>53,712</b>	45,072
Acquisition of intangible assets and other assets	<b>(1,145)</b>	(621)
Cash received from the sale of intangible assets and other assets	<b>2</b>	12
Acquisition of property and equipment	<b>(25,723)</b>	(11,486)
Cash received from disposal of property and equipment	<b>5,400</b>	4,257
<b>Net cash flows used in investing activities</b>	<b>(62,228)</b>	(108,278)
<b>Cash flows from financing activities:</b>		
Proceeds from issue of debt securities	<b>80,566</b>	66,892
Repayment of principal and interest of lease liabilities	<b>(1,340)</b>	(1,234)
Repayment of principals of debt securities issued	<b>(30,585)</b>	(56,324)
Payment of interest on debt securities	<b>(5,690)</b>	(5,481)
Dividends paid	<b>(1,685)</b>	(1,685)
Dividends paid to non-controlling interests	<b>(280)</b>	(59)
<b>Net cash flows generated from financing activities</b>	<b>40,986</b>	2,109
<b>Effect of exchange rate fluctuations on cash and cash equivalents held</b>	<b>1,760</b>	1,895
<b>Net decrease in cash and cash equivalents</b>	<b>(24,605)</b>	(15,165)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>248,803</b>	194,308
<b>Cash and cash equivalents at the end of the period</b>	<b>224,198</b>	179,143
<b>Net cash flows from operating activities include:</b>		
Interest received	<b>172,545</b>	155,120
Interest paid	<b>(117,538)</b>	(95,563)

## 1 Significant accounting policies

### (1) *Basis of preparation*

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

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The principal accounting policies and methods of computation used in preparing the interim financial information are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2022.

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

### (2) *Changes in accounting policies*

#### (a) *Standards and amendments effective in 2023 relevant to and adopted by the Group*

In the current Reporting Period, the Group has adopted the following International Financial Reporting Standards (“IFRSs”) and amendments issued by the International Accounting Standards Board (“IASB”), that are mandatorily effective for the current Reporting Period.

		<i>Note</i>
IFRS 17	Insurance Contracts	(i)
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	(ii)
Amendments to IAS 8	Definition of Accounting Estimates	(ii)
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	(ii)
Amendments to IAS 12	Income taxes: International tax reform – Pillar Two model rules	(iii)

**(I) IFRS 17: INSURANCE CONTRACTS**

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. Amendments to IFRS 17 were issued in June 2020 and December 2021 to address stakeholder concerns and implementation challenges. IFRS 17 sets out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers.

In accordance with IFRS 17, the Group: (1) adjusted the recognition principles for insurance revenue. Insurance revenue will be recognized over the coverage period based on the provision of services, and the investment component and other non-insurance services that can be clearly distinguished will be split from the insurance contract. The premium corresponding to the investment component, other non-insurance services and the inseparable investment component were excluded from the insurance revenue; (2) revised the measurement of insurance contract liabilities, including revising measurement models for insurance contracts, revising the measurement of contractual service margin (“CSM”), the methods for measuring CSM at the transition date, and the method for determining the discount rate of insurance contract liabilities, etc.

The Group adopted IFRS 17 on 1 January 2023. According to the transitional provisions of IFRS 17, for insurance contracts that occurred before the transition date (1 January 2023) of which measurements were not in conformity to IFRS 17, the Group has made retrospective adjustments and recognised the cumulative effect as an adjustment to retained earnings and other equity items as at 1 January 2022, and comparative information was adjusted meanwhile. In addition, according to the transitional provisions of IFRS 17, the Group also reassessed the business model for managing financial assets and revoked the previous designation, to reclass the category and measurement of financial assets. The Group recognised the cumulative effect as an adjustment to retained earnings and other equity items as at 1 January 2023, without adjusting the comparative information.

– **The effects on the comparative financial statements**

The effects of adopting IFRS 17 on the consolidated net profit for the six months ended 30 June 2022, and opening and closing balances of consolidated shareholders' equity in consolidated statement of changes in equity as at 30 June 2022 are summarised as follows:

	Net profit for the six months ended 30 June 2022	Total equity as at 30 June 2022	Total equity as at 1 January 2022
Net profit and shareholders' equity before adjustments	44,132	988,936	977,236
The effects of IFRS 17	19	(1,577)	(1,443)
Net profit and shareholders' equity after adjustments	<u>44,151</u>	<u>987,359</u>	<u>975,793</u>

The effects of adopting IFRS 17 on each of the line items in the consolidated balance sheet as at 31 December 2022 are as follows:

	<b>Before adjustments</b>	<b>Adjustments</b>	<b>After adjustments</b>
<b>ASSETS</b>			
Loans and advances to customers	7,136,677	(1,223)	7,135,454
Deferred tax assets	38,771	741	39,512
Other assets	92,635	(366)	92,269
<b>LIABILITIES</b>			
Other liabilities	249,010	1,370	250,380
<b>EQUITY</b>			
Other reserves	369,259	(451)	368,808
Retained earnings	293,668	(934)	292,734
Equity attributable to non-controlling interests of ordinary shares	<u>8,873</u>	<u>(833)</u>	<u>8,040</u>

The effects of adopting IFRS 17 on each of the line items in the consolidated income statement for the six months ended 30 June 2022 are as follows:

	<b>Before adjustments</b>	<b>Adjustments</b>	<b>After adjustments</b>
Interest income	202,568	(28)	202,540
Net interest income	85,093	(28)	85,065
Fee and commission expense	(2,418)	120	(2,298)
Net fee and commission income	24,654	120	24,774
Other operating income	23,137	(12,566)	10,571
Net operating income	143,568	(12,474)	131,094
Other operating expenses	(60,434)	12,499	(47,935)
Profit before tax	45,617	25	45,642
Income tax	(1,485)	(6)	(1,491)
Net profit for the period	44,132	19	44,151
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity	(7,739)	1,231	(6,508)
Amount reclassified to profit or loss	630	(1,237)	(607)
Others	131	(200)	(69)
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity investments designated at fair value through other comprehensive income	(192)	47	(145)
Others	<u>1</u>	<u>6</u>	<u>7</u>
Total comprehensive income for the period	42,019	(134)	41,885
Net profit attributable to:			
Shareholders of the parent company	44,040	12	44,052
Non-controlling interests	92	7	99
Total comprehensive income attributable to:			
Shareholders of the parent company	41,776	(84)	41,692
Non-controlling interests	<u>243</u>	<u>(50)</u>	<u>193</u>

- After retrospective adjustments of the above accounting policy changes, the consolidated balance sheet and company balance sheet as at 1 January 2022 are as follows:

#### ASSETS

Cash and balances with central banks	734,728
Due from and placements with banks and other financial institutions	632,708
Derivative financial assets	39,220
Loans and advances to customers	6,410,965
Financial investments at fair value through profit or loss	638,483
Financial investments at amortised cost	2,203,037
Financial investments at fair value through other comprehensive income	681,729
Investments in associates and joint ventures	5,779
Property and equipment	171,194
Deferred tax assets	32,544
Other assets	<u>114,363</u>

Total assets 11,664,750

#### LIABILITIES AND EQUITY

##### LIABILITIES

Due to and placements from banks and other financial institutions	1,947,768
Financial liabilities at fair value through profit or loss	50,048
Derivative financial liabilities	36,074
Deposits from customers	7,039,777
Certificates of deposits issued	892,020
Income tax payable	4,725
Debt securities issued	503,525
Deferred tax liabilities	1,889
Other liabilities	<u>213,131</u>

Total liabilities -----10,688,957

EQUITY	
Share capital	74,263
Other equity instruments	174,790
Including: Preference shares	44,952
Perpetual bonds	129,838
Capital surplus	111,428
Other reserves	346,079
Retained earnings	<u>257,187</u>
Equity attributable to shareholders of the parent company	<u>963,747</u>
Equity attributable to non-controlling interests of ordinary shares	8,881
Equity attributable to non-controlling interests of other equity instruments	<u>3,165</u>
Non-controlling interests	<u>12,046</u>
Total equity	<u>975,793</u>
Total equity and liabilities	<u><u>11,664,750</u></u>

- The Group adopted IFRS 17, recognising the cumulative effect of class and measurement of financial assets as an adjustment to retained earnings and other equity items as at 1 January 2023. The effects on each of the line items in the consolidated balance sheet as at 1 January 2023 are as follows:

	<b>Before adjustments</b>	<b>Adjustments</b>	<b>After adjustments</b>
<b>ASSETS</b>			
Financial investments at fair value through profit or loss	705,357	688	706,045
Financial investments at amortised cost	2,450,775	(19,151)	2,431,624
Financial investments at fair value through other comprehensive income	799,075	18,971	818,046
<b>EQUITY</b>			
Other reserves	368,808	191	368,999
Retained earnings	292,734	127	292,861
Equity attributable to non-controlling interests of ordinary shares	<u>8,040</u>	<u>190</u>	<u>8,230</u>

- (II) Description of this standard and amendment was disclosed in the Group's consolidated financial statements for the year ended 31 December 2022. The adoption of this standard and amendment does not have a significant impact on the financial position or comprehensive income of the Group.

**(III) AMENDMENTS TO IAS 12, INCOME TAXES: INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES**

The Group has adopted International Tax Reform-Pillar Two Model Rules-Amendments to IAS 12 upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from 31 December 2023. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Group's condensed interim financial statements.

The relief and the new disclosures will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

(b) *Standards and amendments relevant to the Group that are not yet effective in the current Reporting Period and have not been adopted before their effective dates by the Group*

The Group has not adopted the following new or amended standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (“IFRIC”), that have been issued but are not yet effective.

		<b>Effective for annual periods beginning on or after</b>	<i>Notes</i>
(1)	Amendments to IFRS 16 Lease Liability in a Sale and Leaseback	1 January 2024	(i)
(2)	Amendments to IAS 1 (2020) Classification of Liabilities as Current or Non-current	1 January 2024	(i)
(3)	Amendments to IAS 1 (2022) Non-current Liabilities with Covenants	1 January 2024	(i)
(4)	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred.	(i)

(i) Descriptions of these standards and amendments were disclosed in the Group’s consolidated financial statements for the year ended 31 December 2022. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group’s financial information.

(3) ***Significant accounting estimates and judgements in applying accounting policies***

The preparation of this interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s consolidated financial statements for the year ended 31 December 2022.

## 2 Net interest income

	Six months ended 30 June	
	2023	2022
<b>Interest income</b>		
Loans and advances to customers	153,272	143,149
Financial investments	55,162	46,923
Due from and placements with banks and other financial institutions	13,950	7,204
Balances with central banks	<u>6,022</u>	<u>5,264</u>
Subtotal	<u>228,406</u>	<u>202,540</u>
<b>Interest expense</b>		
Deposits from customers	(95,767)	(76,882)
Due to and placements from banks and other financial institutions	(26,488)	(20,766)
Certificates of deposit issued	(15,728)	(12,200)
Debt securities issued	<u>(8,036)</u>	<u>(7,627)</u>
Subtotal	<u>(146,019)</u>	<u>(117,475)</u>
<b>Net interest income</b>	<u>82,387</u>	<u>85,065</u>

## 3 Fee and commission income

	Six months ended 30 June	
	2023	2022
Bank cards business	10,005	9,923
Custody and other fiduciary business	4,887	4,249
Wealth management business	4,088	5,232
Agency services	3,518	3,394
Investment banking	1,676	1,968
Guarantee and commitment	1,661	1,489
Settlement services	750	720
Others	<u>106</u>	<u>97</u>
Total	<u>26,691</u>	<u>27,072</u>

#### 4 Credit impairment losses

	Six months ended 30 June	
	2023	2022
Loans and advances to customers at amortised cost	33,800	34,316
Due from and placements with banks and other financial institutions	634	(176)
Financial investments at amortised cost	401	16
Debt investments at FVOCI	313	117
Loans and advances to customers at FVOCI	162	204
Credit related commitments and financial guarantees	(112)	1,599
Others	1,148	751
	<u>36,346</u>	<u>36,827</u>
Total	<u>36,346</u>	<u>36,827</u>

#### 5 Other assets impairment losses

	Six months ended 30 June	
	2023	2022
Operating lease assets	581	672
Foreclosed assets	19	4
Precious metal	(6)	14
	<u>594</u>	<u>690</u>
Total	<u>594</u>	<u>690</u>

## 6 Income tax

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
Current income tax		
– Enterprise income tax	<b>5,252</b>	5,618
– Hong Kong profits tax	<b>420</b>	1,055
– Other countries or regions	<b>329</b>	246
	<hr/>	<hr/>
Subtotal	<b>6,001</b>	6,919
Deferred income tax	<b>(2,893)</b>	(5,428)
	<hr/>	<hr/>
Total	<b><u>3,108</u></b>	<b><u>1,491</u></b>

The provision for enterprise income tax in Chinese Mainland is calculated based on the statutory rate of 25% of the assessable income of the Bank and each of the subsidiary established in Chinese Mainland. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the difference between tax paid by overseas branches and the accrued tax under the regulation of Chinese Mainland shall be compensated by the head office.

The actual taxation on the Group differs from the theoretical amount calculated using the Group's profit before tax at the tax rate of 25%. The major reconciliation items are as follows:

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
Profit before tax		<b>49,674</b>	45,642
Tax calculated at statutory rate of 25%		<b>12,419</b>	11,410
Effects of different tax rates prevailing in other countries or regions		<b>(29)</b>	48
Effects of non-deductible expenses	<i>(1)</i>	<b>3,074</b>	1,812
Effects of non-taxable income	<i>(2)</i>	<b>(12,086)</b>	(10,871)
Adjustments for income tax filing of prior years		<b>151</b>	(487)
Others		<b>(421)</b>	(421)
		<hr/>	<hr/>
Income tax		<b><u>3,108</u></b>	<b><u>1,491</u></b>

(1) Non-deductible expenses primarily represent non-deductible write-offs.

(2) Non-taxable income primarily represents interest income from PRC treasury bonds and municipal government bonds and fund investment income.

## 7 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
Net profit attributable to shareholders of the parent company	<b>46,039</b>	44,052
Less: Dividends paid to preference shareholders	<b>(1,832)</b>	(1,832)
Interest paid to perpetual bond holders	<b>(1,685)</b>	(1,685)
	<u><b>42,522</b></u>	<u>40,535</u>
Net profit attributable to holders of ordinary shares of the parent company		
	<u><b>42,522</b></u>	<u>40,535</u>
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the period	<b>74,263</b>	74,263
Basic and diluted earnings per share (expressed in RMB per share)	<b>0.57</b>	0.55

For the calculation of basic earnings per share, a cash dividend of RMB1,832 million on preference shares declared for the period was deducted from the amounts attributable to shareholders of the parent company. The conversion feature of preference shares may lead to the possible existence of contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2023, and therefore the conversion feature of preference shares has no effect on the calculation of the basic and diluted earnings per share.

## 8 Derivative financial instruments

The Group utilize derivative financial instruments for trading or hedging purposes, including forwards, swaps and options.

The notional amounts of derivative financial instruments provide a reference of the business scale for those financial instruments recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative financial instruments may become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market foreign exchange rates, interest rates or commodity price relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values and contractual/notional amount of derivative financial instruments held are set out in the following tables.

As at 30 June 2023	Contractual/ notional amount	Fair values	
		Assets	Liabilities
Foreign exchange and commodity contracts	4,305,047	62,111	(68,816)
Interest rate contracts and others	<u>3,569,381</u>	<u>40,214</u>	<u>(15,934)</u>
Total amount of derivative financial instruments recognised	<u>7,874,428</u>	<u>102,325</u>	<u>(84,750)</u>
As at 31 December 2022	Contractual/ notional amount	Fair values	
		Assets	Liabilities
Foreign exchange and commodity contracts	3,406,796	34,499	(34,648)
Interest rate contracts and others	<u>3,076,875</u>	<u>35,188</u>	<u>(12,156)</u>
Total amount of derivative financial instruments recognised	<u>6,483,671</u>	<u>69,687</u>	<u>(46,804)</u>

### *Hedge accounting*

Notional amount and fair value of hedging instruments included in the above derivative financial instruments are as follows:

<b>As at 30 June 2023</b>	<b>Contractual/ notional amount</b>	<b>Fair values</b>	
		<b>Assets</b>	<b>Liabilities</b>
Derivative financial instruments designated as hedging instruments in fair value hedges	<b>217,653</b>	<b>18,067</b>	<b>(24)</b>
Derivative financial instruments designated as hedging instruments in cash flow hedges	<b>88,888</b>	<b>909</b>	<b>(2,513)</b>
<b>Total</b>	<b><u>306,541</u></b>	<b><u>18,976</u></b>	<b><u>(2,537)</u></b>
<b>As at 31 December 2022</b>	<b>Contractual/ notional amount</b>	<b>Fair values</b>	
		<b>Assets</b>	<b>Liabilities</b>
Derivative financial instruments designated as hedging instruments in fair value hedges	177,797	15,934	(20)
Derivative financial instruments designated as hedging instruments in cash flow hedges	<u>75,883</u>	<u>2,043</u>	<u>(1,202)</u>
<b>Total</b>	<b><u>253,680</u></b>	<b><u>17,977</u></b>	<b><u>(1,222)</u></b>

(1) *Fair value hedge*

The Group uses interest rate swaps to hedge against changes in fair value arising from changes in interest rates. Some purchased interest rate swap contracts are designated as hedging instruments, whose terms are identical with those of the corresponding hedged items regarding interest rate, maturity and currency. The Group uses regression analysis to evaluate the effectiveness of hedging. With the support of testing results, the Group's management considers the hedging relationship to be highly effective. The hedged items include debt investments at FVOCI, loans and advances to customers, debt securities issued and financial investments at amortised cost.

The following table shows the hedge effectiveness of the fair value hedges:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
Net gains/(losses) from fair value hedges:		
Hedging instruments	<b>457</b>	10,554
Hedged items attributable to the hedged risk	<b>(334)</b>	(10,764)
Total	<b><u>123</u></b>	<b><u>(210)</u></b>

(2) *Cash flow hedge*

The Group uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks, and uses interest rate swaps to hedge against exposures to cash flow variability primarily resulting from interest rate risks. The hedged items include debt investments at FVOCI, placements with/from banks and other financial institutions, debt securities issued, loans and advances to customers and receivables. The Group mainly uses regression analysis to evaluate the effectiveness of hedging. With the supporting of testing results, the Group's management considers the hedging relationship to be highly effective.

For the six months ended 30 June 2023, the Group recognised RMB-1,423 million (for the six months ended 30 June 2022: RMB875 million) from effective portion of cash flow hedge in other comprehensive income. The Group reclassifies RMB-1,184 million from other comprehensive income to profit or loss (for the six months ended 30 June 2022: RMB130 million). Gains or losses arising from ineffective portion of cash flow hedge were immaterial. There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

## 9 Dividends

	Six months ended 30 June	
	2023	2022
Dividends to ordinary shareholders of the Bank	27,700	26,363
Dividends to preference shareholders of the Bank	1,832	1,832
Interest to perpetual bond holders of the Bank	<u>1,685</u>	<u>1,685</u>

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (1) Making up cumulative losses from prior years, if any;
- (2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;
- (3) Allocations to statutory general reserve;
- (4) Allocations to the discretionary reserve upon approval by the Annual General Meeting of Shareholders. These funds form part of the shareholders' equity. The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at Annual General Meeting.

Pursuant to the approval by the Annual General Meeting of Shareholders on 27 June 2023, the Bank appropriated a cash dividend of RMB0.373 (before tax) for each ordinary share, with total amount of RMB27,700 million, calculated based on 74,263 million shares outstanding as at 31 December 2022, will be distributed to ordinary shareholders.

Pursuant to the approval by the Board meeting on 28 April 2023, the Bank will appropriate domestic preference dividends of RMB1,831.5 million with a dividend yield of 4.07%.

The Bank distributed the interest on the 2021 undated capital bonds amounting to RMB1,685 million on 10 June 2023.

## 10 Contingencies

### *Legal proceedings*

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. The total outstanding claims against the Group (as defendant) by a number of third parties at the end of the year are summarised as follows:

	<b>As at 30 June 2023</b>	As at 31 December 2022
Outstanding litigations	<b>1,565</b>	2,017
Provision for outstanding litigation	<b><u>496</u></b>	<u>520</u>

### *Future receivables from operating leases*

The Group acts as lessor in operating leases principally through aircrafts, vessels and equipments leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft, vessel and equipments under irrevocable operating leases are as follows:

	<b>As at 30 June 2023</b>	As at 31 December 2022
Within 1 year	<b>19,040</b>	16,880
After 1 year and within 2 years	<b>17,403</b>	15,635
After 2 years and within 3 years	<b>16,181</b>	14,209
After 3 years and within 4 years	<b>15,028</b>	12,954
After 4 years and within 5 years	<b>12,778</b>	11,374
After 5 years	<b><u>54,083</u></b>	<u>43,924</u>
Total	<b><u>134,513</u></b>	<u>114,976</u>

## 11 Commitments

### *Credit related commitments and financial guarantees*

The following tables provide the contractual amounts of the Group's credit related commitments and financial guarantees which the Group has committed to its customers:

	<b>As at 30 June 2023</b>	As at 31 December 2022
Loan commitments		
– Under 1 year	<b>16,801</b>	10,129
– 1 year and above	<b>79,090</b>	71,743
Credit card commitments	<b>974,910</b>	998,125
Acceptance bills	<b>515,348</b>	536,574
Letters of guarantee	<b>439,712</b>	420,167
Letters of credit commitments	<b>187,629</b>	183,717
	<hr/>	<hr/>
Total	<b><u>2,213,490</u></b>	<b><u>2,220,455</u></b>

### *Capital expenditure commitments*

	<b>As at 30 June 2023</b>	As at 31 December 2022
Contracted but not provided for	<b><u>99,088</u></b>	<b><u>94,654</u></b>

### *Commitments on security underwriting and bond acceptance*

The Group is entrusted by the Ministry of Finance ('**MOF**') to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 30 June 2023, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB67,677 million (As at 31 December 2022: RMB66,715million).

The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. As at 30 June 2023, The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material (As at 31 December 2022: not material).

As at 30 June 2023, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (As at 31 December 2022: Nil).

## **12 Segmental analysis**

Operating segments are identified based on the structure of the Group's internal organization and management requirements. Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Funds are ordinarily allocated between segments. Costs of these funds are charged at the Group's cost of capital and disclosed in inter-segment net interest income. There are no other material items of income or expenses between the segments. Net interest income and expense relating to third parties are disclosed in external net interest income. There are no other material items of income or expenses between the segments.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income tax is managed on a group basis and is not allocated to operating segments.

### ***Geographical operating segment information***

The Group's Board of Directors and senior management reviews the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's geographical operating segments are decided based upon location of the assets, as the Group's branches and subsidiaries mainly serve local customers.

The Group's geographical operating segments include provincial and directly managed branches and subsidiaries (if any) in relevant regions, as follows:

- Head Office: Head Office, including the Pacific Credit Card Centre;
- Yangtze River Delta: including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province and Anhui Province;
- Central China: including Shanxi Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Hainan Province and Guangxi Zhuang Autonomous Region;
- Bohai Rim Economic Zone: including Beijing, Tianjin, Hebei Province and Shandong Province;
- Pearl River Delta: including Fujian Province and Guangdong Province;
- Western China: including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Inner Mongolia Autonomous Region, Ningxia Autonomous Region, Xinjiang Uyghur Autonomous Region and Tibet Autonomous Region;
- North Eastern China: including Liaoning Province, Jilin Province and Heilongjiang Province;
- Overseas: including Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Melbourne, Toronto, Prague and Johannesburg.

	Six months ended 30 June 2023								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External net interest income/(expense)	11,909	5,185	(1,251)	11,024	8,414	(711)	6,037	41,780	82,387
Inter-segment net interest income/ (expense)	13,585	4,912	13,335	4,669	1,152	3,572	462	(41,687)	-
<b>Net interest income</b>	<b>25,494</b>	<b>10,097</b>	<b>12,084</b>	<b>15,693</b>	<b>9,566</b>	<b>2,861</b>	<b>6,499</b>	<b>93</b>	<b>82,387</b>
Fee and commission income	6,758	2,299	3,151	3,423	1,819	695	1,169	7,377	26,691
Fee and commission expense	(804)	(18)	(36)	(56)	(10)	(7)	(99)	(1,081)	(2,111)
<b>Net fee and commission income</b>	<b>5,954</b>	<b>2,281</b>	<b>3,115</b>	<b>3,367</b>	<b>1,809</b>	<b>688</b>	<b>1,070</b>	<b>6,296</b>	<b>24,580</b>
Net gains arising from trading activities	5,463	227	150	232	25	39	1,420	10,081	17,637
Net gains/(loss) arising from financial investments	261	-	-	-	-	10	(114)	(189)	(32)
Share of (loss)/profits of associates and joint ventures	(7)	-	-	-	-	-	19	149	161
Other operating income	11,137	168	309	212	162	64	325	197	12,574
<b>Total operating income -net</b>	<b>48,302</b>	<b>12,773</b>	<b>15,658</b>	<b>19,504</b>	<b>11,562</b>	<b>3,662</b>	<b>9,219</b>	<b>16,627</b>	<b>137,307</b>
Credit impairment losses	(6,672)	(5,519)	(3,361)	(4,474)	(3,915)	(1,314)	(2,356)	(8,735)	(36,346)
Other assets impairment (losses)/reversal	(596)	-	1	1	(1)	1	-	-	(594)
Other operating expense	(15,984)	(3,773)	(4,646)	(4,924)	(3,403)	(1,738)	(2,806)	(13,419)	(50,693)
<b>Profit/(loss) before tax</b>	<b>25,050</b>	<b>3,481</b>	<b>7,652</b>	<b>10,107</b>	<b>4,243</b>	<b>611</b>	<b>4,057</b>	<b>(5,527)</b>	<b>49,674</b>
Income tax									(3,108)
<b>Net profit for the period</b>									<b>46,566</b>
Depreciation and amortisation	(902)	(470)	(592)	(588)	(472)	(249)	(276)	(1,183)	(4,732)
Capital expenditure	(25,586)	(55)	(72)	(228)	(101)	(80)	(145)	(545)	(26,812)

	Six months ended 30 June 2022								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External net interest income/(expense)	14,940	6,817	(185)	11,644	9,207	(143)	5,246	37,539	85,065
Inter-segment net interest income/ (expense)	<u>10,552</u>	<u>3,107</u>	<u>12,512</u>	<u>3,615</u>	<u>677</u>	<u>3,167</u>	<u>(47)</u>	<u>(33,583)</u>	<u>-</u>
<b>Net interest income</b>	25,492	9,924	12,327	15,259	9,884	3,024	5,199	3,956	85,065
Fee and commission income	7,984	2,182	3,224	3,300	1,754	653	1,208	6,767	27,072
Fee and commission expense	<u>(1,506)</u>	<u>(23)</u>	<u>(34)</u>	<u>(72)</u>	<u>(11)</u>	<u>(8)</u>	<u>(105)</u>	<u>(539)</u>	<u>(2,298)</u>
<b>Net fee and commission income</b>	6,478	2,159	3,190	3,228	1,743	645	1,103	6,228	24,774
Net gains/(loss) arising from trading activities	2,168	256	253	427	39	37	(1,148)	7,922	9,954
Net gains/(loss) arising from financial investments	730	-	27	-	-	13	161	(271)	660
Share of (loss)/profits of associates and joint ventures	(36)	-	-	-	-	-	4	102	70
Other operating income	<u>8,261</u>	<u>245</u>	<u>514</u>	<u>378</u>	<u>378</u>	<u>122</u>	<u>328</u>	<u>345</u>	<u>10,571</u>
<b>Total operating income -net</b>	43,093	12,584	16,311	19,292	12,044	3,841	5,647	18,282	131,094
Credit impairment (losses)/reversal	(7,307)	(4,791)	(9,342)	331	(5,753)	(1,792)	(942)	(7,231)	(36,827)
Other assets impairment losses	(676)	(3)	(3)	(4)	(1)	(3)	-	-	(690)
Other operating expense	<u>(14,107)</u>	<u>(3,513)</u>	<u>(4,507)</u>	<u>(4,777)</u>	<u>(3,366)</u>	<u>(1,721)</u>	<u>(2,454)</u>	<u>(13,490)</u>	<u>(47,935)</u>
<b>Profit/(loss) before tax</b>	<u>21,003</u>	<u>4,277</u>	<u>2,459</u>	<u>14,842</u>	<u>2,924</u>	<u>325</u>	<u>2,251</u>	<u>(2,439)</u>	<u>45,642</u>
Income tax									<u>(1,491)</u>
<b>Net profit for the period</b>									<u>44,151</u>
Depreciation and amortisation	(910)	(473)	(566)	(569)	(473)	(245)	(217)	(757)	(4,210)
Capital expenditure	<u>(19,504)</u>	<u>(276)</u>	<u>(531)</u>	<u>(278)</u>	<u>(194)</u>	<u>(66)</u>	<u>(242)</u>	<u>(489)</u>	<u>(21,580)</u>

	As at 30 June 2023									
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	3,450,619	1,358,511	1,940,077	1,540,543	1,028,478	478,383	1,284,417	5,247,902	(2,558,821)	13,770,109
Including:										
<i>Investments in associates     and joint ventures</i>	1,433	-	-	1	-	-	994	6,359	-	8,787
Unallocated assets										<u>43,251</u>
<b>Total assets</b>										<u><b>13,813,360</b></u>
Segment liabilities	(3,341,653)	(1,353,180)	(1,930,439)	(1,511,603)	(1,022,168)	(479,980)	(1,182,746)	(4,493,104)	2,558,821	(12,756,052)
Unallocated liabilities										<u>(2,409)</u>
<b>Total liabilities</b>										<u><b>(12,758,461)</b></u>

	As at 31 December 2022									
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	3,194,409	1,234,660	1,889,591	1,410,944	971,233	459,731	1,147,452	4,949,513	(2,305,474)	12,952,059
Including:										
<i>Investments in associates and     joint ventures</i>	1,439	-	-	1	-	-	1,010	6,300	-	8,750
Unallocated assets										<u>39,512</u>
<b>Total assets</b>										<u><b>12,991,571</b></u>
Segment liabilities	(2,931,210)	(1,219,145)	(1,872,761)	(1,364,697)	(960,633)	(462,599)	(1,086,247)	(4,364,445)	2,305,474	(11,956,263)
Unallocated liabilities										<u>(1,786)</u>
<b>Total liabilities</b>										<u><b>(11,958,049)</b></u>

The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

## ***Business information***

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade financing, corporate deposits and remittance. Personal banking mainly comprises personal loans, personal deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The “Others Business” segment mainly comprises items which cannot be categorised in the above business segments.

The business information of the Group is summarised as follows:

	Six months ended 30 June 2023				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	41,844	13,012	27,546	(15)	82,387
Inter-segment net interest income/(expense)	<u>3,449</u>	<u>23,246</u>	<u>(26,695)</u>	-	<u>-</u>
<b>Net interest income/(expense)</b>	<b>45,293</b>	<b>36,258</b>	<b>851</b>	<b>(15)</b>	<b>82,387</b>
Net fee and commission income	6,251	15,204	3,037	88	24,580
Net gains/(loss) arising from trading activities	4,867	1,085	11,981	(296)	17,637
Net gains/(loss) arising from financial investments	48	177	(257)	-	(32)
Share of profits/(loss) of associates and joint ventures	26	-	(7)	142	161
Other operating income	<u>10,327</u>	<u>1,640</u>	<u>411</u>	<u>196</u>	<u>12,574</u>
<b>Total operating income-net</b>	<b>66,812</b>	<b>54,364</b>	<b>16,016</b>	<b>115</b>	<b>137,307</b>
Credit impairment losses	(22,478)	(12,773)	(1,095)	-	(36,346)
Other assets impairment (losses)/ reversal	(600)	6	-	-	(594)
Other operating expense					
– Depreciation and amortisation	(1,856)	(2,528)	(287)	(61)	(4,732)
– Others	<u>(21,264)</u>	<u>(21,925)</u>	<u>(2,517)</u>	<u>(255)</u>	<u>(45,961)</u>
<b>Profit/(loss) before tax</b>	<b><u>20,614</u></b>	<b><u>17,144</u></b>	<b><u>12,117</u></b>	<b><u>(201)</u></b>	<b>49,674</b>
Income tax					<u>(3,108)</u>
<b>Net profit for the period</b>					<b><u>46,566</u></b>
Depreciation and amortisation	(1,856)	(2,528)	(287)	(61)	(4,732)
Capital expenditure	<u>(26,193)</u>	<u>(423)</u>	<u>(82)</u>	<u>(114)</u>	<u>(26,812)</u>

## Six months ended 30 June 2022

	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	39,882	24,022	21,147	14	85,065
Inter-segment net interest income/(expense)	<u>6,256</u>	<u>9,794</u>	<u>(16,050)</u>	<u>-</u>	<u>-</u>
<b>Net interest income</b>	46,138	33,816	5,097	14	85,065
Net fee and commission income	6,030	15,504	3,156	84	24,774
Net gains/(loss) arising from trading activities	2,205	428	7,339	(18)	9,954
Net gains/(loss) arising from financial investments	35	693	(68)	-	660
Share of (loss)/profits of associates and joint ventures	(2)	-	(36)	108	70
Other operating income	<u>7,904</u>	<u>2,090</u>	<u>473</u>	<u>104</u>	<u>10,571</u>
<b>Total operating income-net</b>	62,310	52,531	15,961	292	131,094
Credit impairment (losses)/ reversal	(27,354)	(9,779)	306	-	(36,827)
Other assets impairment losses	(675)	(15)	-	-	(690)
Other operating expense					
- Depreciation and amortisation	(1,647)	(2,267)	(253)	(43)	(4,210)
- Others	<u>(18,685)</u>	<u>(22,575)</u>	<u>(2,204)</u>	<u>(261)</u>	<u>(43,725)</u>
<b>Profit/(loss) before tax</b>	<u>13,949</u>	<u>17,895</u>	<u>13,810</u>	<u>(12)</u>	45,642
Income tax					<u>(1,491)</u>
<b>Net profit for the period</b>					<u>44,151</u>
Depreciation and amortisation	(1,647)	(2,267)	(253)	(43)	(4,210)
Capital expenditure	<u>(20,132)</u>	<u>(1,233)</u>	<u>(146)</u>	<u>(69)</u>	<u>(21,580)</u>

	As at 30 June 2023				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	6,075,473	2,266,300	5,313,376	114,960	13,770,109
Including:					
<i>Investments in associates and joint ventures</i>	2,440	3	1,430	4,914	8,787
Unallocated assets					<u>43,251</u>
Total assets					<u><u>13,813,360</u></u>
Segment liabilities	(5,651,530)	(3,493,897)	(3,517,448)	(87,889)	(12,750,764)
Unallocated liabilities					<u>(7,697)</u>
Total liabilities					<u><u>(12,758,461)</u></u>

	As at 31 December 2022				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	5,448,650	2,255,060	5,202,781	45,568	12,952,059
Including:					
<i>Investments in associates and joint ventures</i>	2,427	3	1,436	4,884	8,750
Unallocated assets					<u>39,512</u>
Total assets					<u><u>12,991,571</u></u>
Segment liabilities	(5,312,486)	(3,151,778)	(3,424,365)	(63,697)	(11,952,326)
Unallocated liabilities					<u>(5,723)</u>
Total liabilities					<u><u>(11,958,049)</u></u>

There were no significant transactions with a single external customer that the Group mainly relied on.

The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

## 13 Liquidity risk

### Maturity analysis

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date.

As at 30 June 2023	Overdue	Undated	On Demand	Up to			1-5 years	Over	Total
				1 month	1-3 months	3-12 months		5 years	
<b>Assets</b>									
Cash and balances with central banks	-	718,286	97,146	-	325	-	-	-	815,757
Due from and placements with banks and other financial institutions	-	-	128,217	219,834	123,209	287,952	64,638	11,032	834,882
Derivative financial assets	-	-	-	13,016	16,999	33,605	24,413	14,292	102,325
Loans and advances to customers	37,870	-	-	534,904	444,471	1,835,452	1,988,215	2,772,918	7,613,830
Financial investments at FVTPL	93	69,535	265,574	33,549	74,205	69,836	90,749	60,983	664,524
Financial investments at amortised cost	862	-	-	31,797	95,929	232,117	1,057,368	1,123,682	2,541,755
Financial investments at FVOCI	212	15,982	-	25,206	45,250	143,902	376,084	217,146	823,782
Other assets	2,250	242,648	128,356	-	-	5,307	37,944	-	416,505
<b>Total assets</b>	<b>41,287</b>	<b>1,046,451</b>	<b>619,293</b>	<b>858,306</b>	<b>800,388</b>	<b>2,608,171</b>	<b>3,639,411</b>	<b>4,200,053</b>	<b>13,813,360</b>
<b>Liabilities</b>									
Due to and placements from banks and other financial institutions	-	-	(798,050)	(368,073)	(247,649)	(640,667)	(50,421)	(11,036)	(2,115,896)
Financial liabilities at FVTPL	-	(670)	(8,402)	(338)	(945)	(7,288)	(26,065)	-	(43,708)
Derivative financial liabilities	-	-	-	(15,521)	(19,610)	(33,137)	(13,503)	(2,979)	(84,750)
Deposits from customers	-	-	(3,276,036)	(891,682)	(676,231)	(1,654,720)	(2,080,924)	(5)	(8,579,598)
Other liabilities	-	-	(112,771)	(95,468)	(347,424)	(852,079)	(251,267)	(275,500)	(1,934,509)
<b>Total liabilities</b>	<b>-</b>	<b>(670)</b>	<b>(4,195,259)</b>	<b>(1,371,082)</b>	<b>(1,291,859)</b>	<b>(3,187,891)</b>	<b>(2,422,180)</b>	<b>(289,520)</b>	<b>(12,758,461)</b>
<b>Net amount on liquidity gap</b>	<b>41,287</b>	<b>1,045,781</b>	<b>(3,575,966)</b>	<b>(512,776)</b>	<b>(491,471)</b>	<b>(579,720)</b>	<b>1,217,231</b>	<b>3,910,533</b>	<b>1,054,899</b>

As at 31 December 2022	Overdue	Undated	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Assets</b>									
Cash and balances with central banks	-	688,101	117,662	-	339	-	-	-	806,102
Due from and placements with banks and other financial institutions	-	-	135,359	167,125	93,769	212,200	70,862	11,106	690,421
Derivative financial assets	-	-	-	7,404	11,392	14,522	21,553	14,816	69,687
Loans and advances to customers	31,901	-	-	523,562	339,907	1,762,551	1,822,050	2,655,483	7,135,454
Financial investments at FVTPL	276	54,776	282,208	10,301	43,907	178,534	66,400	68,955	705,357
Financial investments at amortised cost	799	-	-	25,067	46,691	523,131	804,463	1,050,624	2,450,775
Financial investments at FVOCI	477	15,323	-	9,069	38,363	306,910	243,875	185,058	799,075
Other assets	2,054	223,001	70,133	-	-	1,908	37,604	-	334,700
<b>Total assets</b>	<u>35,507</u>	<u>981,201</u>	<u>605,362</u>	<u>742,528</u>	<u>574,368</u>	<u>2,999,756</u>	<u>3,066,807</u>	<u>3,986,042</u>	<u>12,991,571</u>
<b>Liabilities</b>									
Due to and placements from banks and other financial institutions	-	-	(812,938)	(391,535)	(245,168)	(530,014)	(44,293)	(10,946)	(2,034,894)
Financial liabilities at FVTPL	-	-	(10,866)	(3,923)	(6,196)	(5,257)	(21,707)	-	(47,949)
Derivative financial liabilities	-	-	-	(8,133)	(10,589)	(13,964)	(10,858)	(3,260)	(46,804)
Deposits from customers	-	-	(3,118,072)	(869,185)	(628,192)	(1,452,998)	(1,880,606)	(19)	(7,949,072)
Other liabilities	-	-	(110,657)	(131,467)	(266,303)	(865,454)	(233,651)	(271,798)	(1,879,330)
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>(4,052,533)</u>	<u>(1,404,243)</u>	<u>(1,156,448)</u>	<u>(2,867,687)</u>	<u>(2,191,115)</u>	<u>(286,023)</u>	<u>(11,958,049)</u>
Net amount on liquidity gap	<u>35,507</u>	<u>981,201</u>	<u>(3,447,171)</u>	<u>(661,715)</u>	<u>(582,080)</u>	<u>132,069</u>	<u>875,692</u>	<u>3,700,019</u>	<u>1,033,522</u>

## VIII. PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be simultaneously published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), as well as the website of the Bank at [www.bankcomm.com](http://www.bankcomm.com). This results announcement is extracted from the 2023 Interim Report prepared in accordance with the IFRSs. The full report will be published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), as well as the website of the Bank at [www.bankcomm.com](http://www.bankcomm.com) for the reference of shareholders and investors. The 2023 Interim Report, which is prepared in accordance with China Accounting Standard, will be available on the website of the SSE at [www.sse.com.cn](http://www.sse.com.cn) and the website of the Bank at [www.bankcomm.com](http://www.bankcomm.com). Investors should read the full interim report for details of interim results announcement. The interim report prepared in accordance with the IFRSs is expected to be distributed to the shareholders of H shares in September 2023.

This results announcement is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version should prevail.

By order of the Board of  
**Bank of Communications Co., Ltd.**  
**Ren Deqi**  
*Chairman of the Board*

Shanghai, the PRC  
25 August 2023

*As at the date of this announcement, the directors of the Bank are Mr. Ren Deqi, Mr. Liu Jun, Mr. Li Longcheng\*, Mr. Wang Linping\*, Mr. Chang Baosheng\*, Mr. Liao, Yi Chien David\*, Mr. Chan Siu Chung\*, Mr. Mu Guoxin\*, Mr. Chen Junkui\*, Mr. Luo Xiaopeng\*, Mr. Woo Chin Wan, Raymond#, Mr. Cai Haoyi#, Mr. Shi Lei#, Mr. Zhang Xiangdong#, Ms. Li Xiaohui# and Mr. Ma Jun#.*

\* *Non-executive directors*

# *Independent non-executive directors*