



**晋商银行**  
Jinshang Bank

**晋商银行股份有限公司**  
**JINSHANG BANK CO., LTD.**

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

Stock Code: 2558

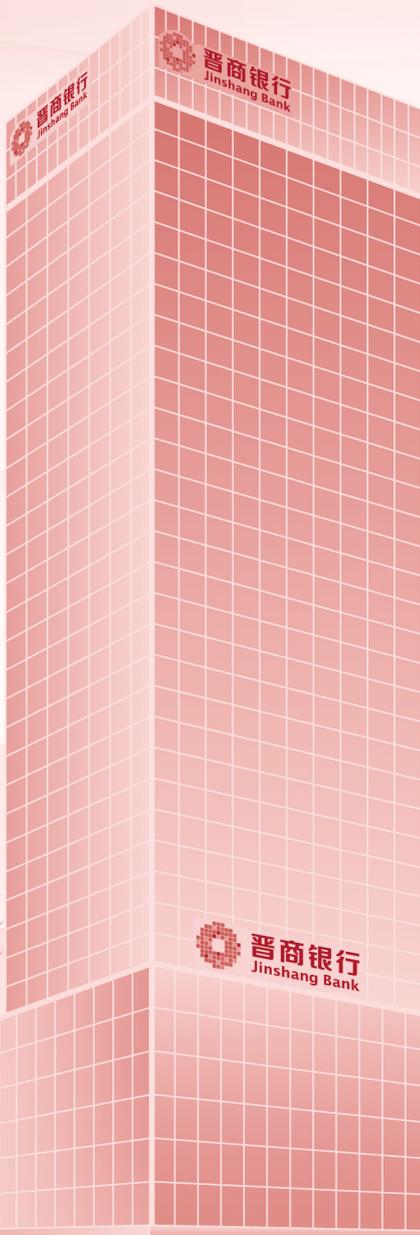


**2023**

**INTERIM REPORT**

# CONTENTS

Definitions	02
Corporate Information	04
Summary of Accounting Data and Financial Indicators	07
Management Discussion and Analysis	11
Changes in Share Capital and Information on Shareholders	63
Directors, Supervisors, Senior Management and Employees	72
Corporate Governance and Other Information	78
Report on Review of Interim Financial Information	87
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	88
Condensed Consolidated Statement of Financial Position	90
Condensed Consolidated Statement of Changes in Equity	92
Condensed Consolidated Statement of Cash Flows	94
Notes to the Condensed Consolidated Interim Financial Statements	97
Unaudited Supplementary Financial Information	204
List of Branches	208



## DEFINITIONS

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

“Articles of Association”	the articles of association of the Bank, as amended, supplemented or otherwise modified from time to time
“Bank” or “our Bank”	Jinshang Bank Co., Ltd. (晉商銀行股份有限公司), a joint stock company established on October 16, 1998 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiary
“Board” or “Board of Directors”	the Board of Directors of the Bank
“Board of Supervisors”	the Board of Supervisors of the Bank
“China” or “PRC”	the People’s Republic of China
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“former CBIRC”	former China Banking and Insurance Regulatory Commission (原中國銀行保險監督管理委員會)
“former CBIRC Shanxi Office”	former China Banking and Insurance Regulatory Commission Shanxi Office
“Group”, “we” or “us”	the Bank together with its subsidiary, and, if the context requires, includes its predecessors, branches and sub-branches
“H Shares”	the ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange

## DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PBoC” or “the central bank”	the People’s Bank of China (中國人民銀行)
“Reporting Period”	the six months ended June 30, 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Shares of the Bank
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“subsidiary(ies)”	has the meaning ascribed to it under Section 2 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supervisor(s)”	the supervisor(s) of the Bank
“%”	per cent

## CORPORATE INFORMATION

Legal Chinese Name	晉商銀行股份有限公司*
Abbreviation in Chinese	晉商銀行
Legal English Name	Jinshang Bank Co., Ltd.
Abbreviation in English	Jinshang Bank
Legal Representative	HAO Qiang
Authorized Representatives	HAO Qiang, WONG Wai Chiu
Secretary to the Board of Directors	LI Yanbin <sup>(1)</sup>
Joint Company Secretaries	LI Yanbin, WONG Wai Chiu
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan City, Shanxi Province, the PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Tel	0351-7812583
Fax	0351-6819503
E-mail	dongban@jshbank.com
Website	www.jshbank.com
Website of the Hong Kong Stock Exchange for publishing the H-share interim report	www.hkexnews.hk

*Note:*

- (1) Mr. LI Yanbin was appointed by the Board as the secretary to the Board on August 29, 2023, and his qualification is subject to the approval by the State Administration of Financial Supervision Shanxi Bureau. Until Mr. LI Yanbin obtains the qualification approval as the secretary to the Board, Mr. LI Weiqiang will temporarily perform the duties of the secretary to the Board of the Bank.

\* Jinshang Bank Co., Ltd. is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and/or deposit-taking business in Hong Kong.

## CORPORATE INFORMATION

Initial Registration Date	October 16, 1998
Unified Social Credit Code	911400007011347302
Financial License Institution Number	B0116H214010001
Listing Place of H Shares	The Stock Exchange of Hong Kong Limited
Stock Name	JINSHANG BANK
Stock Code	2558
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
PRC Legal Advisor	King & Wood Mallesons 17th Floor, One ICC Shanghai ICC 999 Middle Huai Hai Road, Xuhui District Shanghai, the PRC
Hong Kong Legal Advisor	Morgan, Lewis & Bockius Suites 1902-09 19th Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
Domestic Auditor	Ernst & Young Hua Ming LLP Level 17, Ernst & Young Tower Oriental Plaza No. 1 East Changan Ave. Dongcheng District Beijing, the PRC
International Auditor	Ernst & Young <i>(Public Interest Entity Auditor registered under the Accounting and Financial Reporting Council Ordinance)</i> 27/F, One Taikoo Place 979 King's Road, Quarry Bay Hong Kong

## CORPORATE INFORMATION

### Board Committees

#### Development and Strategy Committee

HAO Qiang (Chairperson), ZHANG Yunfei (Vice Chairperson),  
LI Shishan, DUAN Qingshan, HU Zhihong

#### Audit Committee

WANG Liyan (Chairperson), SAI Zhiyi (Vice Chairperson),  
LIU Chenhang, DUAN Qingshan, CHAN Ngai Sang Kenny

#### Risk Management Committee

SAI Zhiyi (Chairperson), DUAN Qingshan (Vice Chairperson),  
ZHANG Yunfei, WANG Jianjun, HU Zhihong

#### Related Parties Transactions Control Committee

SAI Zhiyi (Chairperson), DUAN Qingshan (Vice Chairperson),  
ZHANG Yunfei, WANG Liyan

#### Nomination, Remuneration and HR Committee

DUAN Qingshan (Chairperson), SAI Zhiyi  
(Vice Chairperson), HAO Qiang, MA Hongchao, HU Zhihong

#### Consumer Rights Protection Committee

HU Zhihong (Chairperson), WANG Liyan (Vice Chairperson),  
LI Yang, SAI Zhiyi

## SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the six months ended June 30,		
	2023	2022	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
<b>Results of operations</b>			
Interest income	5,718.4	5,220.7	9.5
Interest expense	(3,690.1)	(3,540.5)	4.2
<b>Net interest income</b>	<b>2,028.3</b>	1,680.2	20.7
Fee and commission income	433.3	458.2	(5.4)
Fee and commission expense	(74.4)	(89.9)	(17.2)
<b>Net fee and commission income</b>	<b>358.9</b>	368.3	(2.6)
Net trading gains	172.2	15.8	989.9
Net gains arising from investment securities	250.7	494.3	(49.3)
Other operating income <sup>(1)</sup>	24.6	11.2	119.6
<b>Operating income</b>	<b>2,834.7</b>	2,569.8	10.3
Operating expenses	(950.3)	(870.3)	9.2
Impairment losses on credit	(859.5)	(735.3)	16.9
Share of profits of associate	16.1	10.3	56.3
<b>Profit before tax</b>	<b>1,041.0</b>	974.5	6.8
Income tax expense	(8.0)	(4.1)	95.1
<b>Net profit</b>	<b>1,033.0</b>	970.4	6.5
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank	1,034.1	972.3	6.4
Non-controlling interests	(1.1)	(1.9)	(42.1)
<b>Earnings per share attributable to equity shareholders of the Bank (RMB per share)</b>			
–Basic	0.18	0.17	5.9
–Diluted	0.18	0.17	5.9

Note:

(1) Consists primarily of operating government grants and non-operating government grants.

## SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	As of June 30, 2023	As of December 31, 2022	Rate of change (%)
(Expressed in millions of RMB, unless otherwise stated)			
<b>Key indicators for assets/liabilities</b>			
<b>Total assets</b>	<b>341,982.9</b>	336,419.5	1.7
Of which: net loans and advances to customers	<b>188,883.3</b>	180,905.8	4.4
<b>Total liabilities</b>	<b>318,120.4</b>	313,065.9	1.6
Of which: deposits from customers	<b>272,161.3</b>	253,770.9	7.2
<b>Total equity</b>	<b>23,862.5</b>	23,353.6	2.2
Of which: share capital	<b>5,838.7</b>	5,838.7	–
Equity attributable to equity shareholders of the Bank	<b>23,845.1</b>	23,335.1	2.2

	For the six months ended June 30,		
	2023	2022	Change
<b>Profitability indicators (%)</b>			
Return on average total assets <sup>(1)</sup>	<b>0.61</b>	0.63	(0.02)
Return on average equity <sup>(2)</sup>	<b>8.75</b>	8.68	0.07
Net interest spread <sup>(3)</sup>	<b>1.33</b>	1.37	(0.04)
Net interest margin <sup>(4)</sup>	<b>1.34</b>	1.28	0.06
Net fee and commission income to operating income ratio	<b>12.66</b>	14.33	(1.67)
Cost-to-income ratio <sup>(5)</sup>	<b>32.06</b>	32.28	(0.22)

	As of June 30, 2023	As of December 31, 2022	Change
<b>Asset quality indicators (%)</b>			
NPL ratio <sup>(6)</sup>	<b>1.72</b>	1.80	(0.08)
Allowance coverage ratio <sup>(7)</sup>	<b>190.23</b>	177.04	13.19
Allowance to gross loan ratio <sup>(8)</sup>	<b>3.27</b>	3.19	0.08

## SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	As of June 30, 2023	As of December 31, 2022	Change
<b>Capital adequacy indicators (%)<sup>(9)</sup></b>			
Core tier-one capital adequacy ratio <sup>(10)</sup>	10.50	10.50	0.00
Tier-one capital adequacy ratio <sup>(11)</sup>	10.50	10.50	0.00
Capital adequacy ratio <sup>(12)</sup>	12.45	12.40	0.05
Total equity to total assets ratio	6.98	6.94	0.04

	As of June 30, 2023	As of December 31, 2022	Change
<b>Other indicators (%)</b>			
Loan-to-deposit ratio <sup>(13)</sup>	73.07	74.89	(1.82)
Liquidity coverage ratio <sup>(14)</sup>	253.52	208.87	44.65
Liquidity ratio <sup>(15)</sup>	74.03	70.88	3.15

	As of June 30, 2023	As of March 31, 2023	As of December 31, 2022
(Expressed in millions of RMB, unless otherwise stated)			
<b>Net stable funding ratio<sup>(16)</sup></b>			
Net stable funding ratio (%)	133.90	131.60	128.32
Available stable funding	217,951.0	216,154.5	208,056.1
Required stable funding	162,771.8	164,254.0	162,134.6

*Notes:*

- (1) Calculated by dividing net profit by the average balance of total assets at the beginning and the end of the period, and adjusted on an annualized basis.
- (2) Calculated by dividing net profit by the average balance of total equity at the beginning and the end of the period, and adjusted on an annualized basis.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

## SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

- (4) Calculated by dividing net interest income by the average balance of total interest-earning assets, and adjusted on an annualized basis.
- (5) Calculated by dividing total operating expenses (net of tax and surcharges) by total operating income.
- (6) Calculated by dividing total non-performing loans (“NPL”) by gross loans and advances to customers. Except as otherwise stated, the “gross loans and advances” referred to in this interim report exclude accrued interest.
- (7) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by total NPLs.
- (8) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by gross loans and advances to customers.
- (9) Calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》).
- (10) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (11) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (12) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (13) Calculated by dividing gross loans and advances to customers by total deposits from customers (excluding accrued interest).
- (14) Liquidity coverage ratio is calculated in accordance with the formula promulgated by the former CBIRC. Liquidity coverage ratio = eligible high-quality liquid assets/net cash outflows for the next 30 days × 100%.
- (15) Liquidity ratio is calculated in accordance with the formula promulgated by the former CBIRC. Liquidity ratio = balance of current assets/balance of current liabilities × 100%.
- (16) Net stable funding ratio is calculated in accordance with the formula stipulated in the Measures for Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (Yin Bao Jian Fa [2019] No. 11) (《商業銀行淨穩定資金比例信息披露辦法》(銀保監發〔2019〕11號)) as promulgated by the former CBIRC. Net stable funding ratio = available stable funding/required stable funding × 100%.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1 REVIEW OF THE ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

In the first half of 2023, recovery and normalization of China's economy and society resumed in an all-round manner, with the macro policies taking effect, resulting in an upturn in the national economy and steady progress in high-quality development.

In the first half of 2023, the GDP (gross domestic product) of China amounted to RMB59,303.42 billion on a constant price basis, representing an increase of 5.5% year-on-year. Industrial production has steadily recovered, with the added value of China's industrial enterprises above designated size increasing by 3.8% year-on-year in the first half of the year, the added value of the mining industry increasing by 1.7% year-on-year, the added value of manufacturing industry by 4.2% year-on-year, and the added value of the equipment manufacturing industry by 6.5% year-on-year, surpassing the overall industrial growth rate by 2.7 percentage points. With faster growth in the service industry and better market sales, in the first half of the year, the added value of the service industry increased by 6.4% year-on-year, and the total retail sales of social consumer goods increased by 8.2% to RMB22,758.76 billion. Meanwhile, fixed asset investment kept growing, with a 3.8% year-on-year increase in the first half of the year, and a 12.5% year-on-year increase in investment in high-tech industries, outpacing all investment by 8.7 percentage points. The consumer price index (CPI) in the first half of the year increased by 0.7% year-on-year, while the producer price index decreased by 3.1% year-on-year. General employment was stable, as the per capita disposable income of residents nationwide increased by 6.5% year-on-year in nominal terms.

In the first half of 2023, the tertiary industry in Shanxi Province maintained a steady development and its market demand gradually recovered. The employment and prices were generally stable, and residents' incomes showed continuous growth. Also, the province's overall economy showed a positive recovery trend.

The regional GDP of Shanxi Province amounted to RMB1,168.86 billion in the first half of 2023, representing an increase of 4.7% year-on-year on a constant price basis. Industry grew steadily, the added value of provincial industrial enterprises above designated size increased by 3.9% year-on-year, representing 0.1 percentage point faster than the whole nation (3.8%). The added value of strategic emerging industries increased by 6.2% year-on-year among provincial industrial enterprises above designated size, and emerging industries have been steadily promoted. In the first half of the year, the added value of the province's mining industry increased by 2.1% year-on-year and the manufacturing industry increased by 8.3% year-on-year. Stable supplies of coal, electricity and natural gas were available throughout the province. Service industry of the province has steadily recovered in the first half of the year, with the added value increased by 5.7% year-on-year, and the total retail sales of consumer goods of the province increased by 5.7% year-on-year to RMB378.95 billion. Real estate investment maintained growth, and steady recovery of real estate sales brings about 0.5% year-on-year growth in the province's real estate development investment in the first half of the year. Fiscal revenue grew rapidly, with general public budget revenue reaching RMB195.72 billion in the first half of the year, up 7.4% year-on-year. Additionally, the per capita disposable income of urban residents rose by 5.0% year-on-year to RMB19,526. Market prices increased moderately, as the provincial CPI rising by 1.4% year-on-year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2 BUSINESS OVERVIEW AND DEVELOPMENT STRATEGIES

In the first half of 2023, guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and the implementation of the spirit of the 20th National Congress of the Communist Party of China, the Bank upheld its role as a local corporate bank, strengthened granting of credit loans, emphasized business innovation, focused on risk prevention and control, improved internal management amid headwinds from complex and grim international environment, with the aim of making new progress in various aspects of work.

Firstly, we realized steady development and our scale indicators were improved steadily. As of the end of June 2023, the total assets of the Group amounted to RMB341.98 billion, representing an increase of 1.7%; deposits from customers was RMB272.16 billion, representing an increase of 7.2%; net loans and advances to customers was RMB188.88 billion, representing an increase of 4.4%. The return on average equity was 8.75%, representing an increase of 0.07 percentage point as compared to the same period of last year. In the first half of the year, the Bank realized the net profit of RMB1.03 billion, representing an increase of RMB60 million year-on-year. The NPL ratio was 1.72%, representing a decrease of 0.08 percentage point as compared to that at the beginning of this year; the capital adequacy ratio was 12.45%, representing an increase of 0.05 percentage point as compared to that at the beginning of this year; the allowance coverage ratio was 190.23%.

Secondly, the Bank placed emphasis on key areas and increased efforts on granting credit loans. Adhering to the regional development strategy, the Bank has refined its credit guidelines and endeavoured to guide its branches in identifying business breakthroughs, while actively integrating itself into the local overall development. It also focused on areas such as the upgrading and transformation of traditional manufacturing industries, strategic emerging industries, green and low-carbon industries, etc. The Bank took proactive measures in implementing risk control schemes to enhance the quality and efficiency of granting credit loans. Additionally, it has established the "Industry Research Classroom" to conduct in-depth research on key industries, aiming to strengthen the Bank's capabilities in industry research.

Thirdly, the Bank strengthened coordination and synergy to lead the development of key businesses. In terms of corporate business, we launched initiatives targeting dormant and new accounts, enhancing the marketing capabilities of customer managers. For institutional business, we implemented targeted measures to reduce non-performing loans for specific institutional clients. Additionally, we proactively promoted the cooperation with institutional clients in batches. In terms of financial market and investment banking, we continuously adjusted asset allocation strategies and asset account structures, making positive contributions to the Bank's overall revenue. In terms of retail business, we continued to enrich our collaboration with partner institutions, actively increasing the variety of distributed products to meet the financial needs of the general public. In terms of the personal loan business, we steadily expanded residential mortgage loans while continuously optimizing and upgrading personal credit products. In terms of credit card business, we optimized credit card issuance channels and functions, promoted the construction of online and offline consumption scenarios, innovated card product offerings, and enhanced user experience. In terms of inclusive business, we intensified efforts in innovating business products and service models, issuing a series of inclusive financial service solutions, and initially forming a favorable trend of characteristic and differentiated development.

## MANAGEMENT DISCUSSION AND ANALYSIS

Fourthly, the Bank prioritized technological empowerment for digital transformation. We accelerated product development, closely understood customer needs, and built a product ecosystem with “Jin Salary Manager (晉薪管家)” as a representative of scenario-based products. Moreover, we improved channel experience through Mobile Banking 5.0, creating a customer-centric, data-driven intelligent mobile banking platform. In addition, we promoted the effectiveness of application implementation, unified the Bank’s approach to digital transformation, and included digital transformation projects in assessments. This led to the successful progress of the first batch of digital transformation initiatives, showcasing the initial outcomes of digital applications.

Fifthly, the Bank strengthened risk management to ensure safe development. We actively promoted the implementation of major regulatory policies and further optimized the risk management system. At the same time, we focused on strengthening our asset management capabilities, with targeted initiatives to improve post-lending management. To consolidate the achievements of the “Year of System Implementation (制度執行年);” we reviewed and optimised regulations and systems, developed plans for system construction, and continuously monitored the implementation of such systems. By strengthening the coordination between audit, compliance and inspection supervision, we are promoting the effective resolution of identified issues and establishing long-term mechanisms to deal with problems. Additionally, we spared no effort in advancing safety measures, arranging and deploying specialized inspections and rectification actions to eliminate significant accident risks, further strengthening the safety guarantee for the Bank’s high-quality development.

In the second half of 2023, the Bank will adhere to the annual strategic goals, and establish a “four beams and eight pillars” core structure to support the entire Bank through the synergy of the Head Office and branches, and the concerted efforts of front, middle and back ends, so as to ensure that the Bank’s transformation and development will be stable and improved.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3 INCOME STATEMENT ANALYSIS

	For the six months ended June 30,		
	2023	2022	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Interest income	5,718.4	5,220.7	9.5
Interest expense	(3,690.1)	(3,540.5)	4.2
<b>Net interest income</b>	<b>2,028.3</b>	<b>1,680.2</b>	<b>20.7</b>
Fee and commission income	433.3	458.2	(5.4)
Fee and commission expense	(74.4)	(89.9)	(17.2)
<b>Net fee and commission income</b>	<b>358.9</b>	<b>368.3</b>	<b>(2.6)</b>
Net trading gains	172.2	15.8	989.9
Net gains arising from investment securities	250.7	494.3	(49.3)
Other operating income <sup>(1)</sup>	24.6	11.2	119.6
<b>Operating income</b>	<b>2,834.7</b>	<b>2,569.8</b>	<b>10.3</b>
Operating expenses	(950.3)	(870.3)	9.2
Impairment losses on credit	(859.5)	(735.3)	16.9
Share of profits of associate	16.1	10.3	56.3
<b>Profit before tax</b>	<b>1,041.0</b>	<b>974.5</b>	<b>6.8</b>
Income tax expense	(8.0)	(4.1)	95.1
<b>Net profit</b>	<b>1,033.0</b>	<b>970.4</b>	<b>6.5</b>

Note:

(1) Consists primarily of operating government grants and non-operating government grants.

For the six months ended June 30, 2023, the profit before tax of the Group increased by 6.8% to RMB1,041.0 million from RMB974.5 million for the six months ended June 30, 2022, and net profit for the same period increased to RMB1,033.0 million from RMB970.4 million for the six months ended June 30, 2022, representing a year-on-year growth of 6.5%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.1 Net interest income, net interest spread and net interest margin

For the six months ended June 30, 2023, the net interest income of the Group increased by 20.7% to RMB2,028.3 million from RMB1,680.2 million for the six months ended June 30, 2022, mainly due to the increase in interest income of RMB497.7 million for the Reporting Period, which was partially offset by the increase in interest expenses on liabilities.

The net interest spread of the Group for the six months ended June 30, 2023 was 1.33%, representing a decrease of 0.04 percentage point as compared to the net interest spread for the six months ended June 30, 2022, mainly due to the yield on interest-earning assets decreased from 3.98% to 3.79%, which was partially offset by a decrease in the cost of interest-bearing liabilities from 2.61% to 2.46%. The decrease in the yield on interest-earning assets was due to lower yields on loans and advances to customers during the Reporting Period as a result of the downward trend in market interest rates, with discounted bills being particularly affected. The decrease in the cost of interest-bearing liabilities was firstly due to the impact of lower interest rates amidst the interest rate liberalization and the Group adjusted its nominal interest rate for deposits accordingly, and secondly due to the decrease in the interest rate on the issuance of interbank deposits as a result of the ample market liquidity.

The net interest margin of the Group for the six months ended June 30, 2023 was 1.34%, representing an increase of 0.06 percentage point as compared to the net interest margin for the six months ended June 30, 2022, which was mainly due to the optimisation of the Group's asset structure by moderately reducing the scale of non-interest-earning assets such as funds while increasing the proportion of interest-earning assets to total assets, as well as the decrease in the cost of interest-bearing liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yield on assets or related average cost on liabilities for the six months ended June 30, 2022 and 2023.

	For the six months ended June 30,					
	Average balance	2023 Interest income/ expense	Average yield/cost (%) <sup>(1)</sup>	Average balance	2022 Interest income/ expense	Average yield/cost (%) <sup>(1)</sup>
(in millions of RMB, except percentages)						
<b>Interest-earning assets</b>						
Loans and advances to customers	190,571.1	4,068.6	4.27	166,082.7	3,850.1	4.64
Financial investments <sup>(2)</sup>	72,227.4	1,246.1	3.45	56,170.6	960.6	3.42
Placements with banks and other financial institutions	5,018.6	83.6	3.33	4,059.0	46.6	2.30
Financial assets held under resale agreements	16,478.8	189.1	2.30	19,471.0	239.5	2.46
Deposits with the central bank <sup>(3)</sup>	15,918.1	110.0	1.38	15,050.6	102.3	1.36
Deposits with banks and other financial institutions	1,566.4	21.0	2.68	1,834.2	21.6	2.36
<b>Total interest-earning assets</b>	<b>301,780.4</b>	<b>5,718.4</b>	<b>3.79</b>	<b>262,668.1</b>	<b>5,220.7</b>	<b>3.98</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	252,601.3	3,143.3	2.49	207,312.3	2,699.6	2.60
Deposits from banks and other financial institutions	53.3	0.5	1.88	966.0	13.4	2.77
Placements from banks and other financial institutions	478.3	5.2	2.17	271.3	2.7	1.99
Financial assets sold under repurchase agreements	18,589.9	185.8	2.00	14,067.3	134.1	1.91
Debt securities issued <sup>(4)</sup>	25,580.9	329.9	2.58	45,693.6	660.7	2.89
Borrowing from the central bank	2,539.2	25.4	2.00	2,914.1	30.0	2.06
<b>Total interest-bearing liabilities</b>	<b>299,842.9</b>	<b>3,690.1</b>	<b>2.46</b>	<b>271,224.6</b>	<b>3,540.5</b>	<b>2.61</b>
<b>Net interest income</b>		<b>2,028.3</b>			<b>1,680.2</b>	
<b>Net interest spread<sup>(5)</sup></b>			<b>1.33</b>			<b>1.37</b>
<b>Net interest margin<sup>(6)</sup></b>			<b>1.34</b>			<b>1.28</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Notes:

- (1) Calculated by dividing interest income/expense by average balance, and adjusted on an annualized basis.
- (2) Consist of financial investments measured at amortised costs and financial investments measured at fair value through other comprehensive income.
- (3) Consist primarily of statutory deposit reserves and surplus deposit reserves.
- (4) Consist of certificates of interbank deposit, financial bonds and tier-two capital debts.
- (5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the average balance of total interest-earning assets, and adjusted on an annualized basis.

### 3.2 Interest income

For the six months ended June 30, 2023, interest income of the Group increased by 9.5% to RMB5,718.4 million from RMB5,220.7 million for the six months ended June 30, 2022, primarily due to an increase of 14.9% in the average balance of interest-earning assets from RMB262,668.1 million for the six months ended June 30, 2022 to RMB301,780.4 million for the six months ended June 30, 2023, which was partially offset by a decrease in the average yield on interest-earning assets from 3.98% for the six months ended June 30, 2022 to 3.79% for the six months ended June 30, 2023.

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

For the six months ended June 30, 2023, interest income from loans and advances to customers increased by 5.7% from RMB3,850.1 million for the six months ended June 30, 2022 to RMB4,068.6 million for the six months ended June 30, 2023, primarily due to an increase of 14.7% in the average balance of loans and advances to customers from RMB166,082.7 million for the six months ended June 30, 2022 to RMB190,571.1 million for the six months ended June 30, 2023, which was partially offset by a decrease in the average yield on loans and advances to customers from 4.64% for the six months ended June 30, 2022 to 4.27% for the six months ended June 30, 2023. The increase in the average balance of loans and advances to customers was primarily due to the Group fully leveraging the characteristics and advantages as a local financial institution, optimizing financial service capabilities, actively serving micro and small enterprises and key sectors. It also maintained efforts on granting of credit loans by prioritising the main direction of revitalisation and upgrading of the manufacturing industry, as well as on demonstration zones for transformation and comprehensive reform, pilot projects for comprehensive reform of the energy revolution, and townships of special industries. The decrease in the average yield of loans and advances to customers was firstly due to a decrease in the interest rate on new loans to customers as a result of the decline in loan prime rate, and secondly due to a decrease in the discount rate under the impact of lower market interest rates.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Interest income from financial investments***

For the six months ended June 30, 2023, interest income from financial investments increased by 29.7% from RMB960.6 million for the six months ended June 30, 2022 to RMB1,246.1 million, primarily due to an increase of 28.6% in the average balance of financial investments from RMB56,170.6 million for the six months ended June 30, 2022 to RMB72,227.4 million for the six months ended June 30, 2023, and an increase in the average yield on financial investments from 3.42% for the six months ended June 30, 2022 to 3.45% for the six months ended June 30, 2023. The increase in the average balance of financial investments was primarily due to the Group's initiative to adjust its asset structure and a moderate increase in the scale of financial investments measured at amortised cost.

### ***Interest income from placements with banks and other financial institutions***

For the six months ended June 30, 2023, interest income from placements with banks and other financial institutions increased by 79.4% to RMB83.6 million from RMB46.6 million for the six months ended June 30, 2022, primarily due to an increase of 23.6% in the average balance of placements with banks and other financial institutions from RMB4,059.0 million for the six months ended June 30, 2022 to RMB5,018.6 million for the six months ended June 30, 2023, and an increase in the average yield on placements with banks and other financial institutions from 2.30% for the six months ended June 30, 2022 to 3.33% for the six months ended June 30, 2023. The increase in the average balance and average yield on placements with banks and other financial institutions was primarily due to the increase in the Group's placements with banks and other financial institutions with higher interest rates while maintaining manageable risks.

### ***Interest income from financial assets held under resale agreements***

For the six months ended June 30, 2023, interest income from financial assets held under resale agreements decreased by 21.0% to RMB189.1 million from RMB239.5 million for the six months ended June 30, 2022, primarily due to a decrease of 15.4% in the average balance of financial assets held under resale agreements from RMB19,471.0 million for the six months ended June 30, 2022 to RMB16,478.8 million for the six months ended June 30, 2023 and a decrease in the average yield of financial assets held under resale agreements from 2.46% for the six months ended June 30, 2022 to 2.30% for the six months ended June 30, 2023. The decrease in average balance of financial assets held under resale agreements was primarily because the Group further optimised its asset structure and decreased the financial assets held under resale agreements. The decrease in average yield of financial assets held under resale agreements was primarily affected by the interest rate fluctuations of market short-term funds.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Interest income from deposits with the central bank*

Interest income from deposits with the central bank increased by 7.5% from RMB102.3 million for the six months ended June 30, 2022 to RMB110.0 million for the six months ended June 30, 2023, primarily due to an increase of 5.8% in the average balance of deposits with the central bank from RMB15,050.6 million for the six months ended June 30, 2022 to RMB15,918.1 million for the six months ended June 30, 2023. The increase in the average balance of deposits with the central bank was primarily due to a corresponding increase in statutory deposit reserves as deposits increased.

### *Interest income from deposits with banks and other financial institutions*

For the six months ended June 30, 2023, interest income from deposits with banks and other financial institutions decreased by 2.8% from RMB21.6 million for the six months ended June 30, 2022 to RMB21.0 million, primarily due to a decrease of 14.6% in the average balance of deposits with banks and other financial institutions from RMB1,834.2 million for the six months ended June 30, 2022 to RMB1,566.4 million for the six months ended June 30, 2023.

## 3.3 Interest expense

The Group's interest expense increased by 4.2% from RMB3,540.5 million for the six months ended June 30, 2022 to RMB3,690.1 million for the six months ended June 30, 2023, primarily due to an increase of 10.6% in the average balance of interest-bearing liabilities from RMB271,224.6 million for the six months ended June 30, 2022 to RMB299,842.9 million for the six months ended June 30, 2023, which was partially offset by a decrease of 0.15 percentage point in the average cost of interest-bearing liabilities from 2.61% for the six months ended June 30, 2022 to 2.46% for the six months ended June 30, 2023.

### *Interest expense on deposits from customers*

Interest expense on deposits from customers increased by 16.4% from RMB2,699.6 million for the six months ended June 30, 2022 to RMB3,143.3 million for the six months ended June 30, 2023, primarily due to the Group's continuous endeavour to strengthen its deposit business through customer acquisition, product and business development, as well as multi-pronged efforts, which resulted in a 21.8% increase in average balance of deposits from customers from RMB207,312.3 million for the six months ended June 30, 2022 to RMB252,601.3 million for the six months ended June 30, 2023. The average cost on deposits from customers decreased by 0.11 percentage point from 2.60% for the six months ended June 30, 2022 to 2.49% for the six months ended June 30, 2023. The decrease in the average cost was firstly due to the impact of lower interest rates amidst the interest rate liberalization and the Group adjusted its nominal interest rate for deposits accordingly, and secondly due to the decrease in the proportion of the average balance of term deposits with longer maturities and higher cost.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Interest expense on deposits from banks and other financial institutions***

Interest expense on deposits from banks and other financial institutions decreased by 96.3% from RMB13.4 million for the six months ended June 30, 2022 to RMB0.5 million for the six months ended June 30, 2023, mainly due to a decrease of 94.5% in the average balance of deposits from banks and other financial institutions from RMB966.0 million for the six months ended June 30, 2022 to RMB53.3 million for the six months ended June 30, 2023. Meanwhile, the average cost on the deposits from banks and other financial institutions decreased from 2.77% for the six months ended June 30, 2022 to 1.88% for the six months ended June 30, 2023. The decrease in the average balance of and the average cost on the deposits from banks and other financial institutions was mainly due to the rapid growth of deposits from the Group's customers and the Group's interbank term deposits at higher cost unrenewed upon maturity.

### ***Interest expense on placements from banks and other financial institutions***

Interest expense on placements from banks and other financial institutions increased by 92.6% from RMB2.7 million for the six months ended June 30, 2022 to RMB5.2 million for the six months ended June 30, 2023, mainly due to an increase of 76.3% in the average balance of placements from banks and other financial institutions from RMB271.3 million for the six months ended June 30, 2022 to RMB478.3 million for the six months ended June 30, 2023, as well as an increase of 0.18 percentage point in the average cost of placements from banks and other financial institutions from 1.99% for the six months ended June 30, 2022 to 2.17% for the six months ended June 30, 2023. The increase in the average balance of placements from banks and other financial institutions was mainly due to the increase in demand for short-term funds in line with the Group's liability management. The increase in the average cost was mainly affected by the interest rate fluctuations of market short-term funds.

### ***Interest expense on financial assets sold under repurchase agreements***

Interest expense on financial assets sold under repurchase agreements increased by 38.6% from RMB134.1 million for the six months ended June 30, 2022 to RMB185.8 million for the six months ended June 30, 2023, mainly due to an increase of 32.1% in the average balance of financial assets sold under repurchase agreements from RMB14,067.3 million for the six months ended June 30, 2022 to RMB18,589.9 million for the six months ended June 30, 2023, as well as an increase of 0.09 percentage point in the average cost of financial assets sold under repurchase agreements from 1.91% for the six months ended June 30, 2022 to 2.00% for the six months ended June 30, 2023. The increase in the average balance of financial assets sold under repurchase agreements was mainly due to the increase in the number of repurchase transaction of the Group according to the liquidity and liability management. The increase in the average cost was firstly due to the increase in the proportion of financial assets sold under repurchase agreements with higher interest payment rates, and secondly due to the impact of interest rate fluctuations of market short-term funds.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Interest expense on debt securities issued***

Interest expense on debt securities issued decreased by 50.1% from RMB660.7 million for the six months ended June 30, 2022 to RMB329.9 million for the six months ended June 30, 2023, mainly due to a decrease of 44.0% in the average balance of debt securities issued from RMB45,693.6 million for the six months ended June 30, 2022 to RMB25,580.9 million for the six months ended June 30, 2023, as well as a decrease of 0.31 percentage point in the average cost of debt securities issued from 2.89% for the six months ended June 30, 2022 to 2.58% for the six months ended June 30, 2023. The decrease in the average balance of debt securities issued was mainly due to the fact that the Group adjusted its liability structure and decreased the issuance of interbank deposits according to the liquidity management needs; and the decrease in the average cost was firstly due to the lower interest rate on issuance of interbank deposits affected by the market funding rate, and secondly due to the shortening of the average maturity of the Group's debt securities issued.

### ***Interest expense on borrowing from the central bank***

Interest expense on borrowing from the central bank decreased by 15.3% from RMB30.0 million for the six months ended June 30, 2022 to RMB25.4 million for the six months ended June 30, 2023, mainly due to a decrease of 12.9% in the average balance of borrowing from the central bank from RMB2,914.1 million for the six months ended June 30, 2022 to RMB2,539.2 million for the six months ended June 30, 2023, as well as a decrease of 0.06 percentage point in the average cost from 2.06% for the six months ended June 30, 2022 to 2.00% for the six months ended June 30, 2023. The decrease in the average balance of borrowing from the central bank was mainly due to the decrease in the amount of relending loans to small and micro enterprises for which the Group applied to the central bank.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.4 Net fee and commission income

The following table sets forth, for the six months ended June 30, 2022 and 2023, the principal components of net fee and commission income of the Group.

	For the six months ended June 30,			Rate of change (%)
	2023	2022	Amount change	
	(in millions of RMB, except percentages)			
<b>Fee and commission income</b>				
Settlement and clearing fees	97.9	85.0	12.9	15.2
Wealth management service fees	91.5	96.0	(4.5)	(4.7)
Acceptance and guarantee business fees	86.4	110.0	(23.6)	(21.5)
Bank card service fees	79.9	72.3	7.6	10.5
Agency service fees and others	77.6	94.9	(17.3)	(18.2)
<b>Subtotal</b>	<b>433.3</b>	<b>458.2</b>	<b>(24.9)</b>	<b>(5.4)</b>
<b>Fee and commission expenses</b>				
Bank card service fees	(30.9)	(34.5)	3.6	(10.4)
Agency service fees and others	(22.8)	(33.9)	11.1	(32.7)
Settlement and clearing fees	(20.7)	(21.5)	0.8	(3.7)
<b>Subtotal</b>	<b>(74.4)</b>	<b>(89.9)</b>	<b>15.5</b>	<b>(17.2)</b>
<b>Net fee and commission income</b>	<b>358.9</b>	<b>368.3</b>	<b>(9.4)</b>	<b>(2.6)</b>

Net fee and commission income decreased by 2.6% from RMB368.3 million for the six months ended June 30, 2022 to RMB358.9 million for the six months ended June 30, 2023, mainly due to the decrease in fee and commission income by 5.4% from RMB458.2 million for the six months ended June 30, 2022 to RMB433.3 million for the six months ended June 30, 2023, which was partially offset by 17.2% decrease in fee and commission expenses from RMB89.9 million for the six months ended June 30, 2022 to RMB74.4 million for the six months ended June 30, 2023. The decrease in fee and commission income was firstly due to the decrease in the exposure balance of the bank acceptance bills, leading to a drop in acceptance-related fees, and secondly due to the decrease in agency service fees affected by the decrease of underwriting business.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.5 Net trading gains

Net trading gains of the Group increased by 989.9% from RMB15.8 million for the six months ended June 30, 2022 to RMB172.2 million for the six months ended June 30, 2023, primarily due to the increase in gains and losses on changes in fair value of financial investments at fair value through profit or loss as a result of lower market interest rates.

### 3.6 Net gains arising from investment securities

Net gains arising from investment securities of the Group decreased by 49.3% from RMB494.3 million for the six months ended June 30, 2022 to RMB250.7 million for the six months ended June 30, 2023, primarily due to the Group's optimisation of the structure of its assets and liabilities and the appropriately reduced scale of investment in funds, with a corresponding reduction in the dividends from funds.

### 3.7 Operating expenses

The following table sets forth, for the six months ended June 30, 2022 and 2023, the principal components of operating expenses of the Group.

	For the six months ended June 30,			Rate of change (%)
	2023	2022	Amount change	
	(in millions of RMB, except percentages)			
Staff costs	541.0	529.3	11.7	2.2
Depreciation and amortization	156.2	154.1	2.1	1.4
Taxes and surcharges	41.6	40.8	0.8	2.0
Rental and property management expenses	21.0	21.7	(0.7)	(3.2)
Other general and administrative expenses <sup>(1)</sup>	190.5	124.4	66.1	53.1
<b>Total operating expenses</b>	<b>950.3</b>	<b>870.3</b>	<b>80.0</b>	<b>9.2</b>
<b>Cost-to-income ratio<sup>(2)</sup></b>	<b>32.06%</b>	<b>32.28%</b>		

Notes:

- (1) Consist primarily of insurance premiums, electronic equipment operating cost, banknote shipping fee, business marketing expenses and consulting fee.
- (2) Calculated by dividing total operating expenses (net of taxes and surcharges) by total operating income.

## MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses increased by 9.2% from RMB870.3 million for the six months ended June 30, 2022 to RMB950.3 million for the six months ended June 30, 2023.

For the six months ended June 30, 2022 and 2023, the Group's cost-to-income ratio (excluding taxes and surcharges) was 32.28% and 32.06%, respectively. The decrease in cost-to-income ratio was primarily due to a year-on-year increase in operating income, and the increase in the operating income was higher than the increase in operating expenses.

### **Staff costs**

Staff costs increased by 2.2% from RMB529.3 million for the six months ended June 30, 2022 to RMB541.0 million for the six months ended June 30, 2023. The following table sets forth the main components of staff costs for the periods indicated.

	For the six months ended June 30,			Rate of change (%)
	2023	2022	Amount change	
	(in millions of RMB, except percentages)			
Salaries, bonuses and allowances	354.5	367.7	(13.2)	(3.6)
Social insurance and annuity	119.5	96.0	23.5	24.5
Housing allowances	37.1	34.3	2.8	8.2
Staff welfare	15.1	13.8	1.3	9.4
Employee education expenses and labour union expenses	11.8	15.0	(3.2)	(21.3)
Supplementary retirement benefits	0.8	0.5	0.3	60.0
Others	2.2	2.0	0.2	10.0
<b>Total staff costs</b>	<b>541.0</b>	<b>529.3</b>	<b>11.7</b>	<b>2.2</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Depreciation and amortization***

Depreciation and amortization expenses increased by 1.4% from RMB154.1 million for the six months ended June 30, 2022 to RMB156.2 million for the six months ended June 30, 2023, primarily because the Group actively promoted the construction of fintech projects, resulting in the increase in depreciation and amortization expenses.

### ***Taxes and surcharges***

Taxes and surcharges increased by 2.0% from RMB40.8 million for the six months ended June 30, 2022 to RMB41.6 million for the six months ended June 30, 2023, primarily due to the Group's business development and expansion, resulting in an increase in taxable income.

### ***Rental and property management expenses***

Rental and property management expenses decreased by 3.2% from RMB21.7 million for the six months ended June 30, 2022 to RMB21.0 million for the six months ended June 30, 2023, primarily due to the decrease in business premises rentals as a result of the Group's focus on cost refinement.

### ***Other general and administrative expenses***

Other general and administrative expenses primarily consisted of insurance premiums, electronic equipment operating cost, banknote shipping fee, business marketing expenses and consulting fee. The Group's other general and administrative expenses increased by 53.1% from RMB124.4 million for the six months ended June 30, 2022 to RMB190.5 million for the six months ended June 30, 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.8 Impairment losses on credit

The following table sets forth the principal components of the Group's impairment losses on credit for the periods indicated.

	For the six months ended June 30,			Rate of change (%)
	2023	2022	Amount change	
(in millions of RMB, except percentages)				
<b>Impairment losses on credit</b>				
Loans and advances to customers	<b>462.4</b>	779.7	(317.3)	(40.7)
Financial investments	<b>321.0</b>	237.1	83.9	35.4
Credit commitments	<b>46.3</b>	(285.4)	331.7	N/A
Placements with banks and other financial institutions	<b>24.7</b>	1.9	22.8	1,200.0
Deposits with banks and other financial institutions	<b>(0.3)</b>	(1.2)	0.9	(75.0)
Others	<b>5.4</b>	3.2	2.2	68.8
<b>Total</b>	<b>859.5</b>	735.3	124.2	16.9

The Group's impairment losses on credit was RMB859.5 million for the six months ended June 30, 2023, representing an increase of 16.9% from RMB735.3 million for the six months ended June 30, 2022, primarily due to the fact that the Group increased the provision for impairment losses on credit as a result of the Group's prudent, dynamic and objective assessment of future risk exposures, taking into account macro-economic factors, default rates, default probabilities and the Group's actual situation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.9 Income tax expense

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to the Group's profit before tax and the Group's actual income tax for the periods indicated.

	For the six months ended June 30,			
	2023	2022	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Profit before tax	1,041.0	974.5	66.5	6.8
Income tax calculated at applicable statutory tax rate of 25%	260.3	243.6	16.7	6.9
Non-deductible expenses and others	15.7	14.2	1.5	10.6
Non-taxable income <sup>(1)</sup>	(268.0)	(253.7)	(14.3)	5.6
<b>Income tax expense</b>	<b>8.0</b>	<b>4.1</b>	<b>3.9</b>	<b>95.1</b>

*Note:*

- (1) Non-taxable income mainly represents the interest income arising from the PRC government bonds and dividends from domestic funds.

Income tax expense increased by 95.1% from RMB4.1 million for the six months ended June 30, 2022 to RMB8.0 million for the six months ended June 30, 2023, mainly due to an increase in profit before tax.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4 STATEMENT OF FINANCIAL POSITION ANALYSIS

### 4.1 Assets

The following table sets forth the components of the Group's total assets as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
(in millions of RMB, except percentages)				
Cash and deposits with the central bank	16,793.1	4.9	16,956.8	5.0
Deposits with banks and other financial institutions	1,486.5	0.4	1,797.4	0.5
Placements with banks and other financial institutions	7,045.8	2.1	1,581.8	0.5
Financial assets held under resale agreements	24,080.5	7.0	28,141.0	8.4
Net loans and advances to customers	188,883.3	55.2	180,905.8	53.8
Net financial investments	98,496.6	28.8	102,253.7	30.4
Investment in an associate	347.5	0.1	331.4	0.1
Property and equipment	1,339.0	0.4	1,319.8	0.4
Deferred tax assets	1,804.6	0.5	1,775.4	0.5
Other assets <sup>(1)</sup>	1,706.0	0.6	1,356.4	0.4
<b>Total assets</b>	<b>341,982.9</b>	<b>100.0</b>	<b>336,419.5</b>	<b>100.0</b>

Note:

- (1) Consists primarily of accounts receivable and prepayments, right-to-use assets and intangible assets.

The Group's total assets increased by 1.7% from RMB336,419.5 million as of December 31, 2022 to RMB341,982.9 million as of June 30, 2023, primarily because the Group continued to optimize its credit structure to accurately support the development of the real economy and the net loans and advances to customers increased to RMB188,883.3 million as of June 30, 2023 from RMB180,905.8 million as of December 31, 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Loans and Advances to Customers*

The following table sets forth the distribution of the Group's loans by business line as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate loans	116,809.5	60.1	109,512.0	58.9
Personal loans	30,484.3	15.7	28,806.8	15.5
Discounted bills	47,091.3	24.2	47,733.1	25.6
<b>Gross loans and advances to customers</b>	<b>194,385.1</b>	<b>100.0</b>	<b>186,051.9</b>	<b>100.0</b>
Interests accrued	836.7		774.1	
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(6,338.5)		(5,920.2)	
<b>Net loans and advances to customers</b>	<b>188,883.3</b>		<b>180,905.8</b>	

## MANAGEMENT DISCUSSION AND ANALYSIS

### Corporate loans

As of June 30, 2023, the Group's corporate loans amounted to RMB116,809.5 million, representing an increase of 6.7% from RMB109,512.0 million as of December 31, 2022, primarily due to the Group's focus on the transformation and development of the province, leveraging the characteristics and advantages of being a local financial institution, therefore providing financial support for the industrial upgrading and development of Shanxi Province, and comprehensively supporting local economic development.

The following table sets forth the distribution of the Group's corporate loans by contract maturity as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
(in millions of RMB, except percentages)				
Short-term loans and advances (one year or below)	47,599.4	40.7	44,860.0	41.0
Medium-and long-term loans (above one year)	69,210.1	59.3	64,652.0	59.0
<b>Total corporate loans</b>	<b>116,809.5</b>	<b>100.0</b>	109,512.0	100.0

Short-term loans and advances as a percentage of total corporate loans decreased from 41.0% as of December 31, 2022 to 40.7% as of June 30, 2023, while medium-and long-term loans as a percentage of total corporate loans increased from 59.0% as of December 31, 2022 to 59.3% as of June 30, 2023. The percentage change of the above-mentioned corporate loan portfolio was primarily because the Group has increased medium-and long-term loans in line with corporate financing needs.

The following table sets forth the distribution of the Group's corporate loans by product type as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
(in millions of RMB, except percentages)				
Working capital loans	69,002.1	59.1	65,007.5	59.4
Fixed asset loans	36,123.8	30.9	34,875.4	31.8
Others <sup>(1)</sup>	11,683.6	10.0	9,629.1	8.8
<b>Total corporate loans</b>	<b>116,809.5</b>	<b>100.0</b>	109,512.0	100.0

Note:

(1) Consists primarily of trade financing, merger and acquisition loans and syndicated loans.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Personal loans*

As of June 30, 2023, the Group's personal loans amounted to RMB30,484.3 million, representing an increase of 5.8% from RMB28,806.8 million as of December 31, 2022. The increase was primarily because the Group continued to promote the transformation of its retail strategy, actively carried out digital innovation and created multi-dimensional scenario services to continuously increase its credit support for residents of the province.

The table below sets forth the distribution of the Group's personal loans by product type as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Residential mortgage loans	21,609.2	70.9	20,208.8	70.2
Personal consumption loans	2,673.3	8.7	2,202.9	7.6
Personal business loans	1,515.9	5.0	1,696.9	5.9
Credit card balances	4,685.9	15.4	4,698.2	16.3
<b>Total personal loans</b>	<b>30,484.3</b>	<b>100.0</b>	<b>28,806.8</b>	<b>100.0</b>

As of June 30, 2023, residential mortgage loans amounted to RMB21,609.2 million, representing an increase of 6.9% from RMB20,208.8 million as of December 31, 2022. The increase was primarily due to the steady growth of the residential mortgage business as a result of the Group's proactive support for the residents' housing consumption and the expansion of the mortgage market in the province, in particular the increased financial support for second-hand housing mortgages.

As of June 30, 2023, personal consumption loans amounted to RMB2,673.3 million, representing an increase of 21.4% from RMB2,202.9 million as of December 31, 2022. The increase was primarily due to the growth in the scale of loans, which was attributable to the Group's commitment to the digital transformation of its personal consumption loans, accelerating its efforts in online product innovation, and providing residents with high quality consumer financial services in a convenient and efficient manner.

## MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2023, personal business loans amounted to RMB1,515.9 million, representing a decrease of 10.7% from RMB1,696.9 million as of December 31, 2022. The decrease was primarily due to the fact that some of the personal business loans were not renewed upon maturity as a result of intense market competition.

As of June 30, 2023, credit card balances amounted to RMB4,685.9 million, representing a decrease of 0.3% from RMB4,698.2 million as of December 31, 2022, which was basically the same as that of the end of last year.

### *Discounted bills*

The balance of discounted bills decreased by 1.3% from RMB47,733.1 million as of December 31, 2022 to RMB47,091.3 million as of June 30, 2023, which was basically the same as that of the end of last year.

### *Financial investments*

As of June 30, 2023, the Group's total financial investments reached RMB99,387.7 million, representing a decrease of 3.2% from RMB102,678.1 million as of December 31, 2022.

The following table sets forth the classification of the Group's financial investments, based on its business model and cash flow characteristics, as of December 31, 2022 and June 30, 2023.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
(in millions of RMB, except percentages)				
Financial investments measured at amortised cost	69,467.3	69.9	63,097.0	61.4
Financial investments measured at fair value through other comprehensive income	4,633.0	4.7	4,058.9	4.0
Financial investments measured at fair value through profit or loss	25,287.4	25.4	35,522.2	34.6
<b>Total financial investments</b>	<b>99,387.7</b>	<b>100.0</b>	102,678.1	100.0
Interests accrued	776.6		923.5	
Less: allowance for impairment losses	(1,667.7)		(1,347.9)	
<b>Net financial investments</b>	<b>98,496.6</b>		102,253.7	

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Debt Securities Investment*

The following table sets forth the components of the Group's debt securities investment by issuer as of December 31, 2022 and June 30, 2023.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
(in millions of RMB, except percentages)				
Debt securities issued by PRC government	46,538.5	71.5	38,197.0	67.4
Debt securities issued by policy banks	15,170.6	23.2	15,510.0	27.3
Debt securities issued by commercial banks and other financial institutions	1,663.3	2.6	1,601.5	2.8
Debt securities issued by corporates	1,740.1	2.7	1,404.5	2.5
<b>Total debt securities investment</b>	<b>65,112.5</b>	<b>100.0</b>	<b>56,713.0</b>	<b>100.0</b>

The Group's investment in debt securities issued by PRC government increased by 21.8% from RMB38,197.0 million as of December 31, 2022 to RMB46,538.5 million as of June 30, 2023, which was primarily due to the increased allocation in debt securities issued by PRC government as a result of the Group's optimisation of the structure of its assets and liabilities.

The Group's investment in debt securities issued by policy banks decreased by 2.2% from RMB15,510.0 million as of December 31, 2022 to RMB15,170.6 million as of June 30, 2023, which was basically the same as that of the end of last year.

The Group's investment in debt securities issued by commercial banks and other financial institutions increased by 3.9% from RMB1,601.5 million as of December 31, 2022 to RMB1,663.3 million as of June 30, 2023, primarily due to an appropriate increase of allocation in debt securities issued by commercial banks and other financial institutions as a result of the Group's optimisation of the structure of its assets and liabilities.

The Group's investment in debt securities issued by corporates increased by 23.9% from RMB1,404.5 million as of December 31, 2022 to RMB1,740.1 million as of June 30, 2023, primarily due to an appropriate increase of allocation in debt securities issued by corporates after comprehensive consideration of certain factors such as cost, income and risk and the need to support the local real economy.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *SPV investment*

The following table sets forth the distribution of the Group's special purpose vehicles ("SPV") investment by product type as of December 31, 2022 and June 30, 2023.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Trust plans	865.9	3.7	927.8	2.8
Asset management plans	1,854.6	7.9	1,595.7	4.8
Funds	20,815.3	88.4	30,821.2	92.4
<b>Total SPV investment</b>	<b>23,535.8</b>	<b>100.0</b>	<b>33,344.7</b>	<b>100.0</b>

As of June 30, 2023, the total SPV investment decreased by 29.4% from RMB33,344.7 million as of December 31, 2022 to RMB23,535.8 million, primarily due to the moderate decrease in the holding amount of funds as a result of the Group's optimisation of the structure of its assets and liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Other Components of the Group's Assets*

The following table sets forth the composition of the Group's other components of assets as of December 31, 2022 and June 30, 2023.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	16,793.1	30.8	16,956.8	31.9
Deposits with banks and other financial institutions	1,486.5	2.7	1,797.4	3.4
Placements with banks and other financial institutions	7,045.8	12.9	1,581.8	3.0
Financial assets held under resale agreements	24,080.5	44.1	28,141.0	52.8
Investment in an associate	347.5	0.6	331.4	0.6
Property and equipment	1,339.0	2.5	1,319.8	2.5
Deferred income tax assets	1,804.6	3.3	1,775.4	3.3
Other assets <sup>(1)</sup>	1,706.0	3.1	1,356.4	2.5
<b>Total other components of assets</b>	<b>54,603.0</b>	<b>100.0</b>	<b>53,260.0</b>	<b>100.0</b>

*Note:*

- (1) Consists primarily of accounts receivable and prepayments, right-of-use assets and intangible assets.

As of June 30, 2023, total other components of assets increased by 2.5% to RMB54,603.0 million from RMB53,260.0 million as of December 31, 2022, among which, financial assets held under resale agreements decreased by 14.4% from RMB28,141.0 million as of December 31, 2022 to RMB24,080.5 million as of June 30, 2023, which was mainly due to the Group's rational adjustment of its asset structure, which involved appropriately reducing the scale of the reverse repurchase assets. Placements with banks and other financial institutions increased by 345.4% from RMB1,581.8 million as of December 31, 2022 to RMB7,045.8 million as of June 30, 2023, mainly because the Group increased the placements with banks and other financial institutions under controllable risk conditions. Cash and deposits with the central bank decreased by 1.0% to RMB16,793.1 million as of June 30, 2023 from RMB16,956.8 million as of December 31, 2022, which was basically the same as that of the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.2 Liabilities

The following table sets forth the components of the Group's total liabilities as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
(in millions of RMB, except percentages)				
Borrowing from the central bank	2,001.0	0.6	2,873.7	0.9
Deposits from banks and other financial institutions	81.1	0.0	120.1	0.0
Placements from banks and other financial institutions	400.1	0.1	–	–
Financial assets sold under repurchase agreements	21,033.4	6.6	20,215.5	6.5
Deposits from customers	272,161.3	85.6	253,770.9	81.1
Income tax payable	62.9	0.0	152.0	0.0
Debt securities issued <sup>(1)</sup>	19,789.4	6.2	33,534.2	10.7
Other liabilities <sup>(2)</sup>	2,591.2	0.9	2,399.5	0.8
<b>Total liabilities</b>	<b>318,120.4</b>	<b>100.0</b>	<b>313,065.9</b>	<b>100.0</b>

Notes:

- (1) Consists of interbank deposit, financial bonds and tier-two capital debts.
- (2) Consists primarily of dividend payable, employee compensation payable, provision and other payables.

As of June 30, 2023, the Group's total liabilities amounted to RMB318,120.4 million, representing an increase of 1.6% from RMB313,065.9 million as of December 31, 2022, mainly due to the increase in the scale of deposits from customers.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Deposits from Customers*

As of June 30, 2023, the Group's deposits from customers amounted to RMB272,161.3 million, representing an increase of 7.2% from RMB253,770.9 million as of December 31, 2022. The increase in deposits from customers was firstly due to the increase in corporate deposits as a result of the Group's active marketing efforts to corporate customers, taking advantage of being a local financial institution to explore the opportunities arising from the settlement funds between upstream and downstream corporates in the supply chain, and secondly due to various measures implemented to enhance the marketing and maintenance of personal deposits customers, leading to a steady growth in the size of personal deposits.

The following table sets forth the distribution of the Group's deposits from customers by product type and term structure of deposits as of December 31, 2022 and June 30, 2023.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
(in millions of RMB, except percentages)				
<b>Corporate deposits</b>				
Demand	55,646.8	20.9	51,771.4	20.8
Time	61,596.4	23.2	55,825.2	22.5
Subtotal	117,243.2	44.1	107,596.6	43.3
<b>Personal deposits</b>				
Demand	15,175.3	5.7	16,896.0	6.8
Time	113,740.1	42.8	103,106.2	41.5
Subtotal	128,915.4	48.5	120,002.2	48.3
<b>Others<sup>(1)</sup></b>	<b>19,881.9</b>	<b>7.4</b>	<b>20,835.0</b>	<b>8.4</b>
<b>Total</b>	<b>266,040.5</b>	<b>100.0</b>	<b>248,433.8</b>	<b>100.0</b>
Interests accrued	6,120.8		5,337.1	
<b>Deposits from customers</b>	<b>272,161.3</b>		<b>253,770.9</b>	

*Note:*

(1) Consists primarily of pledged deposits, inward and outward remittances, and fiscal deposits.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Debt Securities Issued*

As of June 30, 2023, debt securities issued amounted to RMB19,789.4 million, representing a decrease of 41.0% from RMB33,534.2 million as of December 31, 2022. The decrease in debt securities issued was primarily due to the expiration of a financial bond of the Group during the Reporting Period, coupled with the decrease in the issuance of interbank deposit.

### *Financial Assets Sold under Repurchase Agreements*

As of June 30, 2023, financial assets sold under repurchase agreements amounted to RMB21,033.4 million, representing an increase of 4.0% from RMB20,215.5 million as of December 31, 2022, primarily because the Group increased its interbank liabilities appropriately based on its asset-liability management and liquidity needs.

## 4.3 Equity

The following table sets forth the components of the Group's equity as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Share capital	5,838.7	24.5	5,838.7	25.0
Capital reserve	6,627.6	27.8	6,627.6	28.4
Surplus reserve	4,160.8	17.4	3,976.7	17.0
General reserve	3,742.2	15.7	3,742.2	16.0
Investment revaluation reserve	(39.3)	(0.2)	(97.9)	(0.4)
Impairment reserve	16.0	0.1	15.0	0.1
Deficit on remeasurement of net defined benefit liability	(4.0)	(0.0)	(4.1)	(0.0)
Retained earnings	3,503.1	14.6	3,236.9	13.8
Equity attributable to equity shareholders of the Bank	23,845.1	99.9	23,335.1	99.9
Non-controlling interests	17.4	0.1	18.5	0.1
<b>Total equity</b>	<b>23,862.5</b>	<b>100.0</b>	<b>23,353.6</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2023, the total equity of the Group amounted to RMB23,862.5 million, representing an increase of 2.2% from RMB23,353.6 million as of December 31, 2022. As of the same date, the equity attributable to equity shareholders of the Bank amounted to RMB23,845.1 million, representing an increase of 2.2% from RMB23,335.1 million as of December 31, 2022. The increase in equity was mainly attributable to an increase in retained earnings from a realization of net profit, which was partially offset by the distribution of dividends during the Reporting Period. For the six months ended June 30, 2023, the Group realized a net profit of RMB1,033.0 million. According to the 2022 profit appropriation plan approved at the shareholders' general meeting, a cash dividend of RMB583.9 million was distributed to all shareholders.

### 5 OFF-BALANCE SHEET ITEMS ANALYSIS

The following table sets forth the contractual amounts of the Group's off-balance sheet commitments as of December 31, 2022 and June 30, 2023.

	<b>As of June 30, 2023</b>	As of December 31, 2022
	(in millions of RMB)	
Loan commitments	<b>10,660.2</b>	9,051.1
Credit card commitments	<b>6,569.4</b>	6,309.3
Bank acceptances	<b>39,816.0</b>	39,084.6
Letter of credit	<b>9,931.4</b>	8,157.0
Letter of guarantees	<b>193.6</b>	198.5
Capital commitments	<b>95.9</b>	66.9
Others	—	599.0
<b>Total off-balance sheet commitments</b>	<b>67,266.5</b>	63,466.4

As of June 30, 2023, the Group's total off-balance sheet commitments amounted to RMB67,266.5 million, representing an increase of 6.0% from RMB63,466.4 million as of December 31, 2022, primarily because of the increase in loan commitment and letter of credit.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 6 ASSET QUALITY ANALYSIS

### Distribution of Loans by Five-Category Loan Classification

The following table sets forth the distribution of the Group's loans by the five-category loan classification as of December 31, 2022 and June 30, 2023. According to the current guidelines of risk-based classification of loans, NPL are classified as substandard, doubtful and loss.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
(in millions of RMB, except percentages)				
Normal	183,782.9	94.6	175,098.0	94.1
Special Mention	7,260.8	3.7	7,600.0	4.1
<b>Subtotal</b>	<b>191,043.7</b>	<b>98.3</b>	<b>182,698.0</b>	<b>98.2</b>
Substandard	2,520.2	1.3	2,696.5	1.4
Doubtful	123.4	0.1	125.5	0.1
Loss	697.8	0.3	531.9	0.3
<b>Subtotal</b>	<b>3,341.4</b>	<b>1.7</b>	<b>3,353.9</b>	<b>1.8</b>
<b>Gross loans and advances to customers</b>	<b>194,385.1</b>	<b>100.0</b>	<b>186,051.9</b>	<b>100.0</b>
<b>NPL ratio<sup>(1)</sup></b>		<b>1.72</b>		<b>1.80</b>

*Note:*

(1) Calculated by dividing the total NPLs by the gross loans and advances to customers.

## MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2023, according to the five-category loan classification, the Group's normal loans amounted to RMB183,782.9 million, representing an increase of RMB8,684.9 million from that as of December 31, 2022, accounting for 94.6% of the gross loans and advances to customers. Special mention loans amounted to RMB7,260.8 million, representing a decrease of RMB339.2 million from that as of December 31, 2022, accounting for 3.7% of gross loans and advances to customers. NPLs amounted to RMB3,341.4 million, representing a decrease of RMB12.5 million from that as of December 31, 2022. The NPL ratio was 1.72%, representing a decrease of 0.08 percentage point from that as of December 31, 2022. The decrease in both total amount of NPLs and the NPL ratio was mainly due to continuous improvement on risk management system by the Group during the Reporting Period by actively clearing old NPLs and controlling new NPLs while simultaneously clearing and preventing NPLs so as to increase the efforts on collection and disposal of NPLs.

### Distribution of Loans by Types of Collateral

The following table sets forth the distribution of the Group's loans and advances to customers by types of collateral as of December 31, 2022 and June 30, 2023.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Pledged loans <sup>(1)</sup>	57,712.5	29.7	56,688.0	30.5
Collateralized loans <sup>(1)</sup>	28,710.9	14.8	25,476.0	13.7
Guaranteed loans <sup>(1)</sup>	86,593.3	44.5	83,718.3	45.0
Unsecured loans	21,368.4	11.0	20,169.6	10.8
<b>Gross loans and advances to customers</b>	<b>194,385.1</b>	<b>100.0</b>	<b>186,051.9</b>	<b>100.0</b>

*Note:*

- (1) Represent the total amount of loans fully or partially secured by collateral, pledges or guarantees in each category. If a loan is secured by more than one form of security interest, the categorization is based on the primary form of security interest.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Distribution of Corporate Loans by Industry

The following table sets forth the distribution of the Group's corporate loans by industry as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Manufacturing	41,271.6	35.3	40,371.8	36.8
Mining	24,265.7	20.8	20,878.2	19.0
Wholesale and retail trade	12,274.3	10.5	11,694.7	10.7
Leasing and commercial services	8,764.3	7.5	7,631.0	7.0
Real estate	7,933.4	6.8	8,204.3	7.5
Construction	4,987.9	4.3	4,557.1	4.2
Production and supply of electric power, heating, gas and water	4,636.7	4.0	3,978.7	3.6
Water, environment and public utility management	3,428.1	2.9	3,228.3	2.9
Financial services	2,950.7	2.5	3,128.1	2.9
Transportation, storage and postal services	2,448.4	2.1	1,929.9	1.8
Lodging and catering	642.3	0.5	642.4	0.6
Agriculture, forestry, animal husbandry and fishery	176.1	0.2	180.1	0.2
Education	137.7	0.1	135.2	0.1
Others <sup>(1)</sup>	2,892.3	2.5	2,952.2	2.7
<b>Total corporate loans</b>	<b>116,809.5</b>	<b>100.0</b>	<b>109,512.0</b>	<b>100.0</b>

*Note:*

- (1) Consists primarily of the following industries: (i) scientific research and technical services; (ii) culture, sports and entertainment; (iii) health and social work; (iv) information transmission, software and information technology services; and (v) resident services, maintenance and other services.

For the six months ended June 30, 2023, the Group further optimized its credit structure and actively supported the development of the real economy. As of June 30, 2023, the Group's five major components of corporate loans were offered to customers in the following industries: manufacturing, mining, wholesale and retail, leasing and business services and real estate. As of June 30, 2023 and December 31, 2022, the balance of loans to corporate customers in the top five industries amounted to RMB94,509.3 million and RMB88,780.0 million, respectively, accounting for 80.9% and 81.0% of the total corporate loans and advances to customers granted by the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's NPLs to corporate customers by industry as of the dates indicated.

	As of June 30, 2023			As of December 31, 2022		
	Amount	% of total (%)	NPL ratio <sup>(1)</sup> (%)	Amount	% of total (%)	NPL ratio <sup>(1)</sup> (%)
(in millions of RMB, except percentages)						
Real estate	974.9	36.9	12.29	1,038.0	37.6	12.65
Leasing and commercial services	606.2	22.9	6.92	676.6	24.5	8.87
Wholesale and retail trade	370.0	14.0	3.01	330.7	12.0	2.83
Construction	354.1	13.4	7.10	349.7	12.7	7.67
Manufacturing	290.4	11.0	0.70	298.0	10.8	0.74
Lodging and catering	15.6	0.6	2.43	21.1	0.8	3.28
Agriculture, forestry, animal husbandry and fishery	8.9	0.3	5.05	9.4	0.3	5.22
Education	5.6	0.2	4.07	5.6	0.2	4.14
Transportation, storage and postal services	4.5	0.2	0.18	5.2	0.2	0.27
Water, environment and public utility management	1.5	0.1	0.04	1.5	0.1	0.05
Mining	1.1	0.0	0.00	9.3	0.3	0.04
Production and supply of electric power, heating, gas and water	0.9	0.0	0.02	4.6	0.2	0.12
Others <sup>(2)</sup>	9.7	0.4	0.34	9.8	0.3	0.33
<b>Total non-performing corporate loans</b>	<b>2,643.4</b>	<b>100.0</b>	<b>2.26</b>	<b>2,759.5</b>	<b>100.0</b>	<b>2.52</b>

Notes:

- (1) Calculated by dividing total NPLs to corporate customers in each industry by gross loans to corporate customers in that industry.
- (2) Consists primarily of (i) health and social work, (ii) information transmission, software and information technology services, and (iii) resident services, maintenance and other services.

## MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2023, the Group's non-performing corporate loans were mainly from real estate, leasing and business services and wholesale and retail industry.

As of December 31, 2022 and June 30, 2023, the NPL ratio for corporate loans in the real estate industry was 12.65% and 12.29%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 37.6% and 36.9% of the total non-performing corporate loans, respectively. The Group's relatively high balance of NPLs to the real estate industry was due to the default of loans of the Group as certain real estate enterprises faced operational difficulties resulted from capital liquidity problems, which was affected by macro-control policies to the real estate industry. At present, the Group has had sufficient secured and preserved assets in the NPLs and persistently implemented various collection and settlement measures, so that a downward trend has shown in such balance of NPLs.

As of December 31, 2022 and June 30, 2023, the NPL ratio for corporate loans in the leasing and business services industry was 8.87% and 6.92%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 24.5% and 22.9% of the total non-performing corporate loans, respectively, which was mainly due to the effective collection and settlement of NPLs in this industry as a result of the Group's proactive collection and settlement measures, and the balance of NPLs and the NPL ratio were both on a downward trend.

As of December 31, 2022 and June 30, 2023, the NPL ratio for corporate loans in the wholesale and retail industry was 2.83% and 3.01%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 12.0% and 14.0% of the total non-performing corporate loans, respectively. The increase in NPL ratio for corporate loans to borrowers in the wholesale and retail industry was primarily due to the fact that the domestic economy is still in the process of recovery upon the end of the pandemic, which has a consequent severe impact on the development of such industry, thereby resulting in the inability of some of the Group's customers to repay the Group's loans on schedule due to their stagnating operations.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Distribution of NPLs by Product Type

The table below sets forth the distribution of NPLs by product type as of the dates indicated.

	As of June 30, 2023			As of December 31, 2022		
	Amount	% of total (%)	NPL ratio <sup>(1)</sup> (%)	Amount	% of total (%)	NPL ratio <sup>(1)</sup> (%)
(in millions of RMB, except percentages)						
<b>Corporate loans</b>						
Working capital loans	1,463.0	43.8	2.12	1,537.0	45.8	2.36
Fixed asset loans	1,180.0	35.3	3.27	1,221.1	36.4	3.50
Other loans <sup>(2)</sup>	0.4	0.0	0.00	0.4	0.0	0.0
<b>Subtotal</b>	<b>2,643.4</b>	<b>79.1</b>	<b>2.26</b>	<b>2,759.5</b>	<b>82.2</b>	<b>2.52</b>
<b>Personal loans</b>						
Residential mortgage loans	164.9	4.9	0.76	144.9	4.3	0.72
Personal consumption loans	87.2	2.6	3.26	80.2	2.4	3.64
Personal business loans	129.6	3.9	8.55	119.3	3.6	7.03
Credit cards	316.3	9.5	6.75	250.0	7.5	5.32
<b>Subtotal</b>	<b>698.0</b>	<b>20.9</b>	<b>2.29</b>	<b>594.4</b>	<b>17.8</b>	<b>2.06</b>
<b>Total NPLs</b>	<b>3,341.4</b>	<b>100.0</b>	<b>1.72</b>	<b>3,353.9</b>	<b>100.0</b>	<b>1.80</b>

Notes:

- (1) Calculated by dividing total NPLs in each product type by gross loans and advances to customers in that product type.
- (2) Consists primarily of advances for bank acceptances.

## MANAGEMENT DISCUSSION AND ANALYSIS

The NPL ratio for corporate loans decreased from 2.52% as of December 31, 2022 to 2.26% as of June 30, 2023, while the balance of non-performing corporate loans decreased from RMB2,759.5 million as of December 31, 2022 to RMB2,643.4 million as of June 30, 2023, which was primarily due to the fact that the Group proactively implemented various methods for the collection, disposal, liquidation and settlement of the NPLs during the Reporting Period, and some corporate customers achieved improvement in their business operations, which resulted in the cash recovery of the NPLs.

The NPL ratio for personal loans increased from 2.06% as of December 31, 2022 to 2.29% as of June 30, 2023, and the balance of NPLs for personal loans increased from RMB594.4 million as of December 31, 2022 to RMB698.0 million as of June 30, 2023. The increases in the balance of NPLs and the NPL ratio for personal loans was firstly because of the decrease in income of some individuals caused by the impact of the pandemic and changes in economic environment which led to the increase of the balance of NPLs for personal loans of the Group; and secondly due to the default of a small number of mortgages granted to individuals as a result of the failure of some real estate developers to deliver their projects on time due to the downturn in the real estate industry.

### Distribution of NPLs by Geographical Region

The following table sets forth the distribution of the Group's NPLs by geographical region as of December 31, 2022 and June 30, 2023.

	As of June 30, 2023			As of December 31, 2022		
	Amount	% of total (%)	NPL ratio <sup>(1)</sup> (%)	Amount	% of total (%)	NPL ratio <sup>(1)</sup> (%)
	(in millions of RMB, except percentages)					
Taiyuan	2,335.2	69.9	1.95	2,292.9	68.4	1.80
Outside Taiyuan	1,006.2	30.1	1.35	1,061.0	31.6	1.80
<b>Total NPLs</b>	<b>3,341.4</b>	<b>100.0</b>	<b>1.72</b>	<b>3,353.9</b>	<b>100.0</b>	<b>1.80</b>

*Note:*

(1) Calculated by dividing total NPLs in each region by gross loans and advances to customers in that region.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Borrowers Concentration

#### Loans to the Ten Largest Single Borrowers

In accordance with applicable PRC banking guidelines, the Group is subject to a lending limit of 10% of its net capital base to any single borrower. As of June 30, 2023, the Group's loans to the largest single borrower accounted for 8.3% of its net capital base, which was in compliance with regulatory requirements.

The following table sets forth the Group's loan exposure to the ten largest single borrowers as of the date indicated, which were all classified as normal on that date.

		As of June 30, 2023			
			% of total loans (%)	% of net capital base <sup>(1)</sup> (%)	Classification
Industry		Amount			
(in millions of RMB, except percentages)					
Borrower A	Leasing and business services	2,310.3	1.2	8.3	Normal
Borrower B	Manufacturing	2,208.0	1.1	7.9	Normal
Borrower C	Manufacturing	2,111.4	1.1	7.6	Normal
Borrower D	Manufacturing	1,945.0	1.0	7.0	Normal
Borrower E	Finance	1,680.0	0.9	6.0	Normal
Borrower F	Manufacturing	1,609.4	0.8	5.8	Normal
Borrower G	Manufacturing	1,581.5	0.8	5.7	Normal
Borrower H	Manufacturing	1,500.0	0.8	5.4	Normal
Borrower I	Mining	1,448.0	0.7	5.2	Normal
Borrower J	Manufacturing	1,384.3	0.7	5.0	Normal
<b>Total</b>		<b>17,777.9</b>	<b>9.1</b>	<b>63.9</b>	

Note:

- (1) Represents loan balances as a percentage of the net capital base. The net capital base is calculated in accordance with the requirements of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and based on the financial statements prepared in accordance with PRC General Accepted Accounting Principles.

As of June 30, 2023, the balance of the Group's loans to the largest single borrower amounted to RMB2,310.3 million, accounting for 1.2% of the gross loans and advances to customers; the total loans to the ten largest single borrowers amounted to RMB17,777.9 million, accounting for 9.1% of the gross loans and advances to customers.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Loan Aging Schedule

The following table sets forth the Group's loan aging schedule as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
	Amount	% of total (%)	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Current loan	191,038.8	98.3	182,326.8	98.0
Loans past due for				
Up to 3 months <sup>(1)</sup>	198.3	0.1	821.1	0.4
Over 3 months up to 6 months <sup>(1)</sup>	166.6	0.1	125.1	0.1
Over 6 months up to 1 year <sup>(1)</sup>	399.2	0.2	754.9	0.4
Over 1 year up to 3 years <sup>(1)</sup>	2,281.5	1.2	1,792.2	1.0
Over 3 years <sup>(1)</sup>	300.7	0.1	231.8	0.1
<b>Subtotal</b>	<b>3,346.3</b>	<b>1.7</b>	<b>3,725.1</b>	<b>2.0</b>
<b>Gross loans and advances to customers</b>	<b>194,385.1</b>	<b>100.0</b>	<b>186,051.9</b>	<b>100.0</b>

*Note:*

(1) Represents the principal amount of the loans on which principal or interest overdue as of the dates indicated.

The overdue loans of the Group decreased by 10.2% from RMB3,725.1 million as of December 31, 2022 to RMB3,346.3 million as of June 30, 2023, mainly due to continuous improvement on risk management system by the Group during the Reporting Period, and actively clearing old NPLs and controlling new NPLs while simultaneously clearing and preventing NPLs so as to increase the efforts on collection and disposal of NPLs.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Changes to Allowance for Impairment Losses

Allowance for impairment losses on loans to customers increased by 7.0% from RMB5,938.0 million as of January 1, 2023 to RMB6,356.4 million as of June 30, 2023, primarily because the allowance for impairment losses of the Group was made based on the corresponding increase in new loans as of June 30, 2023.

	<b>As of June 30, 2023 Amount</b>	<b>As of December 31, 2022 Amount</b>
	(in millions of RMB)	
<b>Beginning of the period (January 1)</b>	<b>5,938.0<sup>(1)</sup></b>	<b>5,281.5<sup>(3)</sup></b>
Charge for the period	<b>462.4</b>	1,229.3
Transfer out	–	(328.4)
Recoveries	<b>2.4</b>	4.5
Write-offs	–	(143.8)
Other changes	<b>(46.4)</b>	(105.1)
<b>End of the period</b>	<b>6,356.4<sup>(2)</sup></b>	<b>5,938.0<sup>(1)</sup></b>

*Notes:*

- (1) Including (i) allowance for impairment losses on the loans and advances to customers measured at amortised cost which amounted to RMB5,920.2 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB17.8 million.
- (2) Including (i) allowance for impairment losses on the loans and advances to customers measured at amortised cost which amounted to RMB6,338.5 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB17.9 million.
- (3) Including (i) allowance for impairment losses on the loans and advances to customers measured at amortised cost which amounted to RMB5,277.1 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB4.4 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 7 GEOGRAPHICAL SEGMENTS REPORT

In presenting information on the basis of geographic segments, operating income is gathered according to the locations of the branches or subsidiary that generated the income. For the purpose of presentation, the Group categorizes such information by geographic regions.

The table below sets forth the total operating income of each geographical region for the periods indicated.

	For the six months ended June 30,			
	2023		2022	
	Amount	% of total (%)	Amount	% of total (%)
Taiyuan	2,193.8	77.4	2,124.3	82.7
Outside Taiyuan	640.9	22.6	445.5	17.3
<b>Total operating income</b>	<b>2,834.7</b>	<b>100.0</b>	<b>2,569.8</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 8 CAPITAL ADEQUACY RATIO ANALYSIS AND LEVERAGE RATIO ANALYSIS

The Group is subject to capital adequacy requirements as promulgated by the former CBIRC. The following table sets forth, as of the dates indicated, relevant information relating to the Group's capital adequacy ratio, calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) of the former China Banking Regulatory Commission (the "former CBRC") and PRC General Accepted Accounting Principles.

	<b>As of June 30, 2023 Amount</b>	As of December 31, 2022 Amount
	(in millions of RMB, except percentages)	
<b>Core tier-one capital</b>		
– Share capital	5,838.7	5,838.7
– Qualifying portion of capital reserve	6,627.6	6,627.6
– Surplus reserve	4,160.8	3,976.7
– General reserve	3,742.2	3,742.2
– Other comprehensive income	(27.3)	(87.0)
– Retained earnings	3,503.1	3,236.9
– Qualifying portions of non-controlling interests	7.3	6.8
<b>Total core tier-one capital</b>	<b>23,852.4</b>	23,341.9
<b>Core tier-one capital deductions</b>	<b>(278.9)</b>	(289.6)
<b>Net core tier-one capital</b>	<b>23,573.5</b>	23,052.3
Other tier-one capital	1.0	0.9
Net tier-one capital	23,574.5	23,053.2
Tier-two capital	4,371.1	4,188.0
<b>Net capital base</b>	<b>27,945.6</b>	27,241.2
<b>Total risk-weighted assets</b>	<b>224,517.8</b>	219,608.2
<b>Core tier-one capital adequacy ratio (%)</b>	<b>10.50</b>	10.50
<b>Tier-one capital adequacy ratio (%)</b>	<b>10.50</b>	10.50
<b>Capital adequacy ratio (%)</b>	<b>12.45</b>	12.40

## MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2023, the Group's capital adequacy ratio was 12.45%, up by 0.05 percentage point from the end of 2022. Both the tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.50%, same as the end of 2022.

As of June 30, 2023, the Group's leverage ratio was 6.05%, representing an increase of 0.03 percentage point from 6.02% as of December 31, 2022. Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) issued by the former CBRC, which has been effective since April 2015, the minimum leverage ratio shall be no lower than 4%.

### 9 RISK MANAGEMENT

The primary risks related to the Bank's operations include: credit risk, market risk, liquidity risk, operational risk, information technology risk, reputational risk and strategic risk. In the first half of 2023, the Bank adhered to the main theme of "Party Governance for Risks (黨管風險)" and continued to enhance its comprehensive risk management system. It strengthened credit management, improved system construction, conducted institutional review, enhanced risk investigation, consolidated three lines of defense in risk management, strengthened risk monitoring and warning, and promoted the digital and intelligent transformation in risk management, thereby striving to hold the bottom line of preventing systematic and regional financial risks.

#### Credit Risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating of, an obligor or counterparty, or from its reduced capacity of fulfilling its contractual obligations. The Bank is exposed to credit risks primarily associated with corporate loan business, personal loan business and financial market business.

The Bank has built and continually improves its bank-wide credit risk management system to cover the entire credit extension process through the credit management system, comprehensive risk management system and other systems; thereby, the Bank can identify, measure, monitor, mitigate and control the credit risks arising from its credit extension business. The Bank had developed a vertical and independent risk management structure, which applied resident-model and dual reporting risk management, to improve its credit risk management and control.

## MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Bank closely monitors the quality of loans and may reclassify its loans based on the results of routine and special inspections. Furthermore, the Bank optimized the asset preservation management system and mechanism. It set up a professional preservation department and established an asset preservation management system with equal consideration on centralized collection and integrated management. It improved the assessment, evaluation, incentive and control management mechanism to stimulate the efficiency of collection and disposal.

The Bank is committed to using advanced information technology systems to improve our credit risk management. The Bank's credit management system enables account managers to efficiently collect and analyze customer data, such as historical records and financial conditions, and provides close monitoring and timely alert on loans reaching maturity. The information technology system automatically matches credit applications to the corresponding approval procedures based on the amount of credit requested, which reduces the risk of unauthorized approval. In addition, account managers and management departments at all levels can access real-time information of overdue loans through the Bank's information technology system to control risks stemming from overdue loans.

The Bank is dedicated to striking a balance between achieving steady loan growths and maintaining a prudent culture of risk management. The Bank actively follows the national policy direction, continues to adjust and optimize credit structure and formulates credit policy guidelines. In formulating the credit policies, the Bank scientifically allocates the credit scale in terms of regions, business lines and sectors after full consideration of safety and efficiency, and prefers to issue credit to locally-dominated and advantageous industries so as to strengthen the concentration management of industries and customers.

### Management of Large-scale Risk Exposure

The Bank strictly implemented regulatory requirements, formulated management rules for large-scale risk exposure, established an organizational structure and management system, promoted information system construction, and regularly reported to regulators on large-scale risk exposure indicators and related management work so as to effectively control customer concentration risks. As of June 30, 2023, other than exempt customers, all limit indicators for the Bank's large-scale risk exposure were in compliance with the regulatory requirements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Market Risk

Market risk refers to the risk from adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices) that results in losses to the Bank's on – and off-balance sheet businesses. The Bank's assets are exposed to market risk arising primarily from trading accounts and bank accounts, mainly including interest rate risk and exchange rate risk. The Bank has incorporated market risk into a comprehensive risk management system and established a system for market risk management that is compatible with the nature, scale and complexity of the Bank's business operations.

The Bank adopts a holistic approach to market risk management to identify, monitor and measure during the entire process, by reference to the risk appetite and business conducted by the Bank, and it continually improves the management of market risk limits and reviews and updates indicators for market risk limits on a regular basis. The Bank conducts stress testing on market risks regularly, makes assessment on the expected loss on accounts exposed to market risk under pressure, applies contingency plans pursuant to the result of stress tests and implements market risk alerts and reminders in extreme conditions. The Bank continually improves market risk management system construction, strengthens entire process of business approval, risk monitoring and systematization of limits management so as to achieve a combined control at the system and personnel level.

As of June 30, 2023, the Bank operated a small foreign exchange business and held an insignificant amount of U.S. dollars and other currencies. The Bank has established various policies and operational procedures for its foreign exchange businesses, such as foreign currency settlement, sales and payment, and foreign currency trading, to control the relevant exchange rate risks.

## Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds in a timely manner or at a reasonable cost to fulfill payment obligations when due. The liquidity management of the Bank is primarily to provide timely payment of funds for lending, trading and investment activities in business development to meet capital needs, and to fulfill payment obligations when due.

The Bank has established a liquidity risk management system and an organizational structure where its Board bears the ultimate responsibilities for the Bank's liquidity risk management and the senior management is responsible for formulating liquidity risk management strategies and policies. The Bank manages liquidity risk through monitoring the maturities of assets and liabilities to ensure that it has sufficient funds readily available or at a reasonable cost to fulfill the payment obligations as they become due. The Assets and Liabilities Management Department monitors the Bank's capital position on a daily basis, and provides risk alerts and reminders in a timely manner. The Bank also strictly observes the relevant regulatory requirements, closely monitors each liquidity indicator, formulates contingency plans, enhances daily liquidity risk management and regularly applies stress tests.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operational Risk

Operational risk refers to the risk of losses arising from inadequate or defective internal procedures, personnel and information systems, or external events, mainly covering internal and external frauds, misconduct of employees, security failure, business interruptions, information system breakdown, and so on.

The Bank has established an operational risk management and governance structure with the Board, the Board of Supervisors and senior management, and clarified “three lines of defense” of operational risk management system for various business departments at our head office and branches, the Legal and Compliance Department and the Audit Department. The Bank continued to improve its comprehensive risk management system, steadily promote the implementation of management tools for operational risk, such as business process organizing, key indicators monitoring and loss events collection, in an orderly manner, develop and optimize risk prevention and control mechanism covering all aspects, individuals, processes and systems.

Based on strengthening internal control and compliance management, the Bank continued to promote the work of “abolishing, amending and establishing” systems, feedback on issues and defects, evaluation of learning outcomes and supervision on the implementation of systems. The Bank also conducted special inspections on the credit supply, operations, credit security, financial management and other aspects of the Bank, continuously enhanced screening of checks and balances of staff positions and regular behavior to actively prevent operational risk. At the same time, the Bank optimised business continuity plans and special contingency plans, and conducted drills for network equipment and dual-center core business system switching in the same city so as to promote a steady improvement on management of the Bank’s business continuity.

### Information Technology Risk

Information technology risks include operational risk, reputational risk, legal risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank’s use of information technology. The Bank has set up an Information Technology Management Committee and the Legal and Compliance Department and Information Technology Department at the head office are responsible for managing information technology risks. The Bank strives to continuously improve the information technology infrastructure and the Bank’s information technology management system to comply with the national standards and regulatory requirements.

To ensure the security of information technology, the Bank has hired professionals to supervise the information security system and established a series of information security management measures to prevent any unauthorized network intrusions, attacks, data leakage or third-party tampering with the Bank’s information system. As part of the Bank’s business continuity management measures, the Bank has established a disaster backup and recovery system comprising two local active application-level centers and one off-site data-level disaster recovery center. The Bank has also established detailed contingency plans regarding the potential breakdown of the information system to ensure the continuity of operations. The Bank conducts periodic disaster drills for business continuity for important businesses.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Reputational Risk

Reputational risk refers to the behavior of the Bank, its employees or external events that lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, adversely affecting the operation and management of the Bank, and even affecting market stability and social stability. Reputational risk is a secondary risk, a “risk within a risk” derived from other various risk events. A reputation event is an act or activity that significantly damages the Bank’s reputation. The Bank takes its reputation seriously and has established an effective reputational risk management mechanism to monitor, identify, report, control, and assess the reputational risk, and at the same time manage the reputational risk emergency handling, and minimize any loss and negative impact on the Bank due to such incidents.

The Office of the Board of the Bank takes the lead in the management of overall reputational risks, including establishing a reputational risk management system of the Bank, and formulating basic internal policies. The Bank has also set up reputational risk incidents emergency response teams at the branches and sub-branches, so that the head office can be promptly informed upon the occurrence of material and urgent incidents and take appropriate actions accordingly.

## Strategic Risk

Strategic risk is caused by inappropriate business strategies or changes in the external operating environment during the establishment and implementation of the strategy, which may have a negative impact on the profit, capital, reputation or market position of the Bank at present or in the future.

The Bank adheres to its strategic determination to continuously improve its management measures to ensure the strategy implementation, and to actively carry out evaluation of the strategy implementation to ensure the adaptability to the external environment of the strategic plans. The Office of the Board is responsible for managing the Bank’s strategic risks. The Bank identifies risk factors through cooperation between the Office of the Board and the Risk Management Department, conducts regular review and study on prevailing market conditions and the Bank’s business operation status to timely identify potential risks, and makes adjustment to the strategic measures accordingly, as well as closely monitors the implementation of the strategies.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 10 BUSINESS REVIEW

For the six months ended June 30, 2023, the Group's principal business lines comprised corporate banking, retail banking and financial market.

For corporate banking business, the Group focuses on serving the governmental and institutional customers as well as enterprises in high-quality industries, continuously improves the level of corporate customers management by measures such as enriching trade financial products, building a professional team for corporate banking business, broadening inter-bank cooperation channels, and accelerating the development of investment banking; for retail banking business, the Bank adheres to the philosophy of "building a bank founded on the basis of deposit (存款立行)" and continues to consolidate the foundation of personal deposits, promotes the rapid development of businesses such as credit card, personal loans, and wealth management services, and significantly improves the market competitiveness and influence of retail banking business; for financial market business, the Bank adjusts the asset structure of its bond and bill business proactively, expands credit granting to peer institutions actively, and strengthens the management of counterparties.

The following table sets forth the breakdown of the Group's operating income by business line for the six months ended June 30, 2022 and 2023.

	For the six months ended June 30, 2023		2022	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	1,995.6	70.4	2,068.7	80.5
Retail banking business	554.1	19.5	436.0	17.0
Financial market business	282.0	10.0	54.8	2.1
Others <sup>(1)</sup>	3.0	0.1	10.3	0.4
<b>Total operating income</b>	<b>2,834.7</b>	<b>100.0</b>	<b>2,569.8</b>	<b>100.0</b>

Note:

(1) Consists primarily of income that is not directly attributable to any specific segment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Corporate banking business

The Group positions itself as a “financial steward” and a “partner of the real economy” for local governments in Shanxi Province, whereby it proactively participates in projects with key importance for local economic development in Shanxi Province, and provides corporate banking customers with a wide range of products and services, including loans and advances, trade financing, deposit taking activities, agency services, wealth management services, financial consulting and advisory services, remittance and settlement services, and guarantee services.

For the six months ended June 30, 2023, the Group’s operating income from corporate banking business was RMB1,995.6 million, accounting for 70.4% of the total operating income for the same period. The decrease in operating income from corporate banking business was primarily due to lower yields on loans and advances to customers as a result of the downward trend in market interest rates, with discounted bills being particularly affected.

For the six months ended June 30, 2023, the Group continued to improve its ability of catering to corporate banking customers’ needs for differentiated financial products, and also focused on the development of fee and commission-based corporate banking business and services, such as trade financing and acceptances, continuously optimized the business structure, and enriched its product portfolio.

## Retail banking business

Based on a deep understanding of the local market and the preferences of retail banking customers, the Group focused on developing and launching various well-received retail banking products and services and established strong competitiveness in terms of distribution channels, customer base, product mix, and innovative capacities. The Group provided various products and services to retail banking customers, including personal loans, individual deposit taking services, personal wealth management services, wealth management services and remittance services.

For the six months ended June 30, 2023, the Group’s operating income from retail banking business was RMB554.1 million, accounting for 19.5% of the total operating income for the same period. As of June 30, 2023, the personal loan balance was RMB30,484.3 million, accounting for 15.7% of the gross loans and advances to customers. As of June 30, 2023, residential mortgage loans, personal consumption loans, personal business loans, and credit card balance were RMB21,609.2 million, RMB2,673.3 million, RMB1,515.9 million and RMB4,685.9 million, accounting for 70.9%, 8.7%, 5.0% and 15.4% of the total personal loans of the Bank, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

Driven by quality services, the number of retail banking customers of the Group further increased during the Reporting Period, from 3,084.6 thousand as of June 30, 2022 to 3,279.3 thousand as of June 30, 2023. After years of persistent efforts, the Bank has established an extensive institutional network in key cities in Shanxi Province. As of June 30, 2023, the Bank had one head office, ten branches, 144 sub-branches (including four sub-branches directly administered by the head office, 115 city-level sub-branches, and 25 county-level sub-branches) and one 51.0% owned subsidiary, Qingxu Jinshang Village and Township Bank Co., Ltd. In total, the Bank had 154 outlets, which covered all 11 prefecture-level cities in Shanxi Province.

During the Reporting Period, with a business network that has an extensive coverage, the Group was committed to providing customers with convenient online and mobile financial products and services with the use of advanced technologies. During the Reporting Period, the Bank continued to enrich the types of services offered through online banking, and introduced differentiated user experience for customers through technological upgrade. In addition, by integrating high-quality resources, the Bank provided professional and comprehensive financial services to high net worth individuals in the province. The private banking center, leveraging its quality services in wealth management and private banking, was awarded the “Excellence in Wealth Management of City Commercial Bank (卓越財富管理城市商業銀行)” and “Excellence in Regional Services of Private Bank (卓越區域服務私人銀行)” of the Golden Honor Awards in the first half of 2023.

To build an image as a private bank and to facilitate effective customer maintenance for the private banking business, and with a focus on the service system of “promoting the future (升擢未來);” “promoting privileges (升享尊貴);” “promoting the well-being (升生之道);” and “promoting extraordinary experience (升鑑不凡);” the private banking center actively explores the development model of private banking in line with its own development strategy, scale and management capabilities, consolidates its presence in the family wealth planning service market, builds a differentiated and distinctive private banking brand, and accelerates the steady and robust development of private banking in the region, whereby becoming an important provider of wealth management services for outstanding entrepreneurs and their family in the region.

### Financial market business

The financial market business of the Group primarily includes inter-bank money market transactions, repurchases transactions, inter-bank investments, debt securities investment and trading. It also covers the management of the Group’s overall liquidity position, including the issuance of debts.

During the Reporting Period, the Group closely monitored the changes in the macroeconomic situation, adhered to the direction of financial market policies, strengthened the monitoring and analysis of market conditions, seized business development opportunities, and rationally formulated investment strategies and actively carried out innovative business under the premise of risk control, while continuously optimizing the investment portfolio, increasing the investment in standardized bonds, and gradually adjusting the asset structure.

## MANAGEMENT DISCUSSION AND ANALYSIS

The financial market business continued to optimize diversified financing channels, focus on liquidity management, construct a comprehensive evaluation system for credit risks, continuously strengthen risk prevention and control, and actively promote the conducting of new business. As of June 30, 2023, the Bank was granted the qualification of “2023 Renminbi Financial Bond Underwriting Market-Making Group” by the National Development Bank, which further expanded the scope of the Bank’s bond underwriting and distribution business and enhanced its interest risk prevention and control capabilities.

For the six months ended June 30, 2023, the operating income from the Group’s financial market business amounted to RMB282.0 million, accounting for 10.0% of its total operating income. The increase in operating income from the financial market business was firstly due to the increase in gains and losses from changes of fair value of financial assets at fair value through profit or loss as a result of fluctuations in market rates and secondly due to the decrease in the interest rate on the issuance of interbank deposit.

### *Interbank Market Transactions*

The Group’s interbank market transactions business primarily consists of: (i) interbank deposits; (ii) interbank placements; and (iii) purchase under resale agreements and sale under repurchase agreements, which mainly involves bonds and bills.

As of June 30, 2023, deposits with banks and other financial institutions were RMB1,486.5 million, accounting for 0.4% of the Group’s total assets as of June 30, 2023. As of the same date, deposits from banks and other financial institutions amounted to RMB81.1 million, accounting for 0.03% of the Group’s total liabilities as of June 30, 2023.

As of June 30, 2023, placements with banks and other financial institutions were RMB7,045.8 million, accounting for 2.1% of the Group’s total assets as of June 30, 2023. As of the same date, placements from banks and other financial institutions amounted to RMB400.1 million, accounting for 0.1% of the Group’s total liabilities as of June 30, 2023.

As of June 30, 2023, financial assets held under resale agreements were RMB24,080.5 million, accounting for 7.0% of the Group’s total assets as of June 30, 2023. As of the same date, financial assets sold under repurchase agreements amounted to RMB21,033.4 million, accounting for 6.6% of the Group’s total liabilities as of June 30, 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Investment Management*

The Group's investment management business mainly consists of debt securities investment and SPV investment. Specifically, debt securities include debt securities issued by the PRC government, policy banks, commercial banks and other financial institutions, and enterprises. SPV investment refers to investments in trust plans, asset management plans and funds. When making debt securities investment and SPV investment, the Bank takes into account a broad range of factors, including but not limited to risk appetite, capital consumption level and expected yields of relevant products, as well as overall economic conditions and relevant regulatory development, to achieve a better balance between risk and return.

As of June 30, 2023, the balance of debt securities investment was RMB65,112.5 million, representing an increase of 14.8% from that as of December 31, 2022, primarily because of the optimisation to the Group's asset and liability structure and the increase of investment in government bonds and corporate bonds.

As of June 30, 2023, the balance of SPV investment was RMB23,535.8 million, representing a decrease of 29.4% from that as of December 31, 2022, primarily because the Group optimized its asset and liability structure and decreased the investment scale of trust plans and funds.

### *Wealth Management*

During the Reporting Period, the Bank actively expanded its wealth management products and services to attract a wider range of customers with different financial needs and risk tolerance, and effectively respond to the challenges of traditional banking services amid interest rate marketization. For the six months ended June 30, 2023, the amount of wealth management products issued by the Group was RMB30,809.3 million, representing a decrease of 56.8% for the six months ended June 30, 2022, primarily due to the significant decrease in the issuance of wealth management products as a result of the impact of the substantial adjustment in the bond market at the end of 2022 and the lower risk appetite of residents. As of June 30, 2023, the Group had more than 430,000 wealth management customers, a further increase from the end of 2022.

As of June 30, 2023, the outstanding balance of the non-principal guaranteed wealth management products issued by the Group was RMB46,469.1 million, representing a decrease of 12.6% from that as of June 30, 2022, primarily due to the continued significant adjustment in the bond market at the end of 2022, customers redeemed their wealth management holdings, resulting in a decrease in the outstanding balance of wealth management products. For the six months ended June 30, 2023, the net fee and commission income from the wealth management products issued by the Group was RMB91.5 million, representing a decrease of 4.7% for the six months ended June 30, 2022, primarily because of the impact of the adjustment in the bond market at the end of 2022 and the staged decrease in the issuance and outstanding balance of wealth management products in the first half of 2023, which resulted in a period-to-period decrease in net fee and commission income.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Debt Securities Distribution*

The Bank's investment banking team provides customers with comprehensive financial services through the debt securities distribution business, further leverages the Bank's strong capacity in managing capital market transactions, and broadens its customer base.

The Bank obtained the preliminary and Class-B qualification for underwriting debt financing instruments issued by non-financial enterprises in October 2016 and February 2019, respectively, the latter of which allows the Bank to act as a lead underwriter in the regional market. For the six months ended June 30, 2023, the aggregate principal amount of debt securities that the Bank distributed amounted to RMB22,428.0 million, representing an increase of 99.5% for the six months ended June 30, 2022, primarily due to the Bank's proactive efforts in expanding and maintaining various co-operation channels leading to a continuous increase in business turnover.

## **Small and micro enterprises business**

During the Reporting Period, the Bank actively implemented the relevant decisions and deployments of the Central Party Committee, the State Council and the provincial Party Committee and provincial government of Shanxi Province to enhance the quality of financial services for small and micro enterprises, and to provide comprehensive support for economic recovery and industrial development.

As of June 30, 2023, our head office and branches have set up small and micro enterprises financial departments or small and micro enterprises financial teams, and three small and micro enterprises business franchised sub-branches in our institution outlets.

As of June 30, 2023, the balance of inclusive loans to small and micro enterprises of the Bank amounted to RMB8,611.1 million, representing a net increase of RMB1,077.8 million from the beginning of the year, or a growth rate of 14.3%, 7.8 percentage points higher than that of various loans (excluding discounted bills). The number of accounts with balance of inclusive loans to small and micro enterprises was 3,461, an increase of 181 over the beginning of the year.

As of June 30, 2023, the annualized interest rate of accumulative inclusive loans to small and micro enterprises of the Bank was 4.42%, representing a decrease of 0.39 percentage point from the beginning of the year, with the lending interest rate maintained at a reasonable level. The NPL for inclusive loans to small and micro enterprises amounted to RMB384.1 million, representing a decrease of RMB5.5 million from the beginning of the year, and the NPL ratio was 4.46%, a decrease of 0.71 percentage point from the beginning of the year.

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

#### Share capital

There was no change in the share capital of the Bank during the Reporting Period.

As of June 30, 2023, the Bank issued a total of 5,838,650,000 Shares, including 4,868,000,000 Domestic Shares and 970,650,000 H Shares.

	December 31, 2022		Changes during the Reporting Period	June 30, 2023	
	Number of Shares	Percentage to total share capital		Number of Shares	Percentage to total share capital
Domestic state-owned shares	1,181,251,686	20.23%	-	<b>1,181,251,686</b>	<b>20.23%</b>
Domestic state-owned legal person shares	2,016,932,342	34.54%	-4,256	<b>2,016,928,086</b>	<b>34.54%</b>
Domestic social legal person shares	1,593,484,270	27.29%	+53,253	<b>1,593,537,523</b>	<b>27.29%</b>
Domestic natural person shares	76,331,702	1.31%	-48,997	<b>76,282,705</b>	<b>1.31%</b>
H Shares	970,650,000	16.62%	-	<b>970,650,000</b>	<b>16.62%</b>
<b>Total shares</b>	<b>5,838,650,000</b>	<b>100.00%</b>	<b>-</b>	<b>5,838,650,000</b>	<b>100.00%</b>

*Note:* The difference between the figures in the table and the aggregate figures is due to rounding.

# CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## II. INFORMATION ON SHAREHOLDERS

### 1. Total number of domestic Shareholders

As at June 30, 2023, the total number of domestic Shareholders of the Bank was 6,912.

### 2. Top 10 holders of Domestic Shares

As at June 30, 2023, the Bank's top 10 holders of Domestic Shares are as follows:

No.	Name of Shareholder	Capacity/Nature of Shareholder	Total number of Shares held at the beginning of the Reporting Period (shares)	Total number of Shares held at the end of the Reporting Period (shares)	Percentage to total share capital at the end of the Reporting Period (%)	Shares pledged or frozen	Share status	Quantity
1	Shanxi Finance Bureau (山西省財政廳)	State-owned shares	715,109,200	715,109,200	12.25%	Normal	-	-
2	Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	State-owned legal person shares	600,000,000	600,000,000	10.28%	Normal	-	-
3	Taiyuan Municipal Finance Bureau (太原市財政局)	State-owned shares	466,142,486	466,142,486	7.98%	Normal	-	-
4	Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司) ("Changzhi Nanye")	Social legal person shares	450,657,435	450,657,435	7.72%	Normal	-	-
5	Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	State-owned legal person shares	359,091,687	359,091,687	6.15%	Normal	-	-
6	Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司) ("Shanxi International Electricity")	State-owned legal person shares	300,000,000	300,000,000	5.14%	Normal	-	-
7	Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	State-owned legal person shares	291,339,054	291,339,054	4.99%	Normal	-	-
8	Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司) ("Changzhi Huashengyuan")	Social legal person shares	234,569,820	234,569,820	4.02%	Normal	-	-
9	Taiyuan Steel (Group) Co., Ltd. (太原鋼鐵(集團)有限公司)	State-owned legal person shares	200,000,000	200,000,000	3.43%	Normal	-	-
10	Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司) <sup>(2)</sup>	State-owned legal person shares	200,000,000	200,000,000	3.43%	Normal	-	-
Total				3,816,909,682	65.39% <sup>(1)</sup>	-	-	-

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

*Notes:*

- (1) The difference between the figures in the table and the aggregate figures is due to rounding.
- (2) Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司) was formerly known as Shanxi Jincheng Anthracite Coal Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司).

### 3. Interests and short positions under the SFO in Hong Kong

As at June 30, 2023, according to the register maintained by the Bank pursuant to section 336 of the SFO, and to the best knowledge of the Bank, the following persons (other than the Directors, Supervisors and chief executive of the Bank) will have or be deemed or taken to have interests and/or short positions in the Shares or underlying Shares of the Bank which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 5% or more of any class of share capital of the Bank:

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Shanxi State-owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司) <sup>(1)</sup> ("SSCO")	Interest in controlled corporations	Domestic Shares	1,212,220,564		20.76%	24.90%
Shanxi Finance Bureau (山西省財政廳)	Beneficial owner	Domestic Shares	715,109,200		12.25%	14.69%
China Huaneng Group Co., Ltd. (中國華能集團有限公司) <sup>(2)</sup> ("China Huaneng Group")	Interest in controlled corporations	Domestic Shares	600,000,000		10.28%	12.33%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Beneficial owner	Domestic Shares	600,000,000		10.28%	12.33%
Taiyuan Municipal Finance Bureau (太原市財政局)	Beneficial owner	Domestic Shares	466,142,486		7.98%	9.58%
	Interest in controlled corporations	H Shares	102,400,000		1.75%	10.55%
Taiyuan State-owned Investment Group Limited (太原國有投資集團有限公司)	Beneficial owner	H Shares	102,400,000		1.75%	10.55%

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Changzhi Nanye <sup>(3)</sup>	Beneficial owner	Domestic Shares	450,657,435		7.72%	9.26%
	Interest of concert parties	Domestic Shares	234,569,820		4.02%	4.82%
Mr. LI Jianming <sup>(3)</sup>	Interest in controlled corporations/Interest of concert parties	Domestic Shares	685,227,255		11.74%	14.08%
Ms. WANG Yanli <sup>(3)</sup>	Interest in controlled corporations/Interest of concert parties	Domestic Shares	685,227,255		11.74%	14.08%
Changzhi Huashengyuan <sup>(3)</sup>	Beneficial owner	Domestic Shares	234,569,820		4.02%	4.82%
	Interest of concert parties	Domestic Shares	450,657,435		7.72%	9.26%
Lu'an Chemical Group Co., Ltd. (瀋安化工集團有限公司) <sup>(1)</sup>	Interest in controlled corporations	Domestic Shares	359,091,687		6.15%	7.38%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西瀋安礦業(集團)有限責任公司) <sup>(1)</sup>	Beneficial owner	Domestic Shares	359,091,687		6.15%	7.38%
Jinneng Holdings Group Co., Ltd. (晉能控股集團有限公司) <sup>(4)</sup>	Interest in controlled corporations	Domestic Shares	500,000,000		8.56%	10.27%
Jinneng Holding Power Group Co., Ltd. (晉能控股電力集團有限公司) <sup>(4)</sup>	Interest in controlled corporations	Domestic Shares	300,000,000		5.14%	6.16%
Shanxi International Electricity <sup>(1)(4)</sup>	Beneficial owner	Domestic Shares	300,000,000		5.14%	6.16%
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) <sup>(1)</sup>	Beneficial owner	Domestic Shares	291,339,054		4.99%	5.98%
	Interest in controlled corporations	Domestic Shares	5,789,823		0.10%	0.12%
Shanxi Qinxin Energy Group Co., Ltd. (山西沁新能源集團股份有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%
Taiyuan Industrial Park Investment Holdings Co., Ltd. (太原工業園區投資控股有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%
China Credit Trust Co., Ltd. (中誠信託有限責任公司) <sup>(5)</sup>	Interest in controlled corporations	H Shares	102,297,000		1.75%	10.54%

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Harvest Fund Management Co., Ltd. (嘉實基金管理有限公司) <sup>(5)</sup>	Investment manager	H Shares	102,297,000		1.75%	10.54%
China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司)	Trustee	H Shares	102,297,000		1.75%	10.54%
Guotai Asset Management Co., Ltd. (國泰基金管理有限公司)	Investment manager	H Shares	62,044,000		1.06%	6.39%
Guotai Junan Securities Co., Ltd. <sup>(6)</sup>	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Holdings Limited <sup>(6)</sup>	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Holdings Limited <sup>(6)</sup>	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan International Holdings Limited <sup>(6)</sup>	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan (Hong Kong) Limited (國泰君安(香港)有限公司) <sup>(6)</sup>	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Products Limited (國泰君安金融產品有限公司) <sup>(6)</sup>	Beneficial owner	H Shares	61,300,000		1.05%	6.32%
	Beneficial owner	H Shares		61,300,000	1.05%	6.32%

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### Notes:

- (1) Shanxi State-owned Capital Operation Co., Ltd. was formerly known as Shanxi State-owned Capital Investment and Operation Co., Ltd.

SSCO indirectly held 1,212,220,564 Domestic Shares, representing 20.76% equity interest in our Bank. SSCO's shareholding in our Bank was held through certain subsidiaries, including (i) Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司) (a wholly-owned subsidiary of Lu'an Chemical Group Co., Ltd. (潞安化工集團有限公司) in which SSCO held 90% equity interest) with 6.15% equity interest in our Bank; (ii) Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) (in which SSCO held 90% equity interest) with 4.99% equity interest in our Bank and Shanxi Tongpei Coal Comprehensive Operation Company (山西統配煤礦綜合經營總公司) (a wholly-owned subsidiary of Shanxi Coking Coal Group Co., Ltd.) with 0.10% equity interest in our Bank; (iii) Shanxi International Electricity with 5.14% equity interest in our Bank; (iv) Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司) with 3.43% equity interest in our Bank; and (v) Shanxi Investment Group Co., Ltd. (山西省投資集團有限公司) (a wholly-owned subsidiary of Shanxi Cultural Tourism Investment Holding Group Co., Ltd. (山西省文化旅遊投資控股集團有限公司) in which SSCO held 90% equity interest) with 0.96% equity interest in our Bank.

- (2) China Huaneng Group indirectly held 600,000,000 Domestic Shares, representing 10.28% equity interest in our Bank through Huaneng Capital Services Co., Ltd., in which China Huaneng Group held 61.22% equity interest. By virtue of SFO, China Huaneng Group is deemed to be interested in the Domestic Shares held by Huaneng Capital Services Co., Ltd.

- (3) Mr. LI Jianming held 90% equity interest in Changzhi Nanye, and Ms. WANG Yanli held 70% equity interest in Changzhi Huashengyuan.

Changzhi Nanye and Changzhi Huashengyuan are parties acting-in-concert according to their respective confirmation. Therefore, Mr. LI Jianming, Ms. WANG Yanli, Changzhi Nanye and Changzhi Huashengyuan are deemed to be interested in 685,227,255 Domestic Shares, representing approximately 11.74% equity interest in our Bank. By virtue of SFO, Mr. LI Jianming and Ms. WANG Yanli are deemed to be interested in the Domestic Shares held by both Changzhi Nanye and Changzhi Huashengyuan, while Changzhi Nanye and Changzhi Huashengyuan are deemed to be interested in the Domestic Shares held by each other.

- (4) SSCO held 100% equity interest in Jinneng Holdings Group Co., Ltd. (晉能控股集團有限公司). Jinneng Holding Power Group Co., Ltd., a subsidiary of Jinneng Holdings Group Co., Ltd. with 64% equity interest, indirectly held 300,000,000 Domestic Shares, representing 5.14% equity interest in our Bank through its wholly-owned subsidiary, Shanxi International Electricity. By virtue of SFO, Jinneng Holdings Group Co., Ltd. and Jinneng Holding Power Group Co., Ltd. are deemed to be interested in the Domestic Shares held by Shanxi International Electricity.

Jinneng Holdings Group Co., Ltd. indirectly held 200,000,000 Domestic Shares, representing 3.43% equity interest in our Bank, through its 70% equity interest in Jinneng Holding Equipment Manufacturing Group Co., Ltd. By virtue of SFO, Jinneng Holdings Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Jinneng Holding Equipment Manufacturing Group Co., Ltd.

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

- (5) China Credit Trust Co., Ltd. was interested in the long position of 102,297,000 H Shares, representing 1.75% equity interest in our Bank through its 40%-owned company, Harvest Fund Management Co., Ltd. By virtue of SFO, China Credit Trust Co., Ltd. is deemed to be interested in the H Shares held by Harvest Fund Management Co., Ltd.
- (6) Guotai Junan Securities Co., Ltd. was interested in the long position of 61,300,000 H Shares, representing 1.05% equity interest in our Bank, and 61,300,000 short positions in H Shares, representing 1.05% equity interest in our Bank through its wholly-owned subsidiaries, Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan International Holdings Limited with an indirect 68.10% equity interest, Guotai Junan (Hong Kong) Limited (a wholly-owned subsidiary) and Guotai Junan Financial Products Limited (a wholly-owned subsidiary). By virtue of SFO, Guotai Junan Securities Co., Ltd., Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan International Holdings Limited and Guotai Junan (Hong Kong) Limited are deemed to be interested in the H Shares held by Guotai Junan Financial Products Limited.

Saved as disclosed above, as at the end of the Reporting Period, there were no other persons (other than the Directors, Supervisors and chief executive of the Bank) or companies who had interests or short positions in the Shares or underlying Shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register maintained by the Bank pursuant to section 336 of the SFO.

### III. SUBSTANTIAL SHAREHOLDERS DURING THE REPORTING PERIOD

According to the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the former CBIRC, substantial shareholders of a commercial bank refer to shareholders holding or controlling 5% or more of shares or voting right of the commercial bank, or holding less than 5% of total capital or total shares of the commercial bank but having significant impact on the operational management of the commercial bank. The “significant impact” mentioned above includes but not limited to dispatching directors, supervisors or senior management to a commercial bank, influencing the financial and operational management decisions of commercial banks through agreements or other means and other circumstances identified by the State Administration of Financial Supervision or its local offices.

#### 1. Shareholders holding 5% or more of the Bank’s share capital

Shanxi Finance Bureau is a government authority legal person, and the ultimate beneficiary is Shanxi Finance Bureau, without person acting-in-concert.

The controlling shareholder of Huaneng Capital Services Co., Ltd. is China Huaneng Group; the actual controller is the State-owned Assets Supervision and Administration Commission of the State Council, and the ultimate beneficiary is Huaneng Capital Services Co., Ltd., without person acting-in-concert.

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Taiyuan Municipal Finance Bureau is a government authority legal person, and the ultimate beneficiary is Taiyuan Municipal Finance Bureau, without person acting-in-concert.

The controlling shareholder of Changzhi Nanye is LI Jianming; the actual controller is LI Jianming, and the ultimate beneficiary is Changzhi Nanye, being persons acting-in-concert with Changzhi Huashengyuan.

Shanxi Lu'an Mining (Group) Co., Ltd. is wholly-owned by Lu'an Chemical Group Co., Ltd. (潞安化工集團有限公司); the actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Shanxi Lu'an Mining (Group) Co., Ltd., without person acting-in-concert.

Shanxi International Electricity is wholly-owned by Jinneng Holding Power Group Co., Ltd.; the actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Shanxi International Electricity, without person acting-in-concert.

For shareholders holding 5% or more of the Bank's share capital, please also see II. Information on Shareholders above.

### 2. Other substantial shareholders

In addition to Shanxi Finance Bureau, Huaneng Capital Services Co., Ltd., Taiyuan Municipal Finance Bureau, Changzhi Nanye, Shanxi Lu'an Mining (Group) Co., Ltd. and Shanxi International Electricity disclosed above, Jinneng Holding Equipment Manufacturing Group Co., Ltd. holds less than 5% of the Bank's shares but nominated a supervisor to the Bank; Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) in aggregate holds more than 5% of the Bank's shares, directly and through its wholly-owned subsidiary, Shanxi Tongpei Coal Comprehensive Operation Company (山西統配煤礦綜合經營總公司); and Changzhi Huashengyuan and Changzhi Nanye, being parties acting-in-concert, in aggregate hold more than 5% of the Bank's shares.

The controlling shareholder of Jinneng Holding Equipment Manufacturing Group Co., Ltd. is Jinneng Holdings Group Co., Ltd. The actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Jinneng Holding Equipment Manufacturing Group Co., Ltd., without person acting-in-concert.

## CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### IV. DIRECTORS AND SUPERVISORS NOMINATED BY SHAREHOLDERS

- (1) Shanxi Finance Bureau nominated Mr. LI Shishan as a Director of the Bank;
- (2) Huaneng Capital Services Co., Ltd. nominated Mr. MA Hongchao as a Director of the Bank;
- (3) Taiyuan Municipal Finance Bureau nominated Mr. LIU Chenhang as a Director of the Bank;
- (4) Changzhi Nanye nominated Mr. LI Yang as a Director of the Bank;
- (5) Shanxi Lu'an Mining (Group) Co., Ltd. nominated Mr. WANG Jianjun as a Director of the Bank;
- (6) Jinneng Holding Equipment Manufacturing Group Co., Ltd. nominated Mr. PANG Zhengyu as a Supervisor of the Bank;
- (7) Shanxi Coking Coal Group Co., Ltd. nominated Ms. XU Jin as a Supervisor of the Bank; and
- (8) Shanxi International Electricity nominated Mr. WANG Weiping as a Supervisor of the Bank.

### V. PURCHASE, SALE AND REDEMPTION OF THE BANK'S LISTED SECURITIES

During the Reporting Period and up to the date of this interim report, the Bank or its subsidiary did not purchase, sell or redeem any of the Bank's listed securities.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Directors

Our Board of Directors consists of twelve Directors, including two executive Directors, five non-executive Directors and five independent non-executive Directors. Our Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years in accordance with PRC laws and regulations. The following table sets forth certain information regarding our Directors.

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>	<b>Date of appointment<sup>(1)</sup></b>
Ms. HAO Qiang (郝強)	50	Executive Director, chairwoman	July 16, 2021
Mr. ZHANG Yunfei (張雲飛)	52	Executive Director, vice chairman	August 30, 2021
Mr. LI Shishan (李世山)	58	Non-executive Director	June 21, 2017
Mr. MA Hongchao (馬洪潮)	52	Non-executive Director, vice chairman	June 25, 2023
Mr. LIU Chenhang (劉晨行)	58	Non-executive Director	December 30, 2019
Mr. LI Yang (李楊)	36	Non-executive Director	September 20, 2022
Mr. WANG Jianjun (王建軍)	47	Non-executive Director	August 8, 2018
Mr. WANG Liyan (王立彥)	66	Independent non-executive Director	September 14, 2018
Mr. DUAN Qingshan (段青山)	65	Independent non-executive Director	August 26, 2022
Mr. SAI Zhiyi (賽志毅)	54	Independent non-executive Director	August 7, 2018
Ms. HU Zhihong (胡稚弘)	64	Independent non-executive Director	June 25, 2023
Mr. CHAN Ngai Sang Kenny (陳毅生)	58	Independent non-executive Director	June 25, 2023

*Note:*

- (1) The date of appointment as a Director stated here represents the date on which the relevant Director obtained the qualification approval from the former CBIRC Shanxi Office.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### 2. Supervisors

The Company Law of the People's Republic of China requires a joint stock company to establish a board of supervisors that is responsible for supervising performance of the board of directors and senior management, its financial operations, internal control and risk management. Our Board of Supervisors consists of nine Supervisors, including three employee Supervisors, three Shareholder Supervisors and three external Supervisors. Our Supervisors are elected for a term of three years and may be subject to re-election, and the cumulative term of an external Supervisor shall not exceed six years. The following table sets forth certain information about our Supervisors.

Name	Age	Position(s)	Date of appointment
Mr. XIE Liying (解立鷹)	56	Employee Supervisor	July 24, 2009 (as a Supervisor)
		Chairman of the Board of Supervisors	December 8, 2016 (as the chairman of the Board of Supervisors)
Mr. WANG Weiping (王衛平)	52	Shareholder Supervisor	December 22, 2022
Mr. PANG Zhengyu (龐征宇)	40	Shareholder Supervisor	December 22, 2022
Ms. XU Jin (徐瑾)	46	Shareholder Supervisor	December 22, 2022
Mr. WEN Qingquan (溫清泉)	50	Employee Supervisor	May 13, 2019
Mr. SU Hua (蘇華)	46	Employee Supervisor	December 22, 2022
Mr. ZHUO Zeyuan (卓澤淵)	60	External Supervisor	December 22, 2022
Mr. WU Jun (吳軍)	70	External Supervisor	May 4, 2018
Mr. BAI Guangwei (擺光煒)	58	External Supervisor	December 22, 2022

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### 3. Senior management

Name	Age	Position(s)	Date of appointment <sup>(1)</sup>
Mr. ZHANG Yunfei (張雲飛)	52	President	September 30, 2022
Mr. ZHAO Jiquan (趙基全)	49	Vice president	October 29, 2021
Mr. LI Yanbin (李燕斌)	44	Vice president Secretary to the Board of Directors	June 14, 2022 August 29, 2023 <sup>(2)</sup>
Mr. WANG Yibin (王義斌)	53	Vice president	June 14, 2022
Mr. WEN Gensheng (溫根生)	58	Chief human resources officer	December 8, 2016 <sup>(3)</sup>
Mr. SHANGGUAN Yujiang (上官玉將)	50	Assistant to the president	December 9, 2019

*Notes:*

- (1) Unless otherwise stated, the date of appointment stated here represents the date on which the relevant senior management members obtained the qualification approval from the former CBIRC Shanxi Office.
- (2) The date stated here represents the date of appointment by the Board of Directors of Mr. LI Yanbin, and his qualification as the secretary to the Board of the Bank is subject to the approval by the State Administration of Financial Supervision Shanxi Bureau. Until Mr. LI Yanbin obtains the qualification approval as the secretary to the Board, Mr. LI Weiqiang will temporarily perform the duties of the secretary to the Board of the Bank.
- (3) Mr. WEN Gensheng is our chief human resources officer whose qualification does not need to obtain the qualification approval from the former CBIRC Shanxi Office. The date stated here represents the date of appointment by the Board of Directors.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD AND UP TO THE DATE OF THIS INTERIM REPORT

#### Changes in Directors

On June 25, 2023, Mr. MA Hongchao's qualification as Director and vice chairman has been approved by the former CBIRC Shanxi Office. Each of Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny's qualification as a Director has been approved by the former CBIRC Shanxi Office. For details, please refer to the announcement entitled "ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTORS AND VICE CHAIRMAN BY THE REGULATORY AUTHORITY" issued by the Bank on June 29, 2023.

Upon the commencement of duties by Mr. MA Hongchao, Mr. XIANG Lijun has ceased to perform the obligations of a non-executive Director and a member of the Nomination, Remuneration and HR Committee. Upon the commencement of duties by Ms. HU Zhihong, Mr. JIN Haiteng has ceased to perform the obligations of an independent non-executive Director and a member of the Development and Strategy Committee, the Nomination, Remuneration and HR Committee and the Risk Management Committee, and Mr. SUN Shihu has ceased to perform the obligations of an independent non-executive Director and the chairperson of the Consumer Rights Protection Committee. Upon the commencement of duties by Mr. CHAN Ngai Sang Kenny, Mr. YE Xiang has ceased to perform the obligations of an independent non-executive Director and a member of the Audit Committee.

#### Changes in Senior Management

On August 29, 2023, Mr. LI Weiqiang has resigned as the secretary of the Board and the joint company secretary of the Bank due to his work arrangements. Mr. LI Weiqiang's resignation as the joint company secretary of the Bank takes effect on August 29, 2023.

On August 29, 2023, Mr. LI Yanbin has been appointed as the secretary of the Board and the joint company secretary by the Board. For details, please refer to the announcement entitled "CHANGE OF SECRETARY OF THE BOARD AND JOINT COMPANY SECRETARY" issued by the Bank on August 29, 2023. The appointment of Mr. LI Yanbin as the joint company secretary takes effect from August 29, 2023. Mr. LI Yanbin's qualification as the secretary of the Board of the Bank is subject to the approval by the State Administration of Financial Supervision Shanxi Bureau (國家金融監督管理總局山西監管局). Until Mr. LI Yanbin obtains the qualification approval as the secretary to the Board, Mr. LI Weiqiang will temporarily perform the duties of the secretary to the Board of the Bank.

On August 29, 2023, Ms. LI Wenli has resigned as the chief audit officer of the Bank due to her work arrangements, with effect from August 29, 2023.

## **DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES**

During the Reporting Period and up to the date of this interim report, there were no changes in the Supervisors of the Bank.

Save as disclosed above, there is no other relevant information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period.

### **III. JOINT COMPANY SECRETARIES**

The joint company secretaries of the Bank are Mr. LI Yanbin and Mr. WONG Wai Chiu. Mr. LI Yanbin has been appointed as a joint company secretary of the Bank with effect from August 29, 2023.

Each Director may discuss with the company secretaries for obtaining advice and information. Mr. LI Yanbin is the major contact of Mr. WONG Wai Chiu at the Bank.

### **IV. SECURITIES TRANSACTION BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES**

During the Reporting Period and up to the date of this interim report, the Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Hong Kong Listing Rules as its code of conduct for regulating securities transactions by Directors, Supervisors and relevant employees of the Bank. Having made enquiry with all Directors and Supervisors, all of the Directors and Supervisors confirmed that they have been in compliance with the above Model Code throughout the Reporting Period. The Bank is not aware of any violations of the Model Code by the employees concerned.

### **V. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK**

As at June 30, 2023, none of the Directors, Supervisors and chief executive of the Bank had any interests and short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained under section 352 of the SFO or to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

### **VI. NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND TRAINING PROGRAMS**

As of June 30, 2023, the total number of employees of the Group reached 4,360, of which 25.2% were employees aged 30 and below, and 87.2% were employees with bachelor’s degree or above. Excellent age distribution and professional talent team can help cultivate a positive and innovative corporate culture and strengthen the ability to respond to market changes and seize market opportunities. As of June 30, 2023, 213 employees in the retail line were qualified for AFP certification; 25 employees had CFP certificates.

## **DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES**

Believing that its sustainable growth relies on the capabilities and dedication of its employees, the Bank has invested significant resources in talent development and customized various training programs for its employees at different levels. To establish and improve a tiered and classified talent training system that conforms to the characteristics of positions, the Bank closely focuses on its strategic decision-making as a whole and key work deployment, and provides teachings and trainings based on demand and aptitude, so as to cultivate management experts, professional talents, business cadres and position models. By comprehensively adopting a combination of online and offline methods, integrating centralized teaching with on-the-job learning, we aim to combine regular training with certification for job. The training tailored for personnel with managerial functions focuses on improving the comprehensive quality and knowledge structure of the managers, and enhancing their comprehensive managerial capabilities and strategy execution capabilities; the training tailored for professional and technical personnel focuses on improving their technical and theoretical level and professional skills, and strengthening their abilities at product research and development, process optimization and technological innovation; and the training tailored for personnel with operational functions focuses on enhancing their business and operational skills, and improving their abilities to perform job responsibilities.

The remuneration management of the Bank follows the principles of job value orientation, fairness and competitiveness, and has established a remuneration management system with two-dimensional management of employee ranks and job sequences to give full play to the incentive role of the job rank system and remuneration distribution mechanism.

In compliance with the PRC laws and regulations, the Bank contributes to employees' social security and other benefits program including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances, corporate annuity and supplementary medical insurance. The Bank has a labor union established in accordance with PRC laws and regulations, which represents the interests of its employees and works closely with the Bank's management on labor-related issues.

For details of the total amount and composition of the employees' compensation of the Bank for the first half of 2023, please refer to Note 9 to the condensed consolidated interim financial statements in the interim report.

### **VII. SHARE INCENTIVE SCHEME**

During the Reporting Period, the Bank did not implement any share incentive scheme.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## I. CORPORATE GOVERNANCE CODE

During the Reporting Period, the Bank continued to improve the transparency and accountability of its corporate governance and ensured high standards of corporate governance practices to protect the interests of Shareholders and enhance corporate value and commitment.

The Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board and the special committees of the Board are in compliance with the requirements of the Hong Kong Listing Rules. The Bank clearly splits the responsibilities among the Shareholders' general meeting, the Board, the Board of Supervisors and the senior management. The Shareholders' general meeting is the highest organ of authority of our Bank. The Board is accountable to the Shareholders' general meeting. The Board has established six special committees, which operate under the leadership of the Board and advise on Board decisions. The Board of Supervisors is responsible for supervising performance of the Board and senior management, and the financial activities, risk management and internal control of the Bank. Under the leadership of the Board, senior management is responsible for implementing the resolutions of the Board and for the daily operation and management of the Bank, and reports to the Board and the Board of Supervisors on a regular basis. The president of the Bank shall be appointed by the Board and is responsible for the overall operation and management of the Bank.

The Bank has adopted the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Hong Kong Listing Rules and has also met the requirements of the administrative measures and corporate governance for domestic commercial banks, establishing a sound corporate governance system. During the Reporting Period, the Bank has complied with all applicable code provisions as set out in Appendix 14 to the Hong Kong Listing Rules.

The Bank is committed to maintaining a high standard of corporate governance. The Bank will continue to review and enhance its corporate governance, so as to ensure compliance with the Code and meet the expectations of its Shareholders and potential investors.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Shareholders' general meeting

During the Reporting Period, the Bank held one Shareholders' general meeting in total, namely, the 2022 annual general meeting held on June 9, 2023 to consider and approve the Work Report of the Board of Directors for 2022, the Work Report of the Board of Supervisors for 2022, the Profit Distribution Plan for 2022, Report of Final Financial Accounts for 2022, the Financial Budget for 2023, the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Directors during 2022, the Report of the Board of Supervisors on Assessment on the Performance of Duties by Supervisors during 2022, the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Senior Management during 2022, the appointment of auditors to audit financial statements for 2023, the proposed amendments to the Administrative Measures on Write-off of Bad Debts of Jinshang Bank Co., Ltd., and the issuance of bonds as capital instruments.

The notification, convening and voting procedures of the above Shareholders' general meeting are all in compliance with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association.

### Meetings of the Board of Directors and its Special Committees

During the Reporting Period, the Board of Directors held 2 meetings, at which 30 resolutions were considered and approved. The special committees under the Board of Directors held 11 meetings, including 2 meetings of the Development and Strategy Committee, 2 meetings of the Audit Committee, 2 meetings of the Related Parties Transactions Control Committee, 2 meetings of the Risk Management Committee, 2 meetings of the Nomination, Remuneration and HR Committee as well as 1 meeting of the Consumer Rights Protection Committee.

### Meetings of the Board of Supervisors and its Special Committees

During the Reporting Period, the Board of Supervisors held 2 meetings, at which 39 resolutions were considered and approved. The special committees under the Board of Supervisors held 3 meetings, including 2 meetings of the Supervision Committee and 1 meeting of the Nomination Committee, at which 39 resolutions were considered and approved, including 35 resolutions considered and approved by the Supervision Committee and 4 resolutions considered and approved by the Nomination Committee.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Internal Control and Internal Audit

The Bank has established and continuously improved the effective corporate governance structure, with the Shareholders' general meeting as the highest authority, the Board of Directors as the decision-making body, the Board of Supervisors as the supervisory body and the senior management as the executive body, clearly defined the rules of procedure and decision-making procedures of each governance subject of the "Shareholders' general meetings, the Board of Directors, the Board of Supervisors and the senior management" ("三會一層"), and established a scientific and reasonable corporate governance mechanism with clear responsibility, separation of powers and balances and standardized operation.

The Board of Directors has established special committees, including the Development and Strategy Committee, Nomination, Remuneration and HR Committee, Audit Committee, Risk Management Committee, Consumer Rights Protection Committee and Related Party Transactions Control Committee; the Board of Supervisors has established Nomination Committee and Supervision Committee. Risk Management Committee, Investment Management Committee, Assets and Liabilities Management Committee, Credit Review Committee, Financial Review Committee, Information Technology Management Committee, Accountability Management Committee, Business Continuity Management Committee, Performance Appraisal Management Committee, Corporate Business Management Committee, Retail Business Management Committee and other special committees are under the senior management. The Board of Directors, the Board of Supervisors and their respective special committees have all formulated corresponding rules of procedure, and the offices of the Board of Directors and the Board of Supervisors are responsible for the daily affairs of the "Shareholders' general meetings, the Board of Directors and the Board of Supervisors" to ensure the normal and orderly running of the operations management and various businesses of the Bank.

The Bank has also established an independent and vertical internal audit system that mainly comprises the Board of Directors, the Audit Committee and the Audit Department. The Board of Directors undertakes ultimate responsibility to ensure the independence and effectiveness of our internal audit. The Audit Committee guides our internal audit work, while our Audit Department of the head office carries out internal auditing at both the head office and the branch levels. Our Audit Department formulates internal policies and annual audit plans based on regulatory requirements as well as our operation, management and business profile, and carries out audit work strictly in accordance with the annual audit plans after such plans are approved by the Board of Directors. Audit Department conducts both on-site inspections and off-site monitoring during routine audits on various departments and their operational and management activities. The Bank also conducts specific audits on our exposures to various risks such as credit risk, market risk, operational risk and information technology risk. For the issues or deficiencies identified in audits, the Audit Department gives timely notification to the relevant departments and promotes the effective rectification of audit issues.

### II. CONSUMER RIGHTS PROTECTION

For regulations amendment: Firstly, at the beginning of 2023, the Board of the Bank reviewed and issued the 2023 Guiding Opinions on the Consumer Rights Protection Work of Jinshang Bank Co., Ltd. and revised the 2023 Administrative Measures of the Consumer Rights Protection Work of Jinshang Bank Co., Ltd. Secondly, the Bank amended and issued the Administrative Measures for the Assessment of Consumer Rights Protection of Jinshang Bank Branches, Administrative Measures for the Assessment of Consumer Rights Protection of Jinshang Bank Head Office Departments, and Implementation Rules for Handling Consumer Complaints of Jinshang Bank.

For daily management: Firstly, we continued to enhance the supervision and management of consumer rights protection at the Bank and further to improve and consolidate the level of consumer rights protection. This includes conducting on-site and off-site inspections, in line with head office arrangements. Secondly, we aimed to enhance service capability of the employees across the Bank by further implementing effective 6S management at the early stage, thus achieving a dual improvement in the working environment and customer experience. We also prioritized the comprehensive development of financial services and the protection of consumer rights across the Bank. Thirdly, we undertook comprehensive reviews of personal loans, credit cards, wealth management, and other business products. A total of 76 items and 186 suggestions were involved and adopted by the relevant business departments. Fourthly, the Bank initiated the collection of illegal financial advertisements with active participation from 112 outlets. As a result of this effort, 19 illegal financial advertisements were reported to the PBoC, Taiyuan Central Sub-branch.

For internal trainings: Firstly, the Bank conducted internal trainings by organizing two sessions of training and experience sharing on the priorities of consumer rights protection. Secondly, the Bank participated in external trainings. According to the working arrangement of online examination for consumer protection of the Shanxi Financial Consumer Rights Protection Association, in order to continuously strengthen the application of consumer rights protection knowledge in practical work, the Consumer Rights Protection Department organized and encouraged examinees to actively participate in the online learning of “Excellent Learning Today (今日優學)”. The first and second batch of examinees involved in the learning totalled 139, including personnel from the Consumers Rights Protection Council and dedicated persons. Thirdly, the Bank provided “door-to-door education” of consumer rights protection knowledge by conducting on-site supporting trainings in Yuncheng Branch, Linfen Branch, Yangquan Branch, Xinzhou Branch, Lvliang Branch, Datong Branch and Shuozhou Branch, respectively. Fourthly, the Bank organized the “Strive for Excellence of Jinshang (晉益求精)” Special Competition for consumer rights protection team to facilitate learning through competition with two parts including Q&A section on consumer rights protection knowledge and live acts.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

For propagating financial knowledge: Firstly, the Bank actively cooperated with regulatory authorities to carry out special publicity activities. Based on the actual situations, the whole Bank focused on the themes of special publicity activities and gave full play to its initiatives. The Bank carefully organized and carried out targeted and distinctive publicity and education activities for schools, communities and enterprises, thus forming a multidimensional atmosphere for publicity with “information available in outlets, online promotion and WeChat push-notifications”. Secondly, according to the Notice on the Selection of Original Works for Education and Publicity of Basic Financial Knowledge (《關於開展基礎金融知識教育宣傳原創作品評選的通知》) issued by the former CBIRC Shanxi Office and Taiyuan Central Sub-branch of the PBoC, in order to further meet the people’s growing demand for financial knowledge and constantly improve the people’s financial literacy and awareness of risk prevention, the Bank collected and produced original promotional videos to propel the regular and long-term popularization of financial knowledge. Thirdly, the Bank further fulfilled the original aspiration of “People-oriented Financial Services (金融為民)”, maintained a favourable financial consumption environment, constantly innovated the form of publicity and education activities, and took mass sports as a medium to safeguard, realise and develop the legitimate rights and interests of financial consumers. We organised our staff to actively participate in the Shanxi Province “Financial Consumer Protection Cup” Badminton Competition organized by the Shanxi Financial Consumer Rights Protection Association under the guidance of the PBoC Taiyuan Central Sub-branch.

In terms of complaint management: In the first half of 2023, the Bank accepted 152 complaints in total from consumers, representing a decrease of 28 complaints as compared to the same period in 2022. 152 complaints completed handling with a complaint completion rate of 100%, which was maintained at a relatively high level.

In terms of business types: credit card totalled 99 complaints, accounting for 65.13%; personal loan totalled 14 complaints, accounting for 9.21%; Renminbi savings totalled 13 complaints, accounting for 8.55%; bank agency business totalled 5 complaints, accounting for 3.29%; and other businesses totalled 21 complaints, accounting for 13.81%.

In terms of complaint regions, the Bank accepted a total of 135 complaints from Taiyuan, which accounted for 88.82%; 9 complaints from Datong, which accounted for 5.92%; 3 complaints from Linfen, which accounted for 1.97%; 1 complaint from each of Yangquan, Changzhi, Jincheng, Lvliang and Yuncheng, which accounted for 0.66%, respectively.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

In terms of complaint channels, 40 complaints, accounting for 26.32%, were received through the Bank's front office (including outlets, self-service machines, electronic channels and third-party channels) for consultation or business operations; 112 complaints, accounting for 73.68% (of which 97, or 86.61%, were for credit card business), were received through the Bank's middle and back office channels due to the design of the Bank's products, business rules or risk management operations.

In terms of reasons for complaint, 58 complaints were arising from the management systems, business rules and procedures, accounting for 38.16%; 36 complaints were arising from pricing and charging, accounting for 23.68%; 35 complaints were arising from means and methods of debt collection, accounting for 23.03%. There were 8 complaints arising from service attitude and service quality, 6 complaints from service facilities, equipment and business system, 2 complaints from means and methods of marketing, 2 complaints from gains from products, 2 complaints from security of consumers' information, 2 complaints from independent choice, and 1 complaint from product information.

### III. USE OF PROCEEDS

The proceeds from issuance of H Shares of the Bank have been used according to the intended use as disclosed in the prospectus of the Bank. All of the net proceeds from the Global Offering of the Bank (after deduction of the underwriting fees and commissions and estimated expenses payable by the Bank in connection with the Global Offering) amounted to approximately RMB3,171 million (including net proceeds from over-allotment), which have been used to expand the capital of the Bank to support the ongoing business growth.

As approved by the former CBIRC Shanxi Office, the Bank issued financial bonds in the national inter-bank bond market on April 15, 2020 and the payment was completed on April 17, 2020. This tranche of bonds totaled RMB4.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 3.00% and matured on April 17, 2023. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

As approved by the PBoC and the former CBIRC Shanxi Office, the Bank issued tier-two capital bonds in the national inter-bank bond market on January 20, 2021, and the payment was completed on January 22, 2021. This tranche of bonds totaled RMB2.00 billion with a maturity of 5+5 years at a fixed interest rate and a coupon interest rate of 4.78%, and the right of redemption with pre-conditions at the end of the fifth year. With prior approval by the regulatory authorities, the Bank is entitled to redeem part or all of such bonds at par value. All funds raised from this tranche of bonds have been used to replenish the tier-two capital of the Bank in accordance with applicable laws and approvals from regulatory authorities.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### IV. PROFITS AND DIVIDENDS

The Group's revenue for the six months ended June 30, 2023 and the Bank's financial position as of the same date are set out in the section headed "Report on Review of Interim Financial Information" in this interim report.

The Shareholders of the Bank have considered and approved the 2022 profit distribution plan at the 2022 annual general meeting held by the Bank on June 9, 2023. The final dividend for 2022 was RMB10.0 (tax inclusive) per 100 Shares, totaling RMB583.9 million, and has been distributed to the holders of H Shares and Domestic Shares by July 28, 2023.

The Bank neither recommends paying interim dividends for the six months ended June 30, 2023 nor transfers any capital reserve to increase its share capital.

### V. MATERIAL LITIGATIONS AND ARBITRATIONS

As of June 30, 2023, the Bank expected that any current and pending proceedings or arbitration procedures will not have a material adverse effect on the Bank's business, financial condition and operating results (whether individually or collectively) after accrual of impairment provisions.

### VI. PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, the Bank, its Directors, Supervisors or senior management were not investigated, administratively penalised or publicly criticized by the China Securities Regulatory Commission, publicly condemned by any stock exchange or punished by any other regulatory authorities, which would have a material adverse impact on the Bank's business of operations.

### VII. PERFORMANCE OF COMMITMENTS BY THE BANK AND SHAREHOLDERS HOLDING 5% OR MORE OF SHARES

For details of the Shareholders holding 5% or more of the issued share capital of the Bank, please see the section headed "Changes in Share Capital and Information on Shareholders – II. Information on Shareholders" in this interim report.

The commitments made by the Shareholders holding 5% or more of the issued share capital of the Bank as set out in this interim report are all in performance, and no commitment has been completely performed during the Reporting Period or has not been completely performed on schedule as of the end of the Reporting Period.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### VIII. PLEDGE OF SIGNIFICANT ASSETS

During the Reporting Period, the Bank did not pledge any significant assets.

### IX. ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES, ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank was not engaged in any material acquisition or disposal of subsidiaries, associates, joint ventures and assets or business merger.

### X. SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR SIGNIFICANT INVESTMENTS

During the Reporting Period, the Bank had no significant investments, or specific plans for significant investments or acquisitions of material assets or other businesses.

### XI. SUFFICIENT PUBLIC FLOAT

Based on information obtained by the Bank and to the knowledge of the Directors, the Bank has maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange upon the Bank's listing during the Reporting Period and up to the date of this interim report.

### XII. SUBSEQUENT EVENTS

No other significant events affecting the Bank have occurred subsequent to the Reporting Period.

### XIII. APPOINTMENT AND REMOVAL OF AUDITORS

The Shareholders had considered and approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic auditor of the Bank in 2023 and the international auditor of the Bank in 2023, respectively, at the 2022 annual general meeting held on June 9, 2023, until the end of the next annual general meeting of the Bank.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### XIV. AUDIT COMMITTEE

Our Board of Directors has established the Audit Committee with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Hong Kong Listing Rules and Code Provision D.3. The Audit Committee is primarily responsible for (i) inspecting the compliance, as well as financial soundness and compliance with the relevant accounting standards and financial reporting procedures; (ii) monitoring internal control system, particularly with respect to core business segments, to ensure that risk management measures are rigorously followed; (iii) evaluating the effectiveness of key operational activities and their respective compliance; (iv) reviewing our annual financial reports, verifying their authenticity and accuracy, and providing relevant comments to the Board of Directors; (v) reviewing financial information and its disclosure, and overseeing the formulation and implementation of major financial policies; (vi) conducting annual audits and evaluating the effectiveness of our internal audit system; and (vii) advising on the hiring or changing of external auditors and supervising their performance, while coordinating the communication between our external and internal auditors.

The Audit Committee consists of five members, being Mr. WANG Liyan, Mr. SAI Zhiyi, Mr. LIU Chenhang, Mr. DUAN Qingshan and Mr. CHAN Ngai Sang Kenny. The chairperson of the Audit Committee is Mr. WANG Liyan with appropriate professional qualifications.

### XV. REVIEW OF THE INTERIM REPORT

The interim financial information disclosed in this interim report have not been audited. Ernst & Young has, in accordance with the International Standards on Review Engagements, reviewed the interim financial information for the six months ended June 30, 2023 prepared by the Bank in accordance with International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board. Nothing has come to Ernst & Young's attention that causes it to believe that the interim financial information as at June 30, 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting. The interim report of the Bank has been reviewed and approved by the Board and its Audit Committee.

### XVI. PUBLICATION OF THE INTERIM REPORT

This interim report was prepared in both English and Chinese versions. In the event of any discrepancies between the English version and Chinese version, the Chinese version shall prevail.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**To the Board of Directors of Jinshang Bank Co., Ltd.**

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

## INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 88 to 203, which comprises the condensed consolidated statement of financial position of Jinshang Bank Co., Ltd. (the “Bank”) and its subsidiary (the “Group”) as at 30 June 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and consolidated interim explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board.

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

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 August 2023

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Notes	For the six months ended 30 June	
		2023	2022
Interest income		5,718,402	5,220,748
Interest expense		(3,690,063)	(3,540,504)
<b>Net interest income</b>	4	<b>2,028,339</b>	1,680,244
Fee and commission income		433,250	458,243
Fee and commission expense		(74,403)	(89,873)
<b>Net fee and commission income</b>	5	<b>358,847</b>	368,370
Net trading gains	6	172,207	15,768
Net gains arising from investment securities	7	250,686	494,313
Other operating income	8	24,649	11,151
<b>Operating income</b>		<b>2,834,728</b>	2,569,846
Operating expenses	9	(950,261)	(870,257)
Impairment losses on credit	10	(859,514)	(735,358)
Share of profits of an associate		16,065	10,245
<b>Profit before income tax</b>		<b>1,041,018</b>	974,476
Income tax expense	11	(7,995)	(4,097)
<b>Net profit</b>		<b>1,033,023</b>	970,379
<b>Net profit attributable to:</b>			
Equity holders of the Bank		1,034,158	972,292
Non-controlling interests		(1,135)	(1,913)

The accompanying notes form an integral part of this interim financial information.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Notes	For the six months ended 30 June	
		2023	2022
<b>Net Profit</b>		<b>1,033,023</b>	970,379
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	31(d)	58,600	17,438
– net movement in the impairment reserve, net of tax	31(e)	1,024	1,516
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of net defined benefit liability, net of tax	31(f)	60	(99)
<b>Other comprehensive income for the period, net of tax</b>		<b>59,684</b>	18,855
<b>Total comprehensive income</b>		<b>1,092,707</b>	989,234
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Bank		1,093,842	991,147
Non-controlling interests		(1,135)	(1,913)
<b>Total comprehensive income</b>		<b>1,092,707</b>	989,234
<b>Basic and diluted earnings per share (in RMB)</b>	12	<b>0.18</b>	0.17

The accompanying notes form an integral part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Notes	As at 30 June 2023	As at 31 December 2022
<b>ASSETS</b>			
Cash and deposits with the central bank	13	16,793,148	16,956,777
Deposits with banks and other financial institutions	14	1,486,467	1,797,386
Placements with banks and other financial institutions	15	7,045,812	1,581,798
Financial assets held under resale agreements	16	24,080,478	28,141,001
Loans and advances to customers	17	188,883,343	180,905,803
Financial investments:	18		
Financial investments at fair value through profit or loss		25,287,417	35,522,181
Financial investments at fair value through other comprehensive income		4,688,274	4,135,400
Financial investments at amortised cost		68,520,916	62,596,056
Interest in an associate	19	347,472	331,408
Property and equipment	21	1,338,987	1,319,833
Deferred tax assets	22	1,804,569	1,775,409
Other assets	23	1,705,972	1,356,462
<b>Total assets</b>		<b>341,982,855</b>	<b>336,419,514</b>
<b>LIABILITIES</b>			
Borrowings from the central bank		2,000,950	2,873,767
Deposits from banks and other financial institutions	24	81,132	120,070
Placements from banks and other financial institutions	25	400,090	–
Financial assets sold under repurchase agreements	26	21,033,397	20,215,517
Deposits from customers	27	272,161,328	253,770,861
Income tax payable		62,913	151,952
Debt securities issued	28	19,789,368	33,534,258
Other liabilities	29	2,591,197	2,399,451
<b>Total liabilities</b>		<b>318,120,375</b>	<b>313,065,876</b>

The accompanying notes form an integral part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Notes	As at 30 June 2023	As at 31 December 2022
<b>EQUITY</b>			
Share capital	30	5,838,650	5,838,650
Capital reserve	31(a)	6,627,602	6,627,602
Surplus reserve	31(b)	4,160,835	3,976,682
General reserve	31(c)	3,742,188	3,742,188
Fair value reserve	31(d)	(39,269)	(97,869)
Impairment reserve	31(e)	16,018	14,994
Deficit on remeasurement of net defined benefit liability	31(f)	(4,005)	(4,065)
Retained earnings	32	3,503,049	3,236,909
Total equity attributable to equity holders of the Bank		23,845,068	23,335,091
Non-controlling interests		17,412	18,547
<b>Total equity</b>		<b>23,862,480</b>	<b>23,353,638</b>
<b>Total liabilities and equity</b>		<b>341,982,855</b>	<b>336,419,514</b>

Approved and authorised for issue by the Board of Directors on 29 August 2023.

\_\_\_\_\_  
**Hao Qiang**  
*Chairwoman of the Board*

\_\_\_\_\_  
**Zhang Yunfei**  
*Executive Director*

\_\_\_\_\_  
**Zhao Jiquan**  
*Officer in charge of Finance*

(Company chop)

The accompanying notes form an integral part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Attributable to equity holders of the Bank										
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of a net defined benefit liability	Retained earnings	Non-controlling interests	Total	
As at 1 January 2023	5,838,650	6,627,602	3,976,682	3,742,188	(97,869)	14,994	(4,065)	3,236,909	23,335,091	18,547	23,353,638
Changes in equity for the period:											
Net profit	-	-	-	-	-	-	-	1,034,158	1,034,158	(1,135)	1,033,023
Other comprehensive income	-	-	-	-	58,600	1,024	60	-	59,684	-	59,684
Total comprehensive income	-	-	-	-	58,600	1,024	60	1,034,158	1,093,842	(1,135)	1,092,707
Appropriation of profit											
- Appropriation to surplus reserve	-	-	184,153	-	-	-	-	(184,153)	-	-	-
- Appropriation to general reserve	-	-	-	-	-	-	-	-	-	-	-
- Dividends paid to shareholders	-	-	-	-	-	-	-	(583,865)	(583,865)	-	(583,865)
As at 30 June 2023	5,838,650	6,627,602	4,160,835	3,742,188	(39,269)	16,018	(4,005)	3,503,049	23,845,068	17,412	23,862,480

The accompanying notes form an integral part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Attributable to equity holders of the Bank							Total				
	Notes	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve		Deficit on remeasurement of a net defined benefit liability	Retained earnings	Total	Non-controlling interests
As at 1 January 2022		5,838,650	6,627,602	3,792,525	3,161,131	(30,580)	3,448	(4,365)	2,747,591	22,136,002	21,573	22,157,575
Changes in equity for the period:												
Net profit		-	-	-	-	-	-	-	972,292	972,292	(1,913)	970,379
Other comprehensive income		-	-	-	-	17,438	1,516	(99)	-	18,855	-	18,855
Total comprehensive income		-	-	-	-	17,438	1,516	(99)	972,292	991,147	(1,913)	989,234
Appropriation of profit												
- Appropriation to surplus reserve	31(b)	-	-	-	-	-	-	-	-	-	-	-
- Appropriation to general reserve	31(c)	-	-	-	-	-	-	-	-	-	-	-
- Dividends paid to shareholders	32	-	-	-	-	-	-	-	(583,865)	(583,865)	-	(583,865)
As at 30 June 2022		5,838,650	6,627,602	3,792,525	3,161,131	(13,142)	4,964	(4,464)	3,136,018	22,543,284	19,660	22,562,944
Changes in equity for the period:												
Net profit		-	-	-	-	-	-	-	866,105	866,105	(1,113)	864,992
Other comprehensive income		-	-	-	-	(84,727)	10,030	399	-	(74,298)	-	(74,298)
Total comprehensive income		-	-	-	-	(84,727)	10,030	399	866,105	791,807	(1,113)	790,694
Appropriation of profit												
- Appropriation to surplus reserve	31(b)	-	-	184,157	-	-	-	-	(184,157)	-	-	-
- Appropriation to general reserve	31(c)	-	-	-	581,057	-	-	-	(581,057)	-	-	-
- Dividends paid to shareholders	32	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2022		5,838,650	6,627,602	3,976,682	3,742,188	(97,869)	14,994	(4,065)	3,236,909	23,335,091	18,547	23,353,638

The accompanying notes form an integral part of this interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	For the six months ended 30 June	
	2023	2022
<b>Cash flows from operating activities</b>		
Profit before income tax	1,041,018	974,476
<i>Adjustments for:</i>		
Impairment losses on credit	859,514	735,358
Depreciation and amortisation	156,171	154,066
Accreted interest on credit-impaired	(46,315)	(50,236)
Unrealised foreign exchange (gains)/losses	(159)	878
Net losses/(gains) on disposal of property and equipment and other assets	231	(1,957)
Net trading gains	(172,048)	(16,646)
Net gains on disposal of investment securities	(250,686)	(494,313)
Share of profits of an associate	(16,065)	(10,245)
Interest expense on debts securities issued	329,903	660,710
Interest expense on lease liabilities	5,751	6,581
	<b>1,907,315</b>	<b>1,958,672</b>
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank	(568,197)	(821,954)
Net increase in deposits and placements with banks and other financial institutions	(5,462,540)	(593,143)
Net increase in loans and advances to customers	(8,265,242)	(18,987,196)
Net decrease in financial assets held under resale agreements	4,057,196	7,529,638
Net increase in other operating assets	(534,953)	(397,022)
	<b>(10,773,736)</b>	<b>(13,269,677)</b>

The accompanying notes form an integral part of this interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	For the six months ended 30 June	
	2023	2022
<i>Changes in operating liabilities</i>		
Net (decrease)/increase in borrowings from the central bank	(872,106)	497,274
Net decrease in deposits from banks and other financial institutions	(38,892)	(628,836)
Net increase in placements from banks and other financial institutions	400,000	290,000
Net increase in financial assets sold under repurchase agreements	826,566	3,866,783
Net increase in deposits from customers	17,606,705	31,449,915
Income tax paid	(148,761)	9,175
Net increase in other operating liabilities	546,753	732,343
	<b>18,320,265</b>	<b>36,216,654</b>
<b>Net cash flows from operating activities</b>	<b>9,453,844</b>	<b>24,905,649</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal and redemption of investments	47,208,578	41,740,190
Gains received from investment activities	266,475	526,259
Proceeds from disposal of property and equipment and other assets	169	1,867
Payments on acquisition of investments	(43,701,570)	(46,752,111)
Payments on acquisition of property and equipment, intangible assets and other assets	(107,661)	(25,922)
<b>Net cash flows from/(used in) investing activities</b>	<b>3,665,991</b>	<b>(4,509,717)</b>

The accompanying notes form an integral part of this interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

	Notes	For the six months ended 30 June	
		2023	2022
<b>Cash flows from financing activities</b>			
Proceeds from debt securities issued		20,768,453	17,302,501
Repayment of debt securities issued		(34,380,000)	(41,520,000)
Interest paid on debt securities issued		(463,246)	(769,396)
Dividends paid		(38,300)	(2,000)
Repayment of lease liabilities		(63,692)	(61,371)
Interest paid on lease liabilities		(5,751)	(6,581)
<b>Net cash flows used in financing activities</b>		<b>(14,182,536)</b>	<b>(25,056,847)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>1,443</b>	<b>805</b>
<b>Net decrease in cash and cash equivalents</b>	33(a)	<b>(1,061,258)</b>	<b>(4,660,110)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>5,150,304</b>	<b>16,315,416</b>
<b>Cash and cash equivalents at the end of the period</b>	33(b)	<b>4,089,046</b>	<b>11,655,306</b>
Interest received		5,760,021	5,451,166
Interest paid (excluding interest expense on debt securities issued)		(2,585,753)	(2,019,220)

The accompanying notes form an integral part of this interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 1 BACKGROUND INFORMATION

Jinshang Bank Co., Ltd. (the “**Bank**”) (formerly Taiyuan City Commercial Bank Co., Ltd.) commenced business as a city commercial bank on 16 October 1998, according to the *Approval on Commencement of Taiyuan City Commercial Bank Co., Ltd.* 《關於太原市商業銀行開業的批覆》 (YinFu [1998] No. 323) issued by the People’s Bank of China (the “**PBOC**”). According to the *Approval on Change of Name for Taiyuan City Commercial Bank Co., Ltd.* 《關於太原市商業銀行更名的批覆》 (YinJianFu [2008] No. 569) issued by the former China Banking Regulatory Commission (the former “**CBRC**”), Taiyuan City Commercial Bank Co., Ltd. was renamed as Jinshang Bank Co., Ltd. on 30 December 2008.

The Bank has been approved by the former CBRC (Shanxi Branch) to hold the financial business permit (No. B0116H214010001) and approved by the Shanxi Provincial Administration for Industry and Commerce to hold the business licence (credibility code: 911400007011347302). As at 30 June 2023, the registered capital of the Bank was RMB5,838,650,000, with its registered office located at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province. The Bank is regulated by the National Financial Regulatory Administration (the “**NFRA**”) which was authorised by the State Council.

In July 2019, the Bank’s H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 2558).

The principal activities of the Bank and its subsidiary (collectively the “**Group**”) are the provision of corporate and personal deposits, loans and advances, settlement, financial market business and other banking services as approved by the NFRA.

## 2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*, including compliance with International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”), issued by the International Accounting Standards Board (“**IASB**”) and should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense on a year-to-date basis. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about the future conditions.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 2 BASIS OF PREPARATION (continued)

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial information is unaudited but has been reviewed by Ernst & Young in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

### 3 CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of the unaudited interim financial information are the same as those applied in the last annual financial statements.

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

Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
IFRS 17 and amendments to IFRS 17	<i>Insurance Contracts</i>

The adoption of the above amendments will have no material impact on the Group’s interim financial information.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 4 NET INTEREST INCOME

	For the six months ended 30 June	
	2023	2022
<b>Interest income arising from</b>		
Deposits with the central bank	110,025	102,268
Deposits with banks and other financial institutions	20,946	21,600
Placements with banks and other financial institutions	83,607	46,563
Loans and advances to customers		
– Corporate loans and advances	2,969,341	2,689,532
– Personal loans	629,475	619,290
– Discounted bills	469,809	541,346
Financial assets held under resale agreements	189,123	239,508
Financial investments	1,246,076	960,641
Subtotal	5,718,402	5,220,748
<b>Interest expense arising from</b>		
Borrowings from the central bank	(25,353)	(29,996)
Deposits from banks and other financial institutions	(501)	(13,384)
Placements from banks and other financial institutions	(5,199)	(2,757)
Deposits from customers	(3,143,283)	(2,699,525)
Financial assets sold under repurchase agreements	(185,824)	(134,132)
Debt securities issued	(329,903)	(660,710)
Subtotal	(3,690,063)	(3,540,504)
<b>Net interest income</b>	<b>2,028,339</b>	<b>1,680,244</b>

Interest income arising from loans and advances to customers included RMB46 million for the six months ended 30 June 2023 with respect to the accreted interest on credit-impaired loans (six months ended 30 June 2022: RMB50 million).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 5 NET FEE AND COMMISSION INCOME

#### (a) Income and expense streams:

	For the six months ended 30 June	
	2023	2022
<b>Fee and commission income</b>		
Settlement and clearing fees	97,852	85,023
Wealth management business fees	91,466	95,988
Acceptance and guarantee service fees	86,434	110,027
Bank card service fees	79,915	72,292
Agency service fees and others	77,583	94,913
Subtotal	433,250	458,243
<b>Fee and commission expense</b>		
Bank card service fees	(30,852)	(34,543)
Agency service fees and others	(22,820)	(33,865)
Settlement and clearing fees	(20,731)	(21,465)
Subtotal	(74,403)	(89,873)
<b>Net fee and commission income</b>	<b>358,847</b>	<b>368,370</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 5 NET FEE AND COMMISSION INCOME (continued)

#### (b) Disaggregation of income:

	For the six months ended 30 June			
	2023		2022	
	At a point in time	Over time	At a point in time	Over time
Settlement and clearing fees	97,852	–	85,023	–
Wealth management business fees	–	91,466	–	95,988
Acceptance and guarantee service fees	–	86,434	–	110,027
Bank card service fees	63,201	16,714	67,374	4,918
Agency service fees and others	77,583	–	94,913	–
<b>Total</b>	<b>238,636</b>	<b>194,614</b>	<b>247,310</b>	<b>210,933</b>

### 6 NET TRADING GAINS

	For the six months ended 30 June	
	2023	2022
Net gains from funds	202,120	53,724
Net gains/(losses) from debt securities	6,796	(25,104)
Net gains from interbank deposits issued	240	1,163
Exchange gains/(losses)	159	(878)
Net losses from derivative financial instruments	–	(331)
Net losses from equity investments	(11,659)	(11,050)
Net losses from investment management products	(25,449)	(1,756)
<b>Total</b>	<b>172,207</b>	<b>15,768</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 7 NET GAINS ARISING FROM INVESTMENT SECURITIES

	For the six months ended 30 June	
	2023	2022
Net gains on financial investments at fair value through profit or loss	223,402	473,290
Net gains on financial investments at fair value through other comprehensive income	27,284	21,023
Total	250,686	494,313

### 8 OTHER OPERATING INCOME

	For the six months ended 30 June	
	2023	2022
Government grants	23,488	8,121
Penalty income	780	451
Income from long-term unwithdrawn items	276	566
Rental income	54	25
Net (losses)/gains on disposal of property and equipment and other assets	(231)	1,957
Others	282	31
Total	24,649	11,151

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 9 OPERATING EXPENSES

	For the six months ended 30 June	
	2023	2022
Staff costs		
– Salaries, bonuses and allowances	354,478	367,740
– Social insurance and annuity	119,463	96,044
– Housing allowances	37,124	34,261
– Employee education expenses and labour union expenses	11,837	14,979
– Staff welfare	15,148	13,752
– Supplementary retirement benefits	780	540
– Others	2,184	1,980
Subtotal	541,014	529,296
Depreciation and amortisation	156,171	154,066
Taxes and surcharges	41,587	40,758
Rental and property management expenses	20,963	21,733
Other general and administrative expenses	190,526	124,404
Total	950,261	870,257

### 10 IMPAIRMENT LOSSES ON CREDIT

	For the six months ended 30 June	
	2023	2022
Loans and advances to customers	462,438	779,733
Financial investments	320,992	237,083
Credit commitments	46,298	(285,438)
Placements with banks and other financial institutions	24,654	1,889
Financial assets held under resale agreements	–	(2)
Deposits with banks and other financial institutions	(264)	(1,232)
Other assets	5,396	3,325
Total	859,514	735,358

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 11 INCOME TAX EXPENSE

#### (a) Income tax:

	For the six months ended 30 June	
	2023	2022
Income tax	7,995	4,097

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

	For the six months ended 30 June	
	2023	2022
Profit before tax	1,041,018	974,476
Statutory tax rate	25%	25%
Income tax calculated at the statutory tax rate	260,255	243,619
Non-deductible expenses and others	15,739	14,206
Non-taxable income (i)	(267,999)	(253,728)
Income tax	7,995	4,097

(i) The non-taxable income mainly represents the interest income arising from the People's Republic of China (the "PRC") government bonds, and dividends from domestic funds.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 12 BASIC AND DILUTED EARNINGS PER SHARE

	For the six months ended 30 June	
	2023	2022
Net profit attributable to equity holders of the Bank	1,034,158	972,292
Weighted average number of ordinary shares (in thousands) (a)	5,838,650	5,838,650
Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)	0.18	0.17

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the reporting period.

#### (a) Weighted average number of ordinary shares (in thousands)

	For the six months ended 30 June	
	2023	2022
Number of ordinary shares at the beginning of the period	5,838,650	5,838,650
Weighted average number of ordinary shares issued during the period	–	–
Weighted average number of ordinary shares	5,838,650	5,838,650

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 13 CASH AND DEPOSITS WITH THE CENTRAL BANK

		<b>30 June 2023</b>	31 December 2022
Cash on hand		<b>248,837</b>	272,826
Deposits with the central bank			
– Statutory deposit reserves	(a)	<b>13,030,130</b>	12,439,357
– Surplus deposit reserves	(b)	<b>3,488,766</b>	4,196,286
– Fiscal deposits		<b>19,592</b>	42,168
Subtotal		<b>16,538,488</b>	16,677,811
Interest accrued		<b>5,823</b>	6,140
Total		<b>16,793,148</b>	16,956,777

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of each of the reporting periods, the statutory deposit reserve ratios applicable to the Bank were as follows:

	<b>30 June 2023</b>	31 December 2022
Reserve ratio for RMB deposits	<b>5.00%</b>	5.25%
Reserve ratio for foreign currency deposits	<b>6.00%</b>	6.00%

The statutory deposit reserves are not available for the Bank's daily business. The subsidiary of the Bank is required to place statutory RMB deposit reserve at rates determined by the PBOC.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 14 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

#### Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Deposits in Mainland China		
– Banks	364,560	679,113
– Other financial institutions	1,100,124	1,103,314
Subtotal	1,464,684	1,782,427
Deposits outside Mainland China		
– Banks	2,499	1,965
Interest accrued	19,476	13,450
Less: Provision for impairment losses	(192)	(456)
Total	1,486,467	1,797,386

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 15 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

#### Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Placements in Mainland China – Other financial institutions	7,008,000	1,558,000
Subtotal	7,008,000	1,558,000
Interest accrued	68,961	30,293
Less: Provision for impairment losses	(31,149)	(6,495)
Total	7,045,812	1,581,798

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

#### (a) Analysed by type and location of counterparty

	30 June 2023	31 December 2022
In Mainland China		
– Banks	20,423,256	19,464,083
– Other financial institutions	3,656,993	8,673,362
Subtotal	24,080,249	28,137,445
Interest accrued	230	3,557
Less: Provision for impairment losses	(1)	(1)
Total	24,080,478	28,141,001

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

#### (b) Analysed by type of collateral held

	30 June 2023	31 December 2022
Debt securities		
– Government	1,796,135	10,748,269
– Policy banks	2,652,258	7,905,642
Subtotal	4,448,393	18,653,911
Bank acceptances	19,631,856	9,483,534
Subtotal	24,080,249	28,137,445
Interest accrued	230	3,557
Less: Provision for impairment losses	(1)	(1)
Total	24,080,478	28,141,001

As at 30 June 2023 and 31 December 2022, certain financial assets held under buyout resale agreements were pledged for repurchase agreements (Note 40(f)).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS

#### (a) Analysed by nature

	30 June 2023	31 December 2022
<b>Loans and advances to customers measured at amortised cost:</b>		
Corporate loans and advances	116,809,494	109,511,972
Personal loans		
– Residential mortgage loans	21,609,251	20,208,826
– Personal consumption loans	2,673,295	2,202,939
– Personal business loans	1,515,913	1,696,885
– Credit cards	4,685,901	4,698,195
Subtotal	30,484,360	28,806,845
Interest accrued	836,673	774,043
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(6,338,454)	(5,920,161)
Subtotal	141,792,073	133,172,699
<b>Loans and advances to customers measured at fair value through other comprehensive income:</b>		
Discounted bills	47,091,270	47,733,104
Subtotal	47,091,270	47,733,104
Net loans and advances to customers	188,883,343	180,905,803

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (b) Loans and advances to customers (excluding interest accrued) analysed by industry sector

	30 June 2023		Loans and advances secured by collateral
	Amount	Percentage	
Manufacturing	41,271,574	21.23%	5,805,949
Mining	24,265,689	12.48%	5,846,261
Wholesale and retail trade	12,274,263	6.31%	3,443,329
Leasing and commercial services	8,764,316	4.51%	1,794,296
Real estate	7,933,445	4.08%	1,939,260
Construction	4,987,931	2.57%	1,081,285
Production and supply of electric power, heating, gas and water	4,636,670	2.39%	111,200
Water, environment and public utility management	3,428,111	1.76%	414,600
Financial services	2,950,723	1.52%	322,955
Transportation, storage and postal services	2,448,443	1.26%	944,170
Lodging and catering	642,278	0.33%	372,357
Agriculture, forestry, animal husbandry and fishery	176,109	0.09%	52,459
Education	137,697	0.07%	133,647
Others	2,892,245	1.49%	1,920,562
Subtotal of corporate loans and advances	116,809,494	60.09%	24,182,330
Personal loans	30,484,360	15.68%	15,149,797
Discounted bills	47,091,270	24.23%	47,091,270
Gross loans and advances to customers	194,385,124	100.00%	86,423,397

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (b) Loans and advances to customers (excluding interest accrued) analysed by industry sector (continued)

	31 December 2022		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	40,371,756	21.70%	4,656,613
Mining	20,878,205	11.22%	5,016,111
Wholesale and retail trade	11,694,657	6.29%	3,666,329
Real estate	8,204,303	4.41%	2,312,542
Leasing and commercial services	7,630,944	4.10%	758,799
Construction	4,557,080	2.45%	804,048
Production and supply of electric power, heating, gas and water	3,978,686	2.14%	162,000
Water, environment and public utility management	3,228,295	1.74%	43,224
Financial services	3,128,133	1.68%	63,650
Transportation, storage and postal services	1,929,945	1.04%	1,034,540
Lodging and catering	642,397	0.35%	376,786
Agriculture, forestry, animal husbandry and fishery	180,133	0.10%	54,267
Education	135,200	0.07%	131,050
Others	2,952,238	1.57%	1,933,690
Subtotal of corporate loans and advances	109,511,972	58.86%	21,013,649
Personal loans	28,806,845	15.48%	13,417,229
Discounted bills	47,733,104	25.66%	47,733,104
Gross loans and advances to customers	186,051,921	100.00%	82,163,982

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (c) Analysed by type of collateral

	30 June 2023	31 December 2022
Unsecured loans	21,368,395	20,169,607
Guaranteed loans	86,593,332	83,718,332
Collateralised loans	28,710,919	25,475,938
Pledged loans	57,712,478	56,688,044
Subtotal	194,385,124	186,051,921
Interest accrued	836,673	774,043
Gross loans and advances to customers	195,221,797	186,825,964
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(6,338,454)	(5,920,161)
Net loans and advances to customers	188,883,343	180,905,803

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	30 June 2023				Total
	Overdue within three months (inclusive)	Overdue for more than three months to one year (inclusive)	Overdue for more than one year to three years (inclusive)	Overdue for more than three years	
Unsecured loans	73,141	166,439	199,503	23,155	462,238
Guaranteed loans	55,365	218,780	1,558,320	186,519	2,018,984
Collateralised loans	69,787	168,698	517,657	81,506	837,648
Pledged loans	–	11,905	5,998	9,500	27,403
<b>Total</b>	<b>198,293</b>	<b>565,822</b>	<b>2,281,478</b>	<b>300,680</b>	<b>3,346,273</b>
As a percentage of gross loans and advances to customers	0.10%	0.30%	1.17%	0.15%	1.72%

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	31 December 2022				Total
	Overdue within three months (inclusive)	Overdue for more than three months to one year (inclusive)	Overdue for more than one year to three years (inclusive)	Overdue for more than three years	
Unsecured loans	449,618	129,145	133,571	12,759	725,093
Guaranteed loans	233,550	402,993	1,339,378	145,848	2,121,769
Collateralised loans	133,220	347,867	313,239	63,724	858,050
Pledged loans	4,692	–	5,998	9,500	20,190
<b>Total</b>	<b>821,080</b>	<b>880,005</b>	<b>1,792,186</b>	<b>231,831</b>	<b>3,725,102</b>
As a percentage of gross loans and advances to customers	0.44%	0.48%	0.96%	0.12%	2.00%

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (e) Loans and advances and provision for impairment losses

	30 June 2023			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans <sup>(i)</sup>	
Total loans and advances to customers measured at amortised cost	137,484,205	7,304,902	3,341,420	148,130,527
Less: Provision for impairment losses	(3,294,632)	(1,214,980)	(1,828,842)	(6,338,454)
Carrying amount of loans and advances to customers measured at amortised cost	134,189,573	6,089,922	1,512,578	141,792,073
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	47,091,270	–	–	47,091,270
Net loans and advances to customers	181,280,843	6,089,922	1,512,578	188,883,343

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (e) Loans and advances and provision for impairment losses (continued)

	31 December 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans <sup>(i)</sup>	
Total loans and advances to customers measured at amortised cost	128,113,328	7,625,583	3,353,949	139,092,860
Less: Provision for impairment losses	(2,774,583)	(1,345,928)	(1,799,650)	(5,920,161)
Carrying amount of loans and advances to customers measured at amortised cost	125,338,745	6,279,655	1,554,299	133,172,699
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	47,733,104	–	–	47,733,104
Net loans and advances to customers	173,071,849	6,279,655	1,554,299	180,905,803

- (i) The loans and advances are “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the loans and advances have occurred. Evidence that loans and advances are credit-impaired includes the following: significant financial difficulty of the borrower or issuer; a breach of contract such as overdue of principal or interest for more than 90 days; the possibility that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (f) Movements in provision for impairment losses

##### (i) *Movements in provision for impairment losses on loans and advances to customers measured at amortised cost:*

	For the six months ended 30 June 2023			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	
As at 1 January	2,774,583	1,345,928	1,799,650	5,920,161
Transferred:				
– to expected credit losses over the next 12 months	50,230	(50,163)	(67)	–
– to lifetime expected credit losses: not credit-impaired loans	(2,411)	30,304	(27,893)	–
– to lifetime expected credit losses: credit-impaired loans	(3,184)	(41,042)	44,226	–
Charge for/(Reversal of) the period	475,414	(70,047)	56,887	462,254
Recoveries	–	–	2,354	2,354
Other changes	–	–	(46,315)	(46,315)
As at 30 June	3,294,632	1,214,980	1,828,842	6,338,454

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (f) Movements in provision for impairment losses (continued)

##### (i) *Movements in provision for impairment losses on loans and advances to customers measured at amortised cost: (continued)*

	Year ended 31 December 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	
As at 1 January	2,476,152	1,353,755	1,447,201	5,277,108
Transferred:				
– to expected credit losses over the next 12 months	40,614	(31,962)	(8,652)	–
– to lifetime expected credit losses: not credit-impaired loans	(9,477)	16,033	(6,556)	–
– to lifetime expected credit losses: credit-impaired loans	(41,375)	(79,323)	120,698	–
Charge for the year	308,669	87,425	819,837	1,215,931
Transfer-out	–	–	(328,385)	(328,385)
Recoveries	–	–	4,530	4,530
Write-offs	–	–	(143,821)	(143,821)
Other changes	–	–	(105,202)	(105,202)
As at 31 December	2,774,583	1,345,928	1,799,650	5,920,161

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (f) Movements in provision for impairment losses (continued)

(ii) *Movements in provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:*

	For the six months ended 30 June 2023				Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans		
As at 1 January	17,749	–	–		17,749
Charge for the period	184	–	–		184
As at 30 June	17,933	–	–		17,933

	Year ended 31 December 2022				Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans		
As at 1 January	4,375	–	–		4,375
Charge for the year	13,374	–	–		13,374
As at 31 December	17,749	–	–		17,749

Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (g) Disposal of loans and advances to customers

During the six months ended 30 June 2023, the Group did not transfer any loans and advances to independent third parties. For the year ended 31 December 2022, the Group transferred loans and advances with a gross amount of RMB522 million to independent third parties, and the transfer price was RMB205 million.

During the six months ended 30 June 2023 and the year ended 31 December 2022, the Group did not transfer any portfolio of customer loans and advances through the asset securitisation business.

### 18 FINANCIAL INVESTMENTS

		30 June 2023	31 December 2022
Financial investments measured at fair value through profit or loss	(a)	25,287,417	35,522,181
Financial investments measured at fair value through other comprehensive income	(b)	4,688,274	4,135,400
Financial investments measured at amortised cost	(c)	68,520,916	62,596,056
Total		98,496,607	102,253,637

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 FINANCIAL INVESTMENTS (continued)

#### (a) Financial investments measured at fair value through profit or loss

	30 June 2023	31 December 2022
Debt securities issued by the following institutions in Mainland China		
– Government	303,237	651,285
– Policy banks	–	197,235
– Banks and other financial institutions	591,556	420,016
– Corporates	788,363	532,065
Subtotal	1,683,156	1,800,601
Interbank deposits	99,825	148,065
Investment funds	20,815,310	30,821,223
Investment management products	2,503,155	2,554,662
Other investments	185,971	197,630
Total	25,287,417	35,522,181

As at 30 June 2023 and 31 December 2022, there were no investments subject to material restrictions in the realisation.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 FINANCIAL INVESTMENTS (continued)

#### (b) Financial investments measured at fair value through other comprehensive income

	30 June 2023	31 December 2022
Debt securities issued by the following institutions in Mainland China		
– Government	826,271	964,999
– Policy banks	1,175,939	1,349,515
– Banks and other financial institutions	271,773	381,464
Subtotal	2,273,983	2,695,978
Interest accrued	35,360	45,223
Subtotal	2,309,343	2,741,201
Interbank deposits	199,974	–
Investment management products	1,008,141	751,811
Interest accrued	19,941	31,306
Subtotal	1,028,082	783,117
Other investments	1,150,875	611,082
Total	4,688,274	4,135,400

- (i) As at 30 June 2023 and 31 December 2022, there were no investments subject to material restrictions in the realisation.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 FINANCIAL INVESTMENTS (continued)

#### (b) Financial investments measured at fair value through other comprehensive income (continued)

- (ii) Movements in provision for impairment losses on financial investments measured at fair value through other comprehensive income:

	For the six months ended 30 June 2023			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	2,244	–	–	2,244
Charge for the period	1,182	–	–	1,182
Balance at 30 June	3,426	–	–	3,426

	Year ended 31 December 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	223	–	–	223
Charge for the year	2,021	–	–	2,021
Balance at 31 December	2,244	–	–	2,244

Provision for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 FINANCIAL INVESTMENTS (continued)

#### (c) Financial investments measured at amortised cost

	30 June 2023	31 December 2022
Debt securities issued by the following institutions in Mainland China (i)		
– Government	45,409,023	36,580,714
– Policy banks	13,994,693	13,963,279
– Banks and other financial institutions	800,014	800,017
– Corporates	951,612	872,453
Interest accrued	711,763	817,507
Subtotal	61,867,105	53,033,970
Investment management products	8,312,002	10,880,559
Interest accrued	9,539	29,447
Subtotal	8,321,541	10,910,006
Less: Provision for impairment losses (ii)	(1,667,730)	(1,347,920)
Total	68,520,916	62,596,056

(i) As at 30 June 2023 and 31 December 2022, certain debt securities were pledged for repurchase agreements (Note 40(f)).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 FINANCIAL INVESTMENTS (continued)

#### (c) Financial investments measured at amortised cost (continued)

(ii) Movements in provision for impairment losses on financial investments measured at amortised cost.

	For the six months ended 30 June 2023			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	239,176	13,289	1,095,455	1,347,920
(Reversal of)/Charge for the period	(46,254)	(369)	366,433	319,810
Balance at 30 June	192,922	12,920	1,461,888	1,667,730

	Year ended 31 December 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	222,062	242,777	865,773	1,330,612
Transfers:				
– to expected credit losses over the next 12 months	–	–	–	–
– to lifetime expected credit losses: not credit-impaired	–	–	–	–
– to lifetime expected credit losses: credit-impaired	–	(168,750)	168,750	–
Charge for the year	17,114	77,015	262,554	356,683
Transfer-out	–	(137,753)	(201,622)	(339,375)
Balance at 31 December	239,176	13,289	1,095,455	1,347,920

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 FINANCIAL INVESTMENTS (continued)

#### (d) Financial investments analysed as follows

	30 June 2023	31 December 2022
Financial investments measured at fair value through profit or loss		
Debt securities		
– Listed	1,586,408	1,703,853
– Unlisted	96,748	96,748
Interbank deposits		
– Listed	99,825	148,065
Fund investments and others		
– Listed	185,971	197,630
– Unlisted	23,318,465	33,375,885
<b>Subtotal</b>	<b>25,287,417</b>	<b>35,522,181</b>
Financial investments measured at fair value through other comprehensive income		
Debt securities		
– Listed	2,309,343	2,741,201
Interbank deposits		
– Listed	199,974	–
Investment management products and others		
– Listed	1,030,175	490,382
– Unlisted	1,148,782	903,817
<b>Subtotal</b>	<b>4,688,274</b>	<b>4,135,400</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 18 FINANCIAL INVESTMENTS (continued)

#### (d) Financial investments analysed as follows (continued)

	30 June 2023	31 December 2022
Financial investments measured at amortised cost		
Debt securities		
– Listed	61,748,927	52,901,728
– Unlisted	115,412	107,923
Investment management products		
– Unlisted	6,656,577	9,586,405
Subtotal	68,520,916	62,596,056
Total	98,496,607	102,253,637
Listed	67,160,623	58,182,859
Unlisted	31,335,984	44,070,778
Total	98,496,607	102,253,637

Debt securities traded in the interbank market of Mainland China are included in “Listed”.  
Interbank deposits traded in the interbank market of Mainland China are classified as “Listed”.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 19 INTEREST IN AN ASSOCIATE

	30 June 2023	31 December 2022
Interest in an associate	347,472	331,408

The following table contains information about the Group's associate which is immaterial to the Bank and is an unlisted corporate entity whose quoted market price is not available:

Name	Percentages of equity/voting rights		Place of incorporation/ registration	Business sector
	30 June 2023	31 December 2022		
Jinshang Consumer Finance Co., Ltd.	40%	40%	Shanxi, China	Consumer finance

In February 2016, the Bank and other third-party shareholders jointly established Jinshang Consumer Finance Co., Ltd. (“**Jinshang Consumer Finance**”), which was registered in Taiyuan, Shanxi, China with its main business operating in China. The registered capital of Jinshang Consumer Finance amounted to RMB500 million and the Bank holds 40% of the equity of Jinshang Consumer Finance. As at 30 June 2023, Jinshang Consumer Finance had share capital of RMB500 million.

### 20 INVESTMENT IN A SUBSIDIARY

	30 June 2023	31 December 2022
Qingxu Jinshang Village and Township Bank Co., Ltd.	25,500	25,500

Qingxu Jinshang Village and Township Bank Co., Ltd. was incorporated on 19 January 2012, which was registered in Taiyuan, Shanxi, China with registered capital of RMB50 million. The principal activities of Qingxu Village and Township Bank are operating in Mainland China, and it is a corporate legal entity and a non-wholly-owned subsidiary of the Bank. As at 30 June 2023 and 31 December 2022, the Bank held 51% of equity interests in and voting rights of Qingxu Village and Township Bank. As at 30 June 2023, Qingxu Village and Township Bank had share capital of RMB50 million.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 21 PROPERTY AND EQUIPMENT

	Premises	Office equipment	Motor vehicles	Electronic equipment	Leasehold improvements	Total
<b>Cost</b>						
As at 1 January 2022	1,661,710	57,589	13,461	508,930	389,044	2,630,734
Additions	40,036	915	–	26,364	2,910	70,225
Disposals	–	(801)	–	(9,074)	(2,270)	(12,145)
As at 31 December 2022	1,701,746	57,703	13,461	526,220	389,684	2,688,814
Additions	73,270	916	–	16,870	1,009	92,065
Disposals	–	(580)	–	(3,796)	–	(4,376)
<b>As at 30 June 2023</b>	<b>1,775,016</b>	<b>58,039</b>	<b>13,461</b>	<b>539,294</b>	<b>390,693</b>	<b>2,776,503</b>
<b>Accumulated depreciation</b>						
As at 1 January 2022	(435,281)	(36,236)	(11,735)	(412,821)	(339,996)	(1,236,069)
Charge for the period	(79,021)	(6,041)	(544)	(43,999)	(15,150)	(144,755)
Disposals	–	778	–	8,795	2,270	11,843
As at 31 December 2022	(514,302)	(41,499)	(12,279)	(448,025)	(352,876)	(1,368,981)
Charge for the period	(41,340)	(2,977)	(246)	(21,023)	(7,157)	(72,743)
Disposals	–	526	–	3,682	–	4,208
<b>As at 30 June 2023</b>	<b>(555,642)</b>	<b>(43,950)</b>	<b>(12,525)</b>	<b>(465,366)</b>	<b>(360,033)</b>	<b>(1,437,516)</b>
<b>Net book value</b>						
As at 31 December 2022	1,187,444	16,204	1,182	78,195	36,808	1,319,833
<b>As at 30 June 2023</b>	<b>1,219,374</b>	<b>14,089</b>	<b>936</b>	<b>73,928</b>	<b>30,660</b>	<b>1,338,987</b>

As at 30 June 2023, the net book values of premises of which title deeds were not yet finalised totalled RMB138 million (31 December 2022: RMB82 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant costs in obtaining the title deeds.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 21 PROPERTY AND EQUIPMENT (continued)

The net book values of premises as at the end of each of the reporting periods are analysed by the remaining terms of the leases as follows:

	30 June 2023	31 December 2022
Held in Mainland China		
– Medium-term leases (10 to 50 years)	1,219,374	1,187,444

### 22 DEFERRED TAX ASSETS

#### (a) Analysed by nature

	30 June 2023		31 December 2022	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	6,620,260	1,655,065	5,890,436	1,472,609
– Accrued staff costs	597,700	149,425	841,872	210,468
– Others	483,768	120,942	647,552	161,888
Subtotal	7,701,728	1,925,432	7,379,860	1,844,965
Deferred income tax liabilities				
– Fair value changes of financial assets	(483,452)	(120,863)	(278,224)	(69,556)
Subtotal	(483,452)	(120,863)	(278,224)	(69,556)
Net balances	7,218,276	1,804,569	7,101,636	1,775,409

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 22 DEFERRED TAX ASSETS (continued)

#### (b) Movements in deferred tax

	Allowance for impairment losses <sup>(i)</sup>	Accrued staff costs	Net (gains)/ losses on fair value changes <sup>(ii)</sup>	Others	Net balance of deferred tax assets
As at 1 January 2022	1,462,735	177,188	(112,116)	182,839	1,710,646
Recognised in profit or loss	9,874	33,380	20,130	(20,951)	42,433
Recognised in other comprehensive income	–	(100)	22,430	–	22,330
As at 31 December 2022	1,472,609	210,468	(69,556)	161,888	1,775,409
Recognised in profit or loss	182,456	(61,023)	(31,774)	(40,946)	48,713
Recognised in other comprehensive income	–	(20)	(19,533)	–	(19,553)
<b>As at 30 June 2023</b>	<b>1,655,065</b>	<b>149,425</b>	<b>(120,863)</b>	<b>120,942</b>	<b>1,804,569</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 23 OTHER ASSETS

		<b>30 June 2023</b>	31 December 2022
Accounts receivable and prepayments		<b>840,469</b>	445,168
Right-of-use assets	(a)	<b>321,212</b>	338,538
Intangible assets	(b)	<b>278,831</b>	289,625
Repossessed assets	(c)	<b>187,301</b>	187,670
Land use rights	(d)	<b>59,154</b>	60,036
Interest receivables	(e)	<b>16,787</b>	27,177
Long-term deferred expenses		<b>12,770</b>	13,404
Subtotal		<b>1,716,524</b>	1,361,618
Less: Allowances for impairment losses		<b>(10,552)</b>	(5,156)
Total		<b>1,705,972</b>	1,356,462

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 23 OTHER ASSETS (continued)

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

	<b>Premises</b>
<b>Cost</b>	
As at 1 January 2022	655,940
Additions	134,152
Deductions	(52,773)
As at 31 December 2022	737,319
Additions	49,043
Deductions	(13,951)
<b>As at 30 June 2023</b>	<b>772,411</b>
<b>Accumulated depreciation</b>	
As at 1 January 2022	(297,722)
Additions	(114,668)
Deductions	13,609
As at 31 December 2022	(398,781)
Additions	(57,014)
Deductions	4,596
<b>As at 30 June 2023</b>	<b>(451,199)</b>
<b>Net book value</b>	
As at 31 December 2022	338,538
<b>As at 30 June 2023</b>	<b>321,212</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 23 OTHER ASSETS (continued)

#### (b) Intangible assets

	<b>Computer software and system development</b>
<b>Cost</b>	
As at 1 January 2022	460,385
Additions	81,946
Disposals	(117)
As at 31 December 2022	542,214
Additions	14,521
Disposals	–
<b>As at 30 June 2023</b>	<b>556,735</b>
<b>Accumulated amortisation</b>	
As at 1 January 2022	(188,315)
Additions	(64,281)
Disposals	7
As at 31 December 2022	(252,589)
Additions	(25,315)
Disposals	–
<b>As at 30 June 2023</b>	<b>(277,904)</b>
<b>Net book value</b>	
As at 31 December 2022	289,625
<b>As at 30 June 2023</b>	<b>278,831</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 23 OTHER ASSETS (continued)

#### (c) Repossessed assets

	30 June 2023	31 December 2022
Land use rights and buildings	187,301	187,670
Less: Impairment allowances	(1,709)	(1,709)
Net balances	185,592	185,961

#### (d) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	30 June 2023	31 December 2022
For land located in Mainland China: 10 to 35 years	59,154	60,036

The Group's right-of-use assets include the above-mentioned fully prepaid land use rights and other right-of-use assets disclosed in Note 23(a).

The amortisation period for the Group's land-use rights is between 10 and 35 years.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 23 OTHER ASSETS (continued)

#### (e) Interest receivables

	30 June 2023	31 December 2022
Interest receivables arising from:		
Loans and advances to customers	16,787	27,177
Total	16,787	27,177

As at 30 June 2023 and 31 December 2022, interest receivables only included interest that has been due for the relevant financial instruments but not yet received at the end of the reporting period. Interest on financial instruments based on the effective interest method has been reflected in the balance of the corresponding financial instruments.

### 24 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

#### Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Deposits in Mainland China		
– Banks	2,185	48,297
– Other financial institutions	78,242	71,022
Subtotal	80,427	119,319
Interest accrued	705	751
Total	81,132	120,070

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 25 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

#### Analysed by type and location of counterparty

	30 June 2023	31 December 2022
Placements in Mainland China		
– Banks	400,000	–
Subtotal	400,000	–
Interest accrued	90	–
Total	400,090	–

### 26 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

#### (a) Analysed by type and location of counterparty

	30 June 2023	31 December 2022
In Mainland China		
– Banks	19,927,419	19,679,611
– Other financial institutions	1,096,559	517,801
Subtotal	21,023,978	20,197,412
Interest accrued	9,419	18,105
Total	21,033,397	20,215,517

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 26 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

#### (b) Analysed by type of collateral held

	30 June 2023	31 December 2022
Debt securities	17,922,430	17,723,500
Bank acceptances	3,101,548	2,473,912
Subtotal	21,023,978	20,197,412
Interest accrued	9,419	18,105
Total	21,033,397	20,215,517

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 27 DEPOSITS FROM CUSTOMERS

	30 June 2023	31 December 2022
Demand deposits		
– Corporate customers	55,646,816	51,771,406
– Individual customers	15,175,287	16,896,028
Subtotal	70,822,103	68,667,434
Time deposits		
– Corporate customers	61,596,365	55,825,225
– Individual customers	113,740,112	103,106,145
Subtotal	175,336,477	158,931,370
Pledged deposits		
– Acceptances	16,223,501	17,817,539
– Letters of credit and guarantee	2,464,570	2,101,885
– Letters of guarantee	32,353	43,709
– Others	898,824	732,588
Subtotal	19,619,248	20,695,721
Fiscal deposits	15	12
Inward and outward remittances	262,704	139,305
Accrued interest	6,120,781	5,337,019
Total	272,161,328	253,770,861

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 28 DEBT SECURITIES ISSUED

		<b>30 June 2023</b>	31 December 2022
Interbank deposits issued	(a)	<b>17,748,363</b>	27,360,089
Tier-two capital bonds issued	(b)	<b>1,999,098</b>	1,999,049
Financial bonds issued	(c)	–	3,999,870
Subtotal		<b>19,747,461</b>	33,359,008
Interest accrued		<b>41,907</b>	175,250
Total		<b>19,789,368</b>	33,534,258

(a) Interbank deposits issued

- (i) During the six months ended 30 June 2023, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB20,650 million and duration between 1 to 12 months. The coupon interest rates ranged from 2.00% to 2.72% per annum.
- (ii) In 2022, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB57,450 million and duration between 1 to 12 months. The coupon interest rates ranged from 1.33% to 2.70% per annum.
- (iii) As at 30 June 2023, the fair value of interbank deposits issued was RMB17,592 million (31 December 2022: RMB27,208 million).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 28 DEBT SECURITIES ISSUED (continued)

- (b) Tier-two capital bonds issued
- (i) In January 2021, the Bank issued 10-year tier-two capital bonds at fixed interest rate with a face value of RMB2,000 million. The coupon interest rate per annum is 4.78%. The Bank had an option to redeem the bonds at the end of the fifth year..
- (ii) As at 30 June 2023, the fair value of the tier-two capital bonds issued was RMB2,027 million (31 December 2022: RMB2,003 million).
- (c) Financial bonds issued
- (i) In April 2020, the Bank issued three-year financial bonds with a face value of RMB4,000 million. The coupon interest rate per annum is 3.00%.
- (ii) As at 30 June 2023, the issued financial bonds matured with a balance of 0 (as at 31 December 2022, the fair value of financial bonds issued was RMB4,006 million).

### 29 OTHER LIABILITIES

		30 June 2023	31 December 2022
Dividend payable		663,134	117,569
Accrued staff cost	(a)	597,941	841,770
Accounts payable in the process of clearance and settlement		520,777	554,460
Provisions	(b)	376,739	330,441
Lease liabilities	(c)	322,568	323,734
Contract liabilities	(d)	89,303	107,318
Other taxes payable		20,735	124,159
Total		2,591,197	2,399,451

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 29 OTHER LIABILITIES (continued)

#### (a) Accrued staff cost

	30 June 2023	31 December 2022
Salary, bonuses and allowances payable	457,353	696,413
Supplementary retirement benefits payable	40,563	40,996
Pension and annuity payable	11,223	14,839
Other social insurance payable	13,349	13,279
Housing fund payable	5,524	6,165
Others	69,929	70,078
Total	597,941	841,770

#### *Defined contribution retirement plans*

The defined contribution retirement plans of the Group mainly include social pension schemes and an annuity plan. The contributions to the defined contribution plans of the pension schemes are calculated at the applicable rates based on the amount stipulated by the PRC government or in proportion to the employees' total salaries and bonuses, which were charged to profit or loss of the Group when the contributions are made. Such schemes are arranged or regulated by the PRC local government and pursuant to the applicable laws and regulations, the Group could not use any forfeited contributions to reduce the existing level of contributions.

#### *Supplementary retirement benefits*

The Group pays supplementary retirement benefits to eligible employees. The amount confirmed in the statement of financial position represents the discounted value of the estimated benefit liability promised to be paid at the end of the reporting period. The supplementary retirement benefits payable of the Group at the end of the relevant reporting period are actuarial assessed by independent actuary Taorui Huiyue Management Consulting (Shenzhen) Co., Ltd. using the projected unit credit method.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 29 OTHER LIABILITIES (continued)

#### (b) Provisions

		30 June 2023	31 December 2022
Expected credit losses	(i)	376,739	330,441

(i) Movements in provisions for expected credit losses are as follows:

	For the six months ended 30 June 2023			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit- impaired	Lifetime expected credit losses: credit- impaired	
Balance at 1 January	328,358	1,348	735	330,441
Transferred				
– to expected credit losses over the next 12 months	205	(205)	–	–
– to lifetime expected credit losses: not credit-impaired	(8)	64	(56)	–
– to lifetime expected credit losses: credit-impaired	(3)	–	3	–
Charge for/(Reversal of) the period	46,498	(311)	111	46,298
Balance at 30 June	375,050	896	793	376,739

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 29 OTHER LIABILITIES (continued)

#### (b) Provisions (continued)

(i) Movements in provisions for expected credit losses are as follows: (continued)

	Year ended 31 December 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at 1 January	647,981	15,614	741	664,336
Transferred				
– to expected credit losses over the next 12 months	91	(91)	–	–
– to lifetime expected credit losses: not credit-impaired	(89)	89	–	–
– to lifetime expected credit losses: credit-impaired	(44)	(1)	45	–
Reversal of the year	(319,581)	(14,263)	(51)	(333,895)
Balance at 31 December	328,358	1,348	735	330,441

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 29 OTHER LIABILITIES (continued)

#### (c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	30 June 2023	31 December 2022
Within one year (inclusive)	126,744	124,433
Between one year and two years (inclusive)	82,713	78,495
Between two years and three years (inclusive)	41,742	45,987
Between three years and five years (inclusive)	48,212	51,749
More than five years	56,545	58,007
Total undiscounted lease liabilities	355,956	358,671
Total carrying amount	322,568	323,734

#### (d) Contract liabilities

As at 30 June 2023, the aggregate amount of the transaction prices allocated to the remaining performance obligations under the Group's existing contracts was RMB89 million (31 December 2022: RMB107 million). This amount represents income expected to be recognised in the future from acceptance and guarantee services. The Group will recognise the expected income in future when the services are provided.

### 30 SHARE CAPITAL

	30 June 2023	31 December 2022
Domestic RMB ordinary shares	4,868,000	4,868,000
Offshore listed ordinary shares (H Shares)	970,650	970,650
Total	5,838,650	5,838,650

All of the above H shares are listed on The Stock Exchange of Hong Kong Limited. The par value of the domestic RMB ordinary shares and the offshore listed ordinary shares is RMB1, and these shares will enjoy the same status in terms of declaration, payment or making of all dividends or distributions.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 31 RESERVES

#### (a) Capital reserve

	30 June 2023	31 December 2022
Share premium	6,568,558	6,568,558
Other capital reserve	59,044	59,044
Total	6,627,602	6,627,602

#### (b) Surplus reserve

The surplus reserve at the end of each reporting periods represented statutory surplus reserve fund and discretionary surplus reserve.

Pursuant to the Company Law of the PRC and the Articles of Association of the Bank, the Bank is required to appropriate 10% of its net profit on an annual basis under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good of the prior year's accumulated losses to statutory surplus reserve fund until the balance reaches 50% of its registered capital.

In accordance with the resolution at the Bank's Annual General Meeting, appropriation of discretionary surplus reserve based on 10% of the net profit was approved.

#### (c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 31 RESERVES (continued)

#### (d) Fair value reserve

	For the six months ended 30 June 2023	Year ended 31 December 2022
As at 1 January	(97,869)	(30,580)
Changes in fair value recognised in other comprehensive income	89,476	21,760
Transfer to profit or loss upon disposal	(11,343)	(111,479)
Less: Deferred tax	(19,533)	22,430
As at 30 June/31 December	(39,269)	(97,869)

#### (e) Impairment reserve

	For the six months ended 30 June 2023	Year ended 31 December 2022
As at 1 January	14,994	3,448
Impairment losses recognised in other comprehensive income	1,365	15,395
Less: Deferred tax	(341)	(3,849)
As at 30 June/31 December	16,018	14,994

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 31 RESERVES (continued)

#### (f) Remeasurement a net defined benefit liability

Remeasurement a net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	For the six months ended 30 June 2023	Year ended 31 December 2022
As at 1 January	(4,065)	(4,365)
Changes in fair value recognised in other comprehensive income	80	400
Less: Deferred tax	(20)	(100)
As at 30 June/31 December	(4,005)	(4,065)

### 32 RETAINED EARNINGS

#### (a) Appropriation of profits

In accordance with the resolution at the Bank's Annual General Meeting on 9 June 2023, the shareholders approved the following profit appropriations for the year ended 31 December 2022 as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of discretionary surplus reserve based on 10% of the net profit; and
- Appropriation of general reserve amounting to approximately RMB581 million; and
- Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 32 RETAINED EARNINGS (continued)

#### (a) Appropriation of profits (continued)

In accordance with the resolution at the Bank's Annual General Meeting on 10 June 2022, the shareholders approved the following profit appropriations for the year ended 31 December 2021 as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounting to approximately RMB349 million; and
- Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

### 33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Net decrease in cash and cash equivalents

	For the six months ended 30 June	
	2023	2022
Cash and cash equivalents at the end of the period	4,089,046	11,655,306
Less: Cash and cash equivalents at the beginning of the period	(5,150,304)	(16,315,416)
Net decrease in cash and cash equivalents	(1,061,258)	(4,660,110)

#### (b) Cash and cash equivalents

	30 June 2023	31 December 2022
Cash on hand	248,837	272,826
Deposits with the central bank other than restricted deposits	3,488,766	4,196,286
Deposits with banks and other financial institutions	351,443	681,192
Total	4,089,046	5,150,304

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 34 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management and capital financing management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The former CBRC required commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using the basic indicator approach.

The Group has computed its capital adequacy ratios and related data in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". During the reporting period, the Group complied with the capital requirements imposed by the regulatory authorities.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 34 CAPITAL MANAGEMENT (continued)

The Group's capital adequacy ratios at 30 June 2023 and 31 December 2022 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	30 June 2023	31 December 2022
Total core tier-one capital		
– Share capital	5,838,650	5,838,650
– Qualifying portion of capital reserve	6,627,602	6,627,602
– Surplus reserve	4,160,835	3,976,682
– General reserve	3,742,188	3,742,188
– Other comprehensive income	(27,256)	(86,940)
– Retained earnings	3,503,049	3,236,909
– Qualifying portions of non-controlling interests	7,313	6,833
Core tier-one capital	23,852,381	23,341,924
Core tier-one capital deductions	(278,832)	(289,625)
Net core tier-one capital	23,573,549	23,052,299
Other tier-one capital	976	911
Net tier-one capital	23,574,525	23,053,210
Tier-two capital		
– Instruments issued and share premium	2,000,000	2,000,000
– Surplus provisions for loan impairment	2,369,084	2,186,210
– Qualifying portions of non-controlling interests	1,950	1,822
Net tier-two capital	4,371,034	4,188,032
Net capital base	27,945,559	27,241,242
Total risk weighted assets	224,517,822	219,608,205
Core tier-one capital adequacy ratio	10.50%	10.50%
Tier-one capital adequacy ratio	10.50%	10.50%
Capital adequacy ratio	12.45%	12.40%

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### (a) Related parties of the Group

##### (i) Major shareholders

Major shareholders of the Bank refer to shareholders holding or controlling 5% or more of shares or voting right of the Bank, or holding less than 5% of total capital or total shares of the Bank but having significant impact on the operational management of the Bank. The significant impact mentioned above includes but not limited to dispatching directors, supervisors or senior management to a commercial bank, influencing the financial and operational management decisions of commercial banks through agreements or other means and other circumstances.

As at 30 June 2023, general information and shareholdings of major shareholders are as follows:

Name	Proportion of shareholding	
	30 June 2023	31 December 2022
Shanxi Finance Bureau (山西省財政廳)	12.25%	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	10.28%	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	7.98%	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司)	7.72%	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	6.15%	6.15%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	5.14%	5.14%
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	4.99%	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	4.02%	4.02%
Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司)	3.43%	3.43%

The official names of these related parties are in Chinese. The English translation is for reference only.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### (a) Related parties of the Group (continued)

##### (ii) *Subsidiary of the Bank*

The detailed information of the Bank's subsidiary is set out in Note 20.

##### (iii) *Associate of the Bank*

The detailed information of the Bank's associate is set out in Note 19.

##### (iv) *Other related parties*

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 35(a) or their controlling shareholders.

#### (b) Transactions with related parties other than key management personnel

The Bank entered into related-party transactions in the normal course and terms of business, with pricing policies based on market prices.

##### (i) *Transactions between the Bank and its major shareholders*

	For the six months ended 30 June	
	2023	2022
Transactions during the period		
Interest income	3,942	4,849
Interest expense	12,469	15,178
Net fee and commission income	1	213

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### (b) Transactions with related parties other than key management personnel (continued)

##### (i) Transactions between the Bank and its major shareholders (continued)

	30 June 2023	31 December 2022
Balances at the end of the period/year		
Loans and advances to customers	164,020	164,321
Deposits from customers	5,226,453	2,402,325
Letters of credit	162,500	43,750

##### (ii) Transactions between the Bank and its subsidiary

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary are eliminated in combination.

	For the six months ended 30 June 2023	2022
Transactions during the period		
Interest expense	6,273	35

	30 June 2023	31 December 2022
Balances at the end of the period/year		
Deposits from banks and other financial institutions	474,540	495,775

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### (b) Transactions with related parties other than key management personnel (continued)

##### (iii) Transactions between the Bank and its associate

	For the six months ended 30 June	
	2023	2022
Transactions during the period		
Interest income	21,011	8,489
Interest expense	229	124
Net fee and commission income	506	2,969
Operating expenses	4	–
	30 June 2023	31 December 2022
Balances at the end of the period/year		
Deposits with banks and other financial institutions	1,119,401	1,109,686
Deposits from banks and other financial institutions	23,162	9,138

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### (b) Transactions with related parties other than key management personnel (continued)

##### (iv) Transactions between the Bank and other related parties

	For the six months ended 30 June	
	2023	2022
Transactions during the period		
Interest income	518,042	350,292
Interest expense	84,940	132,432
Net fee and commission income	28,828	52,757
Operating expenses	2,856	8,176
Assets transferred	–	110,019
	30 June 2023	31 December 2022
Balances at the end of the period/year		
Loans and advances to customers	20,844,419	20,621,350
Financial investments	1,866,166	2,480,506
Deposits from customers	13,941,721	13,953,736
Deposits from banks and other financial institutions	37,708	45,071
Bank acceptances	5,292,813	6,141,561
Letters of credit	1,847,620	1,385,300

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### (c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

##### (i) Transactions between the Bank and key management personnel

	For the six months ended 30 June	
	2023	2022
Transactions during the period		
Interest income	23	47
Interest expense	67	23
	30 June 2023	31 December 2022
Balances at the end of the period/year		
Loans and advances to customers	1,265	1,320
Deposits from customers	2,154	1,781

##### (ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows

	For the six months ended 30 June	
	2023	2022
Key management personnel compensation	10,222	10,165

#### (d) Loans and advances to key management personnel

	30 June 2023	31 December 2022
Aggregate amount of relevant loans outstanding at the end of the period/year	1,265	1,320
Maximum aggregate amount of relevant loans outstanding during the period/year	1,265	1,320

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 36 SEGMENT REPORTING

The Group manages its business by business lines. Being consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

#### Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services and guarantee services.

#### Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

#### Treasury business

This segment covers the Group's treasury business operations, including interbank money market transactions, repurchase transactions, interbank investments, and debt security trading. The financial market business segment also covers the management of the Group's overall liquidity position, including the issuance of debts.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 36 SEGMENT REPORTING (continued)

#### Others

These represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and measurement of segment income, expenses and results are based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period on the acquisition of property and equipment, intangible assets and other long-term assets.





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT

The Group has exposure to the following risks arising from its financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

#### Risk management system

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors is responsible for establishing and maintaining a robust and effective risk management system and determining general risk preference and risk tolerance of the Group. Based on the general strategy of the Group, the Committee of Risk Management under the Board reviews the Group's risk management system and basic principles, risk management strategies and internal control system framework; supervises and evaluates the establishment, organization, working procedures, and effectiveness of the risk management department; monitors and evaluates the risk control measures undertaken by the management in credit risk, market risk, operational risk, and other areas; identifies, monitors, controls, and periodically assesses the group's risk management status and risk tolerance capacity. Senior management led by the president will be responsible for the control of credit risk, market risk, operational risk and approval of related policies and procedures. In addition, the Group set up the Department of Risk Management, Department of Credit Examination, Department of Asset and Liability Management, Department of Law and Compliance and the Audit Department based on the requirements of general risk management to perform respective functions in risk management, strengthen risk-covering portfolio management capabilities and conduct inspection on compliance with risk management policy of internal control system on a regular or irregular basis.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

##### *Credit business*

To identify, assess, monitor and manage credit risks, the Group has designed effective system frameworks, credit policies and processes for credit risk management and implemented systematic control procedures. The responsible departments for credit risk management include the Risk Management Department and the Credit Examination Department. The Risk Management Department is responsible for implementing the Group's overall risk management system, as well as risk monitoring and control. The Risk Management Department is also responsible for formulating risk management policies. The Credit Examination Department is independent from customer relationship and product management departments to ensure the independence of credit approval. Front office departments, including the Department of Corporate Finance and the Personal Credit Asset Department, carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and inter-bank credit businesses, the Group has formulated credit investment policies and implemented differentiated portfolio management for different industries, regions, products and customers. With respect to pre-lending evaluations, the Group assesses customers' credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit-related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the applications and their recommendations to the loan approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardised loan recovery procedures.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

##### *Stages of risks in financial instruments*

The financial assets are categorised by the Group into the following stages to manage credit risk arising from financial assets:

Stage 1: Financial assets have not experienced a significant increase in credit risk since origination and impairment is recognised on the basis of 12-month expected credit losses.

Stage 2: Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3: Financial assets are in default and considered credit-impaired.

##### *Significant increase in credit risk*

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that the credit risk on financial assets has increased significantly.

If the borrower is one or more of the following criteria are met:

- the credit spread increasing significantly;
- significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;
- application of a grace period or debt-restructuring;
- significant changes with an adverse effect in the borrower's business conditions;
- decrease in value of the collateral (for the collateral loans and pledged loans only);
- early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans; or
- the borrowing being more than 30 days past due.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

##### *Significant increase in credit risk (continued)*

The Group uses the above criteria to monitor credit risk of financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by management for appropriateness.

As at 30 June 2023 and 31 December 2022, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the end of the reporting period with that at the initial recognition to identify whether there was a significant increase in credit risk.

##### *Definition of “default” and “credit-impaired assets”*

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for securities because of financial difficulties of the issuer; or
- overdue more than 90 days.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of “default” adopted by the internal management of credit risk.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

##### *Measurement of expected credit losses (“ECLs”)*

The Group adopts the ECL model to measure the provision for impairment losses on financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, overdue situations, repayments.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD. The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his/her repayment obligations over the next 12 months or the remaining lifetime of the loan.
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan.
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties or other credit support.
- The discount rate used in the calculation of the ECLs is the initial effective interest rate or its approximate value.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

##### *Measurement of expected credit losses (“ECLs”) (continued)*

Forward-looking information included in the expected credit loss model is as follows:

Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis and regularly identified the expected probability of default by predicting the future economic indicators. In addition to a base economic scenario, the Group conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights. Generally, the highest weighting is assigned to Base scenario, while lower and comparable weightings are assigned to Upside and Downside scenarios. In the first half of 2023, the key assumptions the Group has taken include producer price index (PPI), Broad Money Supply (M2), and consumer price index (CPI), etc. The Group measures relevant provision for loss by the weighted 12-month ECL (for Stage 1) or the weighted lifetime ECL (for Stage 2 and Stage 3). The above weighted credit losses are calculated by multiplying the ECLs under the different scenarios by the weight of the corresponding scenarios.

Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

Other forward-looking factors not incorporated in the above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impacts, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a regular basis.

As at 30 June 2023 and 31 December 2022, there have been no significant changes in the estimate techniques and key assumptions of the Group.

At the same time, when the management believes that the potential impact of economic fluctuations cannot be reflected by properly adjusting the model parameters above in time, the Group uses the management superposition to adjust the amount of expected credit loss.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

##### (i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the reporting periods.

##### (ii) Financial assets analysed by credit quality are summarised as follows:

	30 June 2023				
	Loans and advances to customers	Deposits/placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Others**
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	30,624	–	–	–	–
– Neither overdue nor credit-impaired	183,708,446	8,475,183	24,080,249	70,397,824	1,966
Subtotal	183,739,070	8,475,183	24,080,249	70,397,824	1,966
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	158,946	–	–	–	–
– Neither overdue nor credit-impaired	7,145,688	–	–	86,133	34,772
Subtotal	7,304,634	–	–	86,133	34,772
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	3,156,703	–	–	2,465,485	–
– Credit-impaired but not overdue	184,717	–	–	–	9,917
Subtotal	3,341,420	–	–	2,465,485	9,917
N/A	–	–	–	25,101,446	–
Interest accrued	836,673	88,437	230	776,603	–
Less: Provision for impairment losses	(6,338,454)	(31,341)	(1)	(1,667,730)	(8,263)
Net value	188,883,343	8,532,279	24,080,478	97,159,761	38,392

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

(ii) *Financial assets analysed by credit quality are summarised as follows: (continued)*

	31 December 2022				
	Loans and advances to customers	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Others**
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	378,052	–	–	–	–
– Neither overdue nor credit-impaired	174,694,491	3,342,392	28,137,445	63,982,578	6,252
Subtotal	175,072,543	3,342,392	28,137,445	63,982,578	6,252
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	196,116	–	–	–	–
– Neither overdue nor credit-impaired	7,429,313	–	–	88,593	490
Subtotal	7,625,429	–	–	88,593	490
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	3,150,934	–	–	2,473,640	–
– Credit-impaired but not overdue	203,015	–	–	–	4,438
Subtotal	3,353,949	–	–	2,473,640	4,438
N/A	–	–	–	35,324,551	–
Interest accrued	774,043	43,743	3,557	923,483	–
Less: Provision for impairment losses	(5,920,161)	(6,951)	(1)	(1,347,920)	(3,447)
Net value	180,905,803	3,379,184	28,141,001	101,444,925	7,733

\* Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

\*\* Others comprise interest receivables, other receivables and other financial assets.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

(ii) *Financial assets analysed by credit quality are summarised as follows: (continued)*

Financial assets (excluding interest accrued) analysed by credit quality

	30 June 2023							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	16,787,325	-	-	16,787,325	-	-	-	-
Deposits with banks and other financial institutions	1,467,183	-	-	1,467,183	(192)	-	-	(192)
Placements with banks and other financial institutions	7,008,000	-	-	7,008,000	(31,149)	-	-	(31,149)
Financial assets held under resale agreements	24,080,249	-	-	24,080,249	(1)	-	-	(1)
Loans and advances to customers	136,647,800	7,304,634	3,341,420	147,293,854	(3,294,632)	(1,214,980)	(1,828,842)	(6,338,454)
Financial investments	66,915,726	86,133	2,465,485	69,467,344	(192,922)	(12,920)	(1,461,888)	(1,667,730)
Other assets	1,966	34,772	9,917	46,655	(5)	(1,690)	(6,568)	(8,263)
<b>Total</b>	<b>252,908,249</b>	<b>7,425,539</b>	<b>5,816,822</b>	<b>266,150,610</b>	<b>(3,518,901)</b>	<b>(1,229,590)</b>	<b>(3,297,298)</b>	<b>(8,045,789)</b>
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	47,091,270	-	-	47,091,270	(17,933)	-	-	(17,933)
Financial investments	3,482,098	-	-	3,482,098	(3,426)	-	-	(3,426)
<b>Total</b>	<b>50,573,368</b>	<b>-</b>	<b>-</b>	<b>50,573,368</b>	<b>(21,359)</b>	<b>-</b>	<b>-</b>	<b>(21,359)</b>
Credit commitments	67,157,232	11,414	1,941	67,170,587	(375,050)	(896)	(793)	(376,739)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

(ii) *Financial assets analysed by credit quality are summarised as follows: (continued)*

Financial assets (excluding interest accrued) analysed by credit quality (continued)

	31 December 2022							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	16,950,637	–	–	16,950,637	–	–	–	–
Deposits with banks and other financial institutions	1,784,392	–	–	1,784,392	(456)	–	–	(456)
Placements with banks and other financial institutions	1,558,000	–	–	1,558,000	(6,495)	–	–	(6,495)
Financial assets held under resale agreements	28,137,445	–	–	28,137,445	(1)	–	–	(1)
Loans and advances to customers	127,339,439	7,625,429	3,353,949	138,318,817	(2,774,583)	(1,345,928)	(1,799,650)	(5,920,161)
Financial investments	60,534,789	88,593	2,473,640	63,097,022	(239,176)	(13,289)	(1,095,455)	(1,347,920)
Other assets	6,252	490	4,438	11,180	(68)	(15)	(3,364)	(3,447)
<b>Total</b>	<b>236,310,954</b>	<b>7,714,512</b>	<b>5,832,027</b>	<b>249,857,493</b>	<b>(3,020,779)</b>	<b>(1,359,232)</b>	<b>(2,898,469)</b>	<b>(7,278,480)</b>
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	47,733,104	–	–	47,733,104	(17,749)	–	–	(17,749)
Financial investments	3,447,789	–	–	3,447,789	(2,244)	–	–	(2,244)
<b>Total</b>	<b>51,180,893</b>	<b>–</b>	<b>–</b>	<b>51,180,893</b>	<b>(19,993)</b>	<b>–</b>	<b>–</b>	<b>(19,993)</b>
Credit commitments	63,384,562	12,779	2,177	63,399,518	(328,358)	(1,348)	(735)	(330,441)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

(ii) *Financial assets analysed by credit quality are summarised as follows: (continued)*

Expected credit loss ratios for financial instruments analysed by credit quality:

	30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.39%	16.56%	56.69%	3.02%
Financial assets at fair value through other comprehensive income	0.04%	N/A	N/A	0.04%
Credit commitments	0.56%	7.85%	40.86%	0.56%

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.28%	17.62%	49.70%	2.91%
Financial assets at fair value through other comprehensive income	0.04%	N/A	N/A	0.04%
Credit commitments	0.52%	10.55%	33.76%	0.52%

As at 30 June 2023, the fair values of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB3,565 million (31 December 2022: RMB4,974 million). The fair values of collaterals held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB6,483 million (31 December 2022: RMB6,525 million). The collateral mainly includes land, buildings, machinery and equipment. The fair values of collaterals have estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (a) Credit risk (continued)

##### (iii) Credit rating

The Group adopts a credit rating approach for managing the credit risk arising from the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of investments on debt securities (excluding interest accrued) analysed by credit ratings as at the end of the reporting period are as follows:

	30 June 2023	31 December 2022
Neither overdue nor impaired		
Ratings		
– AAA	63,544,500	55,473,561
– AA- to AA+	1,468,467	1,118,415
Subtotal	65,012,967	56,591,976
Unrated	96,748	96,748
Total	65,109,715	56,688,724

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Group has especially set up a structure and a team for market risk management. The Bank's Department of Risk Management takes the major responsibility for the exposure of market risk and preparation of relevant market risk management policies to submit to the Board of Directors. According to the established standards and current management capabilities, the Group measures market risk with the major adoption of sensitivity analysis. Before the new products or new businesses are launched, their market risks will be identified according to regulations.

The major source of market risk of the Group is from the asset and liability businesses involved in the market operation and the risks in interest rate and exchange rate relating to products.

#### *Interest rate risk*

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial market business position.

#### *Repricing risk*

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

#### *Trading interest rate risk*

Trading interest rate risk mainly arises from investment portfolios of treasury businesses. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the fair values of investment portfolios given a 100 basis point (1%) movement in the interest rates.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (b) Market risk (continued)

##### *Interest rate risk (continued)*

- (i) The following tables show the assets and liabilities as at the end of the reporting period by the next expected repricing date or by maturity date, depending on whichever is earlier:

	30 June 2023					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	16,793,148	254,674	16,538,474	–	–	–
Deposits with banks and other financial institutions	1,486,467	19,476	751,251	715,740	–	–
Placements with banks and other financial institutions	7,045,812	68,961	903,890	6,072,961	–	–
Financial assets held under resale agreements	24,080,478	230	21,467,228	2,612,520	–	–
Loans and advances to customers*	188,883,343	2,237,190	62,252,359	68,842,965	37,837,429	17,713,400
Financial investments	98,496,607	26,532,259	5,684,316	8,397,558	43,851,272	14,031,202
Others	5,197,000	5,197,000	–	–	–	–
<b>Total assets</b>	<b>341,982,855</b>	<b>34,309,790</b>	<b>107,598,018</b>	<b>86,641,744</b>	<b>81,688,701</b>	<b>31,744,602</b>
<b>Liabilities</b>						
Borrowings from the central bank	2,000,950	950	773,013	1,226,987	–	–
Deposits from banks and other financial institutions	81,132	705	80,427	–	–	–
Placements from banks and other financial institutions	400,090	90	400,000	–	–	–
Financial assets sold under repurchase agreements	21,033,397	9,419	21,023,978	–	–	–
Deposits from customers	272,161,328	6,513,178	98,618,953	68,041,469	98,987,728	–
Debt securities issued	19,789,368	41,907	6,880,728	10,867,635	–	1,999,098
Others	2,654,110	2,364,172	54	5,708	161,830	122,346
<b>Total liabilities</b>	<b>318,120,375</b>	<b>8,930,421</b>	<b>127,777,153</b>	<b>80,141,799</b>	<b>99,149,558</b>	<b>2,121,444</b>
<b>Asset-liability gap</b>	<b>23,862,480</b>	<b>25,379,369</b>	<b>(20,179,135)</b>	<b>6,499,945</b>	<b>(17,460,857)</b>	<b>29,623,158</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (b) Market risk (continued)

##### *Interest rate risk (continued)*

- (i) The following tables indicate the assets and liabilities as at the end of the reporting period by the next expected repricing dates or by maturity dates, depending on which is earlier:  
(continued)

	Total	Non-interest bearing	31 December 2022			
			Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	16,956,777	327,718	16,629,059	–	–	–
Deposits with banks and other financial institutions	1,797,386	13,450	780,736	1,003,200	–	–
Placements with banks and other financial institutions	1,581,798	30,293	378,400	1,173,105	–	–
Financial assets held under resale agreements	28,141,001	3,557	24,166,359	3,971,085	–	–
Loans and advances to customers*	180,905,803	2,084,638	55,284,792	77,288,174	28,034,820	18,213,379
Financial investments	102,253,637	36,583,013	3,741,462	9,480,282	41,237,439	11,211,441
Others	4,783,112	4,783,112	–	–	–	–
<b>Total assets</b>	<b>336,419,514</b>	<b>43,825,781</b>	<b>100,980,808</b>	<b>92,915,846</b>	<b>69,272,259</b>	<b>29,424,820</b>
<b>Liabilities</b>						
Borrowings from the central bank	2,873,767	1,661	785,115	2,086,991	–	–
Deposits from banks and other financial institutions	120,070	751	119,319	–	–	–
Financial assets sold under repurchase agreements	20,215,517	18,105	20,197,412	–	–	–
Deposits from customers	253,770,861	5,533,381	102,101,013	59,000,055	87,136,412	–
Debt securities issued	33,534,258	175,250	13,678,106	17,681,853	–	1,999,049
Others	2,551,403	2,243,149	–	7,065	165,940	135,249
<b>Total liabilities</b>	<b>313,065,876</b>	<b>7,972,297</b>	<b>136,880,965</b>	<b>78,775,964</b>	<b>87,302,352</b>	<b>2,134,298</b>
<b>Asset-liability gap</b>	<b>23,353,638</b>	<b>35,853,484</b>	<b>(35,900,157)</b>	<b>14,139,882</b>	<b>(18,030,093)</b>	<b>27,290,522</b>

\* As at 30 June 2023, for the loans and advances to customers under the category “Less than three months” included overdue amounts (net of provision for impairment losses) of RMB92 million (31 December 2022: RMB571 million).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (b) Market risk (continued)

##### *Interest rate risk (continued)*

##### (ii) *Interest rate sensitivity analysis*

The Group uses sensitivity analysis to measure the impact of changes in interest rates on the Group's net profit or loss and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	30 June 2023	31 December 2022
	<b>(Decrease)/ Increase</b>	<b>(Decrease)/ Increase</b>
Change in net profit		
Parallel upward shift of 100 bps in yield curves	<b>(153,232)</b>	(258,681)
Parallel downward shift of 100 bps in yield curves	<b>153,379</b>	258,804
	30 June 2023	31 December 2022
	<b>(Decrease)/ Increase</b>	<b>(Decrease)/ Increase</b>
Change in equity		
Parallel upward shift of 100 bps in yield curves	<b>(209,242)</b>	(296,514)
Parallel downward shift of 100 bps in yield curves	<b>209,275</b>	296,559

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (b) Market risk (continued)

##### *Interest rate risk (continued)*

##### *(ii) Interest rate sensitivity analysis (continued)*

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of the reporting period apply to all non-derivative financial instruments of the Group;
- At the end of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rate movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the asset and liability portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (b) Market risk (continued)

##### *Foreign currency risk*

The currency of the majority of the business of the Group is Renminbi, where the currencies of the rest of the businesses are United States dollars and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flows of the Group. Due to the small amount of foreign currency businesses of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities of each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interest of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interest of the Group would be immaterial.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (b) Market risk (continued)

##### *Foreign currency risk (continued)*

The Group's currency exposures as at the end of each of the reporting periods are as follows:

	30 June 2023			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	
<b>Assets</b>				
Cash and deposits with the central bank	16,793,089	32	27	16,793,148
Deposits with banks and other financial institutions	1,446,352	37,519	2,596	1,486,467
Placements with banks and other financial institutions	7,045,812	–	–	7,045,812
Financial assets held under resale agreements	24,080,478	–	–	24,080,478
Loans and advances to customers	188,883,343	–	–	188,883,343
Financial investments	98,496,607	–	–	98,496,607
Others	5,197,000	–	–	5,197,000
<b>Total assets</b>	<b>341,942,681</b>	<b>37,551</b>	<b>2,623</b>	<b>341,982,855</b>
<b>Liabilities</b>				
Borrowings from the central bank	2,000,950	–	–	2,000,950
Deposits from banks and other financial institutions	81,132	–	–	81,132
Placements from banks and other financial institutions	400,090	–	–	400,090
Financial assets sold under repurchase agreements	21,033,397	–	–	21,033,397
Deposits from customers	272,160,935	265	128	272,161,328
Debt securities issued	19,789,368	–	–	19,789,368
Others	2,617,409	36,582	119	2,654,110
<b>Total liabilities</b>	<b>318,083,281</b>	<b>36,847</b>	<b>247</b>	<b>318,120,375</b>
<b>Net position</b>	<b>23,859,400</b>	<b>704</b>	<b>2,376</b>	<b>23,862,480</b>
Off-balance sheet credit commitments	67,170,587	–	–	67,170,587

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (b) Market risk (continued)

##### *Foreign currency risk (continued)*

The Group's currency exposures as at the end of each of the reporting periods are as follows:  
(continued)

	31 December 2022			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	
<b>Assets</b>				
Cash and deposits with the central bank	16,956,701	58	18	16,956,777
Deposits with banks and other financial institutions	1,761,116	34,215	2,055	1,797,386
Placements with banks and other financial institutions	1,581,798	–	–	1,581,798
Financial assets held under resale agreements	28,141,001	–	–	28,141,001
Loans and advances to customers	180,905,803	–	–	180,905,803
Financial investments	102,253,637	–	–	102,253,637
Others	4,783,112	–	–	4,783,112
<b>Total assets</b>	<b>336,383,168</b>	<b>34,273</b>	<b>2,073</b>	<b>336,419,514</b>
<b>Liabilities</b>				
Borrowings from the central bank	2,873,767	–	–	2,873,767
Deposits from banks and other financial institutions	120,070	–	–	120,070
Financial assets sold under repurchase agreements	20,215,517	–	–	20,215,517
Deposits from customers	253,769,998	743	120	253,770,861
Debt securities issued	33,534,258	–	–	33,534,258
Others	2,518,544	32,859	–	2,551,403
<b>Total liabilities</b>	<b>313,032,154</b>	<b>33,602</b>	<b>120</b>	<b>313,065,876</b>
<b>Net position</b>	<b>23,351,014</b>	<b>671</b>	<b>1,953</b>	<b>23,353,638</b>
Off-balance sheet credit commitments	63,399,518	–	–	63,399,518

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (c) Liquidity risk

Liquidity risk is the risk that the Group is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet its repayment obligations.

The Group plays an active part in managing liquidity risks and improves the related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management, its Risk Management Committee and Asset and Liability Management Committee, Department of Risk Management, Department of Asset and Liability Management, Department of Corporate Finance, Department of Retail Banking, Department of Personal Credit Assets Management, Department of Trade Finance, Department of Financial Market, Department of Technology Information and Audit Department of the Bank, which are responsible for formulating liquidity risk management strategies and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategies.

The measurement of liquidity risk of the Group adopts liquidity indicators and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of responses to liquidity risks, the Group strengthens the management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity asset reserves and financing capability management; erects liquidity risk reporting mechanism, in which the asset and liability management department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

## 37 RISK MANAGEMENT (continued) (c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group by maturity grouping based on the remaining periods to repayment at the end of the reporting period:

	30 June 2023						Total	
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years		More than five years
<b>Assets</b>								
Cash and deposits with the central bank	13,049,722	3,737,603	5,823	-	-	-	16,793,148	
Deposits with banks and other financial institutions	-	351,315	206,689	205,023	723,440	-	1,486,467	
Placements with banks and other financial institutions	-	-	416,451	519,912	6,109,449	-	7,045,812	
Financial assets held under resale agreements	-	-	16,792,565	4,675,393	2,612,520	-	24,080,478	
Loans and advances to customers	1,554,791	3,205,040	7,739,090	26,848,307	69,549,653	40,050,582	39,935,840	
Financial investments	3,074,367	20,815,310	3,306,748	2,502,448	7,879,358	46,343,167	14,575,209	
Others	4,403,186	793,814	-	-	-	-	5,197,000	
<b>Total assets</b>	<b>22,082,066</b>	<b>28,903,082</b>	<b>28,467,366</b>	<b>34,751,083</b>	<b>86,874,460</b>	<b>86,393,749</b>	<b>54,511,049</b>	<b>341,982,855</b>
<b>Liabilities</b>								
Borrowings from the central bank	-	-	-	773,963	1,226,987	-	-	2,000,950
Deposits from banks and other financial institutions	-	81,132	-	-	-	-	-	81,132
Placements from banks and other financial institutions	-	-	400,090	-	-	-	-	400,090
Financial assets sold under repurchase agreements	-	-	20,124,705	908,692	-	-	-	21,033,397
Deposits from customers	-	73,816,726	10,948,751	14,967,811	69,347,122	103,080,918	-	272,161,328
Debt securities issued	-	-	1,798,286	5,082,441	10,909,543	-	1,999,098	19,789,368
Others	-	2,274,714	15,136	20,051	90,704	202,269	51,236	2,654,110
<b>Total liabilities</b>	<b>-</b>	<b>76,172,572</b>	<b>33,286,968</b>	<b>21,752,958</b>	<b>81,574,356</b>	<b>103,283,187</b>	<b>2,050,334</b>	<b>318,120,375</b>
<b>Net position</b>	<b>22,082,066</b>	<b>(47,269,490)</b>	<b>(4,819,602)</b>	<b>12,998,125</b>	<b>5,300,104</b>	<b>(16,889,438)</b>	<b>52,460,715</b>	<b>23,862,480</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued) (c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group by maturity grouping based on the remaining periods to repayment at the end of the reporting period: (continued)

	31 December 2022					Total	
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year		Between one year and five years
<b>Assets</b>							
Cash and deposits with the central bank	12,481,525	4,469,112	6,140	-	-	-	16,956,777
Deposits with banks and other financial institutions	-	680,857	-	101,893	1,014,636	-	1,797,386
Placements with banks and other financial institutions	-	-	-	387,822	1,193,976	-	1,581,798
Financial assets held under resale agreements	-	-	21,729,204	2,440,712	3,971,085	-	28,141,001
Loans and advances to customers	1,634,077	184,378	11,001,001	20,928,222	78,048,591	30,001,754	180,905,803
Financial investments	3,003,109	30,821,223	979,841	2,408,444	9,727,784	43,753,993	102,253,637
Others	4,163,162	619,950	-	-	-	-	4,783,112
<b>Total assets</b>	<b>21,281,873</b>	<b>36,775,520</b>	<b>33,716,186</b>	<b>26,267,093</b>	<b>93,956,072</b>	<b>73,755,747</b>	<b>386,419,514</b>
<b>Liabilities</b>							
Borrowings from the central bank	-	-	-	786,776	2,086,991	-	2,873,767
Deposits from banks and other financial institutions	-	120,070	-	-	-	-	120,070
Financial assets sold under repurchase agreements	-	-	19,697,716	517,801	-	-	20,215,517
Deposits from customers	-	71,652,172	14,796,425	16,910,490	60,054,691	90,357,083	253,770,861
Debt securities issued	-	-	3,875,656	9,892,549	17,767,004	-	33,534,258
Others	-	2,193,485	23,872	10,504	112,073	159,132	52,337
<b>Total liabilities</b>	<b>-</b>	<b>73,965,727</b>	<b>38,393,669</b>	<b>28,118,120</b>	<b>80,020,759</b>	<b>90,516,215</b>	<b>313,065,876</b>
<b>Net position</b>	<b>21,281,873</b>	<b>(37,190,207)</b>	<b>(4,677,483)</b>	<b>(1,851,027)</b>	<b>13,935,313</b>	<b>(16,760,468)</b>	<b>23,353,638</b>

\* Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue for more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of "repayable on demand". Indefinite amount of financial investments represents impaired investments or those overdue for more than one month. Equity investments are listed under the category of "indefinite".

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (c) Liquidity risk (continued)

The following tables are an analysis of the contractual undiscounted cash flows of the non-derivative liabilities of the Group at the end of the reporting period:

	30 June 2023							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative liabilities</b>								
Borrowings from the central bank	2,000,950	2,023,021	-	-	783,546	1,239,475	-	-
Deposits from banks and other financial institutions	81,132	81,132	81,132	-	-	-	-	-
Placements from banks and other financial institutions	400,090	400,297	-	400,297	-	-	-	-
Financial assets sold under repurchase agreements	21,033,397	20,943,735	-	20,133,173	810,562	-	-	-
Deposits from customers	272,161,328	282,679,935	73,816,726	10,958,166	15,034,513	70,408,543	112,461,987	-
Debt securities issued	19,789,368	20,634,800	-	1,800,000	5,100,000	11,065,600	382,400	2,286,800
Other liabilities	2,654,110	2,687,498	2,277,992	16,669	21,036	96,769	218,463	56,569
<b>Total non-derivative liabilities</b>	<b>318,120,375</b>	<b>329,450,418</b>	<b>76,175,850</b>	<b>33,308,305</b>	<b>21,749,657</b>	<b>82,810,387</b>	<b>113,062,850</b>	<b>2,343,369</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, human mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

- Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.
- Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.
- Preference to low operational risk under the framework of “robust” risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.
- Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, and establish ledgers of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pay constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 37 RISK MANAGEMENT (continued)

#### (d) Operational risk (continued)

- Combination of punishments and incentives to encourage compliance and standard operations, Integral management will be implemented to personnel who violate operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.
- Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

### 38 FAIR VALUE

#### (a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

##### (i) *Debt securities and equity investments*

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

##### (ii) *Receivables and other non-derivative financial assets*

Fair values are estimated at the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 38 FAIR VALUE (continued)

#### (a) Methods and assumptions for measurement of fair value (continued)

##### (iii) *Debt securities issued and other non-derivative financial liabilities*

Fair values of issued debt securities are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

#### (b) Fair value measurement

##### (i) *Financial assets*

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

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

Loans and advances to customers are mostly priced at floating rates, which are close to the PBOC rates. Accordingly, the carrying amounts approximate to the fair values.

Financial investments at fair value through other comprehensive income and financial assets at fair value through profit or loss are stated at fair value. The carrying amounts of financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or re-priced at current market rates frequently.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 38 FAIR VALUE (continued)

#### (b) Fair value measurement (continued)

##### (ii) *Financial liabilities*

The Group's financial liabilities mainly include borrowings from the central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued.

The book value and fair value of debt securities issued are presented in Note 28. The carrying amounts of other financial liabilities approximate to their fair values.

#### (c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

- Level 1: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, and discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and exchange rates. Where the discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is by reference to another instrument that is substantially the same.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 38 FAIR VALUE (continued)

#### (c) Fair value hierarchy (continued)

	30 June 2023			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements assets				
<i>Financial investments at fair value through profit or loss</i>				
– debt securities and interbank deposits	–	1,686,233	96,748	1,782,981
– fund investments	–	20,815,310	–	20,815,310
– investment management products	–	367,468	2,135,687	2,503,155
– other investments	185,971	–	–	185,971
<i>Financial investments at fair value through other comprehensive income</i>				
– debt securities and interbank deposits	–	2,509,317	–	2,509,317
– investment management products	–	1,028,082	–	1,028,082
– other investments	–	1,030,175	120,700	1,150,875
<i>Loans and advances to customers measured at fair value through other comprehensive income</i>				
– discounted bills	–	47,091,270	–	47,091,270
<b>Total</b>	<b>185,971</b>	<b>74,527,855</b>	<b>2,353,135</b>	<b>77,066,961</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 38 FAIR VALUE (continued)

#### (c) Fair value hierarchy (continued)

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements assets				
<i>Financial investments at fair value through profit or loss</i>				
– debt securities and interbank deposits	–	1,851,918	96,748	1,948,666
– fund investments	–	30,821,223	–	30,821,223
– investment management products	–	361,902	2,192,760	2,554,662
– other investments	197,630	–	–	197,630
<i>Financial investments at fair value through other comprehensive income</i>				
– debt securities and interbank deposits	–	2,741,201	–	2,741,201
– investment management products	–	783,117	–	783,117
– other investments	–	490,382	120,700	611,082
<i>Loans and advances to customers measured at fair value through other comprehensive income</i>				
– discounted bills	–	47,733,104	–	47,733,104
<b>Total</b>	<b>197,630</b>	<b>84,782,847</b>	<b>2,410,208</b>	<b>87,390,685</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 38 FAIR VALUE (continued)

#### (c) Fair value hierarchy (continued)

The movements during the six months ended 30 June 2023 in the balance of Level 3 fair value measurements are as follows:

	1 January 2023	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements			Unrealised gains or losses for the period included in profit or loss for assets held at the end of 30 June 2023
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	
<b>Assets</b>									
Financial investments at fair value through profit or loss									
– debt securities	96,748	-	-	-	-	-	-	-	96,748
– investment management products	2,192,760	-	-	(30,073)	-	-	(27,000)	-	2,135,687 (36,204)
<b>Subtotal</b>	<b>2,289,508</b>	<b>-</b>	<b>-</b>	<b>(30,073)</b>	<b>-</b>	<b>-</b>	<b>(27,000)</b>	<b>-</b>	<b>2,232,435 (36,204)</b>
<b>Financial investments at fair value through other comprehensive income</b>									
– other investments	120,700	-	-	-	-	-	-	-	120,700
<b>Total</b>	<b>2,410,208</b>	<b>-</b>	<b>-</b>	<b>(30,073)</b>	<b>-</b>	<b>-</b>	<b>(27,000)</b>	<b>-</b>	<b>2,353,135 (36,204)</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 38 FAIR VALUE (continued)

#### (c) Fair value hierarchy (continued)

The movements during the year ended 31 December 2022 in the balance of Level 3 fair value measurements are as follows:

	1 January 2022	Transfer into Level 3	Transfer out of Level 3	Recorded in profit or loss	Recorded in other comprehensive income	Purchases, issues, sales and settlements			Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year	
						Purchases	Issues	Sales		Settlements
<b>Assets</b>										
Financial investments at fair value through profit or loss										
- debt securities	94,390	-	-	2,358	-	-	-	-	-	96,748
- investment management products	2,036,552	166,455	-	(10,247)	-	-	-	-	-	2,192,760
<b>Subtotal</b>	<b>2,130,942</b>	<b>166,455</b>	<b>-</b>	<b>(7,889)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,289,508</b>
<b>Financial investments at fair value through other comprehensive income</b>										
- other investments	120,700	-	-	-	-	-	-	-	-	120,700
<b>Total</b>	<b>2,251,642</b>	<b>166,455</b>	<b>-</b>	<b>(7,889)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,410,208</b>

During the six months ended 30 June 2023 and the year ended 31 December 2022, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 39 FIDUCIARY ACTIVITIES

#### (a) Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position. Surplus funding is accounted for as other liabilities.

	<b>30 June 2023</b>	31 December 2022
Entrusted loans	<b>5,035,930</b>	5,233,630
Entrusted funds	<b>5,036,226</b>	5,233,933

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 40 COMMITMENTS AND CONTINGENT LIABILITIES

#### (a) Credit commitments

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

The contractual amounts of loan commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	30 June 2023	31 December 2022
Loan commitments		
– Original contractual maturity within one year	1,926,126	1,758,637
– Original contractual maturity more than one year (inclusive)	8,734,103	7,292,468
Credit card commitments	6,569,396	6,309,324
Subtotal	17,229,625	15,360,429
Acceptances	39,815,985	39,084,645
Letters of credit	9,931,366	8,156,951
Letters of guarantees	193,611	198,493
Others	–	599,000
Total	67,170,587	63,399,518

The Group may be exposed to credit risk in all the above credit businesses. The Group's management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of the expected future cash outflows.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 40 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

#### (b) Credit risk-weighted amount for credit commitments

	30 June 2023	31 December 2022
Credit risk-weighted amount for credit commitments	29,634,907	24,435,472

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

#### (c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments were as follows:

	30 June 2023	31 December 2022
Contracted but not paid for	95,383	57,288
Authorised but not contracted for	492	9,586
Total	95,875	66,874

#### (d) Outstanding litigations and disputes

As at 30 June 2023, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amount of RMB620 thousand (31 December 2022: RMB28 thousand). The Group has assessed the impact of the above outstanding litigations and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavourable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 40 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

#### (e) Bonds underwriting commitments and redemption obligations

The Group had no outstanding bond underwriting commitments at the end of the reporting period.

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest accrued and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with relevant rules of the Ministry of Finance (“MOF”) and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 30 June 2023 or 31 December 2022:

	30 June 2023	31 December 2022
Redemption obligations	2,767,396	2,617,991

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 40 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

#### (f) Pledged assets

##### (i) Assets pledged as collateral

	30 June 2023	31 December 2022
For repurchase agreements:		
– Financial investments measured at amortised cost	19,857,753	20,149,532
– Discounted bills	3,093,836	2,462,061
Total	22,951,589	22,611,593

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements.

##### (ii) Pledged assets received

The Group conducts resale agreements under standard terms of placements and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 16. The fair value of such collateral accepted by the Group was RMB24,351 million as at 30 June 2023 (31 December 2022: RMB29,239 million). These transactions were conducted under standard terms in the normal course of business.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED

(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 41 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include funds, trust schemes and asset management plans issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets were recognised as at 30 June 2023 and 31 December 2022:

	30 June 2023		31 December 2022	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	22,048,684	22,048,684	32,110,901	32,110,901
Financial investments at fair value through other comprehensive income	1,028,082	1,028,082	783,117	783,117
Financial investments at amortised cost	470,302	470,302	464,004	464,004
<b>Total</b>	<b>23,547,068</b>	<b>23,547,068</b>	<b>33,358,022</b>	<b>33,358,022</b>

As at 30 June 2023 and 31 December 2022, the carrying amounts of the unconsolidated structured entities were equal to the maximum exposures.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 41 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(continued)

#### (b) Structured entities sponsored by the Group in which the Group does not consolidate but holds interests

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2023 and 31 December 2022, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised were not material in the statement of financial position.

For the six months ended 30 June 2023, the amount of fee and commission income received from the above-mentioned structured entities by the Group was RMB91 million (for the six months ended 30 June 2022: RMB96 million).

As at 30 June 2023, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB46,469 million (for the year ended 31 December 2022: RMB48,231 million).

#### (c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests as at 30 June 2023

For the six months ended 30 June 2023, there were no non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 30 June (for the six months ended 30 June 2022, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 30 June was RMB795 million).

### 42 SUBSEQUENT EVENTS

The Group has no material events for disclosure subsequent to the end of the reporting period.

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

The information set out below does not form part of the unaudited interim financial information, and is included herein for the purpose of providing information only.

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

## 1 LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO

### (a) Liquidity coverage ratio

	30 June 2023	Average for the six months ended 30 June 2023
Liquidity coverage ratio (RMB and foreign currencies)	253.52%	253.69%

	31 December 2022	Average for the year ended 31 December 2022
Liquidity coverage ratio (RMB and foreign currencies)	208.87%	216.69%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, the minimum regulatory requirement of liquidity coverage ratio is 100%.

### (b) Leverage ratio

	30 June 2023	31 December 2022
Leverage ratio	6.05%	6.02%

Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks issued by the former CBRC effective since 1 April 2015, a minimum leverage ratio of 4% is required.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

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

#### (c) Net Stable Funding Ratio

	30 June 2023	31 March 2023	31 December 2022
Net stable funding ratio	133.90%	131.60%	128.32%
Stable funds available	217,951,020	216,154,459	208,056,120
Stable funding required	162,771,843	164,253,952	162,134,560

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio of 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

### 2 CURRENCY CONCENTRATIONS

	30 June 2023			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	35,769	2,456	143	38,368
Spot liabilities	(35,099)	(65)	(156)	(35,320)
Net position	670	2,391	(13)	3,048

	31 December 2022			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	36,249	2,369	156	38,774
Spot liabilities	(35,579)	(52)	(170)	(35,801)
Net position	670	2,317	(14)	2,973

As at 30 June 2023, the Group's structural position was RMB34 million (31 December 2022: RMB35 million).

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 3 INTERNATIONAL CLAIMS

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

International claims only include deposits from banks and other financial institutions.

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

	30 June 2023		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	2,415	–	2,415
Europe	84	–	84
<b>Total</b>	<b>2,499</b>	<b>–</b>	<b>2,499</b>

	31 December 2022		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,886	–	1,886
Europe	79	–	79
<b>Total</b>	<b>1,965</b>	<b>–</b>	<b>1,965</b>

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED  
(AMOUNTS IN THOUSANDS OF RENMINBI, UNLESS OTHERWISE STATED)

### 4 GROSS AMOUNTS OF OVERDUE LOANS AND ADVANCES

	30 June 2023	31 December 2022
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	166,637	125,067
– between 6 months and 1 year (inclusive)	399,185	754,938
– between 1 year and 3 years (inclusive)	2,281,478	1,792,186
– over 3 years	300,680	231,831
<b>Total</b>	<b>3,147,980</b>	<b>2,904,022</b>
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.09%	0.07%
– between 6 months and 1 year (inclusive)	0.21%	0.41%
– between 1 year and 3 years (inclusive)	1.17%	0.96%
– over 3 years	0.15%	0.12%
<b>Total</b>	<b>1.62%</b>	<b>1.56%</b>

## LIST OF BRANCHES

As at June 30, 2023, the details of the branches of the Bank are as follows:

No.	Institution name	Institution address	Note
1.	Head office	No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province	4 sub-branches directly administered by the head office and 75 outlets under its jurisdiction
2.	Lvliang Branch	Intersection of Changzhi Road and Longfeng Street, Lishi District, Lvliang, Shanxi Province	7 outlets under its jurisdiction
3.	Yuncheng Branch	No. 989 Pu'an Street, Yanhu District, Yuncheng, Shanxi Province	8 outlets under its jurisdiction
4.	Linfen Branch	Block B, Guangqi Fortune Center, Hefen Road, Linfen, Shanxi Province	10 outlets under its jurisdiction
5.	Shuozhou Branch	North side of Zhenhua East Street, Shuozhou Economic Development Zone, Shanxi Province	11 outlets under its jurisdiction
6.	Datong Branch	Tower 4, Jinmao International Centre, West of Wenxing Road, Pingcheng District, Datong, Shanxi Province	7 outlets under its jurisdiction
7.	Changzhi Branch	No. 288 Chengdong Road, Changzhi, Shanxi Province	9 outlets under its jurisdiction
8.	Xinzhou Branch	Yiren Commercial Complex, Jianshe South Road, Xinfu District, Xinzhou, Shanxi Province	11 outlets under its jurisdiction
9.	Jincheng Branch	1/F – 2/F, Zizhulin Building, Fengtai West Street, Jincheng, Shanxi Province	6 outlets under its jurisdiction
10.	Jinzhong Branch	No. 678, Anning Street, Yuci District, Jinzhong, Shanxi Province	7 outlets under its jurisdiction
11.	Yangquan Branch	1/F – 5/F, Commercial Building, Wanlong International Phase I, Nanda East Street, Yangquan, Shanxi Province	3 outlets under its jurisdiction



**晋商银行**  
Jinshang Bank