



盛京銀行
SHENGJING BANK

Shengjing Bank Co., Ltd.*

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

Stock Code: 02066



2024
Interim Report

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* *Shengjing 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*

COMPANY INFORMATION

Legal Name in Chinese	盛京銀行股份有限公司
Abbreviation in Chinese	盛京銀行
Legal Name in English	Shengjing Bank Co., Ltd.
Abbreviation in English	SHENGJING BANK
Legal Representative	SUN Jin
Authorised Representatives	SUN Jin and ZHOU Zhi
Secretary to the Board of Directors	ZHOU Zhi
Joint Company Secretaries	ZHOU Zhi and KWONG Yin Ping, Yvonne
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Website of the Hong Kong Stock Exchange on which the H Share Interim Report is Published	www.hkexnews.hk
Place of Maintenance of the Interim Report	Office of the Board of Directors of Shengjing Bank
Stock Name	Shengjing Bank
Stock Code	02066

COMPANY INFORMATION (CONTINUED)

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FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	January to June 2024	January to June 2023	Rate of Change (%)
Operating Results			
Operating income	4,560,146	7,143,937	(36.2)
Profit before taxation	650,980	919,254	(29.2)
Net profit	591,690	789,635	(25.1)
Net profit attributable to equity shareholders of the Bank	<u>576,594</u>	<u>737,875</u>	<u>(21.9)</u>

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June 2024	31 December 2023	Rate of Change (%)
Major indicators of assets/liabilities			
Total assets	1,068,305,291	1,080,052,706	(1.1)
Of which: total loans and advances to customers ⁽¹⁾	492,707,548	477,876,799	3.1
Total liabilities	988,241,417	1,000,157,843	(1.2)
Of which: total deposits from customers ⁽¹⁾	779,277,310	761,154,553	2.4
Share capital	8,796,680	8,796,680	–
Equity attributable to equity shareholders of the Bank	79,487,684	79,330,169	0.2
Total equity	<u>80,063,874</u>	<u>79,894,863</u>	<u>0.2</u>

	January to June 2024	January to June 2023	Change
Profitability indicators (%)			
Return on average total assets ⁽²⁾	0.11	0.15	(0.04)
Return on average equity ⁽³⁾	1.48	1.93	(0.45)
Net interest spread ⁽⁴⁾	1.20	1.30	(0.10)
Net interest margin ⁽⁵⁾	0.80	1.22	(0.42)
Cost-to-income ratio ⁽⁶⁾	<u>57.58</u>	<u>33.39</u>	<u>24.19</u>

FINANCIAL HIGHLIGHTS (CONTINUED)

	30 June 2024	31 December 2023	Change
Asset equity indicators (%)			
Non-performing loan ratio ⁽⁷⁾	2.66	2.68	(0.02)
Provision coverage ratio ⁽⁸⁾	159.59	159.50	0.09
Allowance to total loans ⁽⁹⁾	4.25	4.27	(0.02)
Capital adequacy ratio indicators (%)			
Core tier-one capital adequacy ratio ⁽¹⁰⁾	10.26	10.42	(0.16)
Tier-one capital adequacy ratio ⁽¹⁰⁾	12.24	12.43	(0.19)
Capital adequacy ratio ⁽¹⁰⁾	13.93	14.12	(0.19)
Total equity to total assets ratio	7.49	7.40	0.09
Other indicators (%)			
Loan-to-deposit ratio ⁽¹¹⁾	63.23	62.78	0.45

FINANCIAL HIGHLIGHTS (CONTINUED)

Notes:

- (1) Total loans and advances to customers do not include interest receivable and impairment provisions, and total deposits from customers do not include interest payable.
- (2) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (3) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and the end of the period.
- (4) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (5) Calculated by dividing net interest income by the average interest-earning assets.
- (6) Calculated by dividing operating expenses (less tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of non-performing loans by the total amount of loans and advances to customers.
- (8) Calculated by dividing the balance of provision for impairment on loans by the non-performing loans.
- (9) Calculated by dividing the balance of provision for impairment on loans by the total amount of loans and advances to customers.
- (10) Core tier-one capital adequacy ratio, Tier-one capital adequacy ratio and capital adequacy ratio were calculated in accordance with the Regulation Governing Capital of Commercial Banks (《商業銀行資本管理辦法》) promulgated by the NFRA.
- (11) Loan-to-deposit ratio is calculated by dividing the total amount of loans and advances to customers by total deposits from customers.

MANAGEMENT DISCUSSION AND ANALYSIS

3.1 ANALYSIS OF OVERALL OPERATIONS

In the first half of 2024, Shengjing Bank thoroughly implemented the guiding principles of the Central Financial Work Conference and the Central Economic Work Conference, efficiently implemented the decisions and deployments made by the Party committees of higher-level, governments and regulatory authorities, formulated and issued a three-year strategic plan and Party building plan following a profound analysis of the internal and external environments, adhered to the leadership of the Party in all respects, adhered to its market positioning of being a city commercial bank, insisted on prudent, sound and sustainable development, pushed forward, bearing the strategic vision of “building a sound bank that benefits enterprises and the people” in mind, the transformation of operation model in a solid manner, and enhanced its internal management, with its asset scale remaining steady, asset-liability structure continuing to be optimised, ability to resist risks continuously being reinforced, and its overall operation tending to be improving continuously while remaining stable.

Advancing transformation and development proactively, with the main businesses growing steadily

During the Reporting Period, adapting to the macroeconomic environment and industry development trend, the Bank strengthened the organisation and implementation of its strategic planning, steadily promoted the transformation of its operation, continued to optimize the asset-liability structure, and coordinated and managed to achieve a balance between the effective improvement in terms of quality and a reasonable growth in terms of quantity. As at 30 June 2024, the net capital of the Bank amounted to RMB105.547 billion; the total assets of the Bank amounted to RMB1,068.305 billion; various deposits amounted to RMB779.277 billion, representing an increase of RMB18.123 billion, or 2.4%, compared with the end of the previous year; deposits accounted for 78.9% of total liabilities, representing an increase of 2.8 percentage points compared with the end of the previous year; and loans amounted to RMB492.708 billion, representing an increase of RMB14.831 billion, or 3.1%, compared with the end of the previous year; loans accounted for 46.1% of the total assets of the Bank, representing an increase of 1.8 percentage points as compared with that at the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Strengthening comprehensive risk management, with the quality of assets being steadily consolidated

During the Reporting Period, the Bank proactively responded to macroeconomic changes, adhered to sound and prudent risk appetite and risk management strategies, and implemented a targeted credit policy that was in line with the development strategy of the Bank; it thoroughly pushed forward the digitalisation transformation in the risk management and control area, strengthened technology-enabled risk management, and enhanced the scientific nature of credit decision-making and the perspectiveness of risk management and control; and increased the disposal of existing non-performing assets while strictly controlling the incremental risks to enhance its risk-resisting capability. As at 30 June 2024, the Bank's non-performing loan ratio was 2.66%, representing a decrease of 0.02 percentage point compared with that at the end of the previous year. The provision coverage ratio was 159.59%, representing an increase of 0.09 percentage point compared with that at the end of the previous year.

Following national strategic directions and improving the quality and efficiency of serving the economy

During the Reporting Period, the Bank focused on serving the high-quality development of real economy, and continued to strengthen its capacity in financial service to the local economy, small and medium enterprises and urban and rural residents by focusing on the "five articles" and positioning itself as a "three-services" offering company. As at 30 June 2024, the Bank had invested RMB16.2 billion of loans in science and technology, green, manufacturing industries and other key areas; continued to improve the quality of services for rural revitalisation, and enriched the "Liao" and "Sheng" series financial products, with its inclusive loans to small and micro enterprises increasing 32.2% compared with that for the beginning of the year and the number of small and micro enterprises loan customers increasing by 23.9% compared with that for the beginning of the year; and gave full play to its role of promoting consumption and stabilising growth, and strengthened the supply of financial products for consumer credit, with the loans to consumer increasing by 17.7% compared with that for the beginning of the year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Practicing the concept of “finance for the people” and continuously improving the service level

During the Reporting Period, the Bank developed community financial services, fully implemented the politics and people serving-oriented financial work, created “Warming neighbors with Shengjing’s hospitality to build a better community (盛情兩鄰、共建美好)”, actively constructed the ecological co-construction cooperation model of “Bank + Government”, and actively integrated into the community life service scenarios. It increased convenience for the public, orderly promoted the penetration of the inclusive loans to small and micro enterprises and retail credit into markets at grassroots level, implemented “online + offline” and “branch+ community” integrated and multi-channel financial services for customers, and empowered the operation and development through digital means, to enhance the customers’ overall experience. Meanwhile, the Bank strengthened the construction of consumer rights and interests protection system, organised and carried out public welfare-oriented financial literacy campaign and anti-fraud publicity and education activities, contributing to the construction of a safe and harmonious financial environment.

3.2 ANALYSIS OF FINANCIAL STATEMENTS

3.2.1 Analysis of the Income Statement

In the first half of 2024, the Bank achieved a net profit of RMB592 million, representing a year-on-year decrease of RMB198 million or 25.1%, principally due to the net interest margin of the banking sector further narrowed as a result of the policy of allowing the banking sector to benefit the real economy, the successive downward adjustments of the Loan Prime Rate (LPR), the lowering of the market interest rates, the lack of effective demand for financing, the repricing of the asset business and the downward movement of interest rates on newly issued loans; the Bank responded to changes in the macro environment and the market, strengthened asset-liability management and optimized the structure, reduced interest expenses on liabilities and increased net non-interest income; meanwhile, the Bank strictly implemented a prudent and steady risk management strategy and continued to improve the quality of loan placement and the proportion of high-quality assets, with a year-on-year decrease in interest income on interest-earning assets and a year-on-year decrease in asset impairment losses accrued during the period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024	2023	Change in amount	Rate of change (%)
Interest income	16,442,995	21,300,324	(4,857,329)	(22.8)
Interest expense	(13,207,207)	(15,322,002)	2,114,795	(13.8)
Net interest income	3,235,788	5,978,322	(2,742,534)	(45.9)
Net fee and commission income	19,337	140,434	(121,097)	(86.2)
Net trading loss	(1,058,480)	(126,981)	(931,499)	733.6
Net gains arising from investments	2,342,057	1,137,775	1,204,282	105.8
Other operating income	21,444	14,387	7,057	49.1
Operating income	4,560,146	7,143,937	(2,583,791)	(36.2)
Operating expenses	(2,773,695)	(2,553,648)	(220,047)	8.6
Impairment losses on assets	(1,135,471)	(3,671,035)	2,535,564	(69.1)
Profit before taxation	650,980	919,254	(268,274)	(29.2)
Income tax credit	(59,290)	(129,619)	70,329	(54.3)
Net profit	591,690	789,635	(197,945)	(25.1)

3.2.1.1 Operating income

In the first half of 2024, the Bank achieved an operating income of RMB4,560 million, representing a year-on-year decrease of RMB2,584 million or 36.2%, mainly due to the impact of the overall operating environment and the market, the slowdown in the growth of the scale of banking assets, the net interest margin being at a historical low level; the Bank continued to strengthen quality management and cost control of liabilities, and interest expense on liabilities declined year on year; the Bank chose the opportunity to sell and dispose of bonds and other financial investments during the Reporting Period, resulting in an increase in investment income and a year-on-year increase in net non-interest income; in recent years, the Bank has strictly managed its risk preference management, integrated and balanced the volume, price and risk, and promoted asset recovery and replacement and structural optimization, resulting in a year-on-year decline in asset yields, and a year-on-year decrease in the overall interest income.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024	2023	Change in amount	Rate of change (%)
Net interest income	3,235,788	5,978,322	(2,742,534)	(45.9)
Net non-interest income	1,324,358	1,165,615	158,743	13.6
Operating income	4,560,146	7,143,937	(2,583,791)	(36.2)

3.2.1.2 Net interest income

In the first half of 2024, the Bank achieved a net interest income of RMB3,236 million, representing a year-on-year decrease of RMB2,743 million, or 45.9%, of which the year-on-year decrease in interest income by RMB4,857 million and year-on-year decrease in interest expense of the Bank by RMB2,115 million.

The following table sets forth the interest income, interest expense and net interest income of the Bank:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024	2023	Change in amount	Rate of change (%)
Interest income	16,442,995	21,300,324	(4,857,329)	(22.8)
Interest expense	(13,207,207)	(15,322,002)	2,114,795	(13.8)
Net interest income	3,235,788	5,978,322	(2,742,534)	(45.9)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.3 Net Interest Spread and Net Interest Margin

The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yields on interest-earning assets or the related average costs of interest-bearing liabilities for the periods indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2024			For the six months ended 30 June 2023		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	485,013,736	12,257,874	5.08	657,299,633	17,473,016	5.36
Financial investments	245,611,821	3,496,069	2.86	221,573,802	3,019,646	2.75
Deposits with Central Bank	58,964,887	423,747	1.45	69,790,136	497,612	1.44
Deposits and placements with banks and other financial institutions	19,380,371	189,772	1.97	12,678,372	82,658	1.31
Financial assets held under resale agreements	8,273,840	75,533	1.84	25,736,643	227,392	1.78
Total interest-earning assets	817,244,655	16,442,995	4.05	987,078,586	21,300,324	4.35

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2024			For the six months ended 30 June 2023		
	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
Interest-bearing liabilities						
Borrowings from Central Bank	595,588	5,904	1.99	1,458,757	13,750	1.90
Deposits from customers	771,104,705	10,756,964	2.81	814,146,173	12,491,751	3.09
Deposits and placements from banks and other financial institutions	70,931,184	1,162,641	3.30	69,328,089	1,042,831	3.03
Financial assets sold under repurchase agreements	75,874,828	1,062,884	2.82	110,616,562	1,498,127	2.73
Debt securities issued	13,068,019	218,814	3.37	16,142,084	275,543	3.44
Total interest-bearing liabilities	931,574,324	13,207,207	2.85	1,011,691,665	15,322,002	3.05
Net interest income		3,235,788			5,978,322	
Net interest spread ⁽¹⁾			1.20			1.30
Net interest margin ⁽²⁾			0.80			1.22

Notes:

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by average balance of total interest-earning assets on annualised basis.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and interest rates for the periods indicated. Volume and interest rate variances have been measured based on movements in average balances over these periods, and changes in interest rates have been measured based on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and interest rate have been allocated to changes in interest rate.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2024 compared with 2023		
	Increase/ (decrease) Volume ⁽¹⁾	Due to interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	(4,592,031)	(623,111)	(5,215,142)
Financial investments	328,717	147,706	476,423
Deposits with Central Bank	(77,516)	3,651	(73,865)
Deposits and placements with banks and other financial institutions	43,658	63,456	107,114
Financial assets held under resale agreements	<u>(154,570)</u>	<u>2,711</u>	<u>(151,859)</u>
Changes in interest income	<u>(4,451,742)</u>	<u>(405,587)</u>	<u>(4,857,329)</u>
Interest-bearing liabilities			
Borrowings from Central Bank	(8,155)	309	(7,846)
Deposits from customers	(661,357)	(1,073,430)	(1,734,787)
Deposits and placements from banks and other financial institutions	24,154	95,656	119,810
Financial assets sold under repurchase agreements	(471,633)	36,390	(435,243)
Debt securities issued	<u>(52,585)</u>	<u>(4,144)</u>	<u>(56,729)</u>
Changes in interest income expense	<u>(1,169,576)</u>	<u>(945,219)</u>	<u>(2,114,795)</u>
Changes in net interest income	<u><u>(3,282,166)</u></u>	<u><u>539,632</u></u>	<u><u>(2,742,534)</u></u>

Notes:

- (1) Representing the average balance for the period minus the average balance for the previous period, multiplied by the average yield or cost for the previous period.
- (2) Representing the average yield or cost for the period minus the average yield or cost for the previous period, multiplied by the average balance for the period.
- (3) Representing interest income or expense for the period minus interest income or expense for the previous period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.4 Interest income

In the first half of 2024, the Bank achieved an interest income of RMB16,443 million, representing a year-on-year decrease of RMB4,857 million or 22.8%, mainly due to the year-on-year decrease in interest income from loans and advances to customers during the Reporting Period.

The following table sets forth the breakdown of the interest income of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024		2023	
	Amount	of total (%)	Amount	of total (%)
Loans and advances to customers				
Corporate loans (including discounted bills)	9,263,782	56.3	14,587,794	68.5
Personal loans	2,994,092	18.2	2,885,222	13.5
Sub-total	12,257,874	74.5	17,473,016	82.0
Financial investments	3,496,069	21.2	3,019,646	14.2
Deposits with Central Bank	423,747	2.6	497,612	2.3
Deposits and placements with banks and other financial institutions	189,772	1.2	82,658	0.4
Financial assets held under resale agreements	75,533	0.5	227,392	1.1
Total	16,442,995	100.0	21,300,324	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the essential component of the Bank's interest income. In the first half of 2024, interest income of the Bank from loans and advances to customers amounted to RMB12,258 million, representing a year-on-year decrease of RMB5,215 million or 29.8%, and accounted for 74.5% of the total interest income, representing a decrease of 7.5 percentage points, which was mainly due to the year-on-year decrease in the average balance and yield of loans and advances to customers during the Reporting Period.

The following table sets forth the average balances of the loans and advances to customers and the average yields of related interest income and loans and advances to customers for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June					
	2024			2023		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans (including discounted bills)	379,003,353	9,263,782	4.92	557,664,523	14,587,794	5.28
Personal loans	106,010,383	2,994,092	5.68	99,635,110	2,885,222	5.84
Total	485,013,736	12,257,874	5.08	657,299,633	17,473,016	5.36

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Interest Income from Financial Investments

In the first half of 2024, the Bank achieved interest income from financial investments amounting to RMB3,496 million, representing a year-on-year increase of RMB476 million or 15.8%, which was mainly due to the increase in the average balance and return rate of financial investments during the Reporting Period.

3. Interest Income from Deposits with Central Bank

In the first half of 2024, the Bank achieved interest income from deposits with Central Bank amounting to RMB424 million, representing a year-on-year decrease of RMB74 million or 14.8%, which was mainly due to the decrease in the average balance of deposits with Central Bank.

4. Interest Income from Deposits and Placements with Banks and Other Financial Institutions

In the first half of 2024, the Bank achieved interest income from deposits and placements with banks and other financial institutions amounting to RMB190 million, representing a year-on-year increase of RMB107 million or 129.6%, which was mainly due to the increase in the average balance and yield of deposits and placements with banks and other financial institutions during the Reporting Period.

5. Interest Income from Financial Assets Held under Resale Agreements

In the first half of 2024, the Bank achieved interest income from financial assets held under resale agreements amounting to RMB76 million, representing a year-on-year decrease of RMB152 million or 66.8%, which was mainly due to the decrease of average balance of financial assets held under resale agreements during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.5 Interest expense

In the first half of 2024, interest expense of the Bank amounted to RMB13,207 million, representing a year-on-year decrease of RMB2,115 million or 13.8%, which was mainly due to the year-on-year decrease of RMB1,735 million in the interest expense on deposits from customers, as well as the year-on-year decrease of RMB380 million in interest expenses on sales of repurchase of financial assets, debt securities issued, borrowing from the central bank, and interbank and other financial institutions' deposits and placements.

The following table sets forth the principal components of the interest expense of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024		2023	
	Amount	of total (%)	Amount	of total (%)
Borrowings from Central Bank	5,904	0.0	13,750	0.1
Deposits from customers	10,756,964	81.5	12,491,751	81.5
Deposits and placements from banks and other financial institutions	1,162,641	8.8	1,042,831	6.8
Financial assets sold under repurchase agreements	1,062,884	8.0	1,498,127	9.8
Debt securities issued	218,814	1.7	275,543	1.8
Total	13,207,207	100.0	15,322,002	100.0

1. Interest Expense on Borrowing from the Central Bank

In the first half of 2024, the Bank's borrowing interest expense from the Central Bank amounted to RMB6 million, representing a year-on-year decrease of RMB8 million or of 57.1%, which was mainly due to the decrease in the average balance of borrowings from Central Bank during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Interest Expense on Deposits from Customers

In the first half of 2024, interest expense on deposits from customers amounted to RMB10,757 million, representing a year-on-year decrease of RMB1,735 million, or 13.9%, which was mainly due to the Bank's continuous efforts to reduce costs and increase profitability, strengthening of the pricing management of deposits, and vigorous reduction of cost of interest payout during the Reporting Period.

The following table sets forth the average balance, interest expense and average cost for each of the components of the Bank's deposits from customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2024			For the six months ended 30 June 2023		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Demand	121,232,716	923,121	1.53	161,863,892	1,263,436	1.57
Time	110,977,049	1,634,554	2.96	119,828,396	1,959,913	3.30
Sub-total	232,209,765	2,557,675	2.22	281,692,288	3,223,349	2.31
Personal deposits						
Demand	38,653,029	38,508	0.20	53,802,038	87,225	0.33
Time	500,241,911	8,160,781	3.28	478,651,847	9,181,177	3.87
Sub-total	538,894,940	8,199,289	3.06	532,453,885	9,268,402	3.51
Total deposits from customers	771,104,705	10,756,964	2.81	814,146,173	12,491,751	3.09

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

In the first half of 2024, interest expense of the Bank on deposits and placements from banks and other financial institutions amounted to RMB1,163 million, representing a year-on-year increase of RMB120 million or 11.5%, which was mainly due to the year-on-year increase in the average balance and cost of deposits and placements from banks and other financial institutions during the Reporting Period.

4. Interest Expense on Financial Assets Sold under Repurchase Agreements

In the first half of 2024, interest expense of the Bank on financial assets sold under repurchase agreements amounted to RMB1,063 million, representing a year-on-year decrease of RMB435 million or 29.1%, which was mainly due to the year-on-year decrease in the average balance of financial assets sold under repurchase agreements during the Reporting Period.

5. Interest Expense on Debt Securities Issued

In the first half of 2024, interest expense of the Bank on debt securities issued amounted to RMB219 million, representing a year-on-year decrease of RMB57 million or 20.6%, which was mainly due to the year-on-year decrease in the average balance and cost of debt securities issued during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.6 Net Non-interest Income

1. Net Fee and Commission Income

In the first half of 2024, the Bank achieved a net fee and commission income of RMB19 million, representing a year-on-year decrease of RMB121 million or 86.2%, which is mainly due to the reduction of agency and custody services fees during the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024	2023	Change in amount	Rate of change (%)
Fee and commission income				
Agency and custody services fees	217,456	323,802	(106,346)	(32.8)
Settlement and clearing services fees	10,358	14,111	(3,753)	(26.6)
Bank card services fees	68,688	78,448	(9,760)	(12.4)
Fee and commission expense	(277,165)	(275,927)	(1,238)	0.4
Net fee and commission income	19,337	140,434	(121,097)	(86.2)

2. Net Trading Losses

In the first half of 2024, the Bank's net trading losses amounted to RMB1,058 million, representing a year-on-year increase of RMB931 million, mainly due to the change in revaluation of cost and fair value of the Bank's foreign exchange operations during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Net Gains Arising from Investments

In the first half of 2024, the Bank achieved net gains arising from financial investments amounting to RMB2,342 million, representing a year-on-year increase of RMB1,204 million or 105.8%, mainly due to the increase in net income from disposal of bond assets during the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024	2023	Change in amount	Rate of change (%)
Net gains on financial investment at fair value through profit or loss	404,839	416,066	(11,227)	(2.7)
Net gains on disposal of financial investment at fair value through other comprehensive income	508,088	680,522	(172,434)	(25.3)
Dividends from designated as financial investment at fair value through other comprehensive income	7,557	28,092	(20,535)	(73.1)
Net gains on disposal of financial investment measured at amortised cost	<u>1,421,573</u>	<u>13,095</u>	<u>1,408,478</u>	<u>10,755.8</u>
Total	<u>2,342,057</u>	<u>1,137,775</u>	<u>1,204,282</u>	<u>105.8</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.7 Operating expenses

In the first half of 2024, the operating expenses of the Bank amounted to RMB2,774 million, representing a year-on-year increase of RMB220 million or 8.6%.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024	2023	Change in amount	Rate of change (%)
Staff costs	1,457,196	1,477,498	(20,302)	(1.4)
Tax and surcharges	148,006	168,206	(20,200)	(12.0)
Depreciation and amortization	295,779	285,386	10,393	3.6
Office expenses	72,304	112,912	(40,608)	(36.0)
Other general and administrative expenses	800,410	509,646	290,764	57.1
Total operating expenses	2,773,695	2,553,648	220,047	8.6

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Staff Costs

In the first half of 2024, staff costs of the Bank amounted to RMB1,457 million, representing a year-on-year decrease of RMB20 million or 1.4%, which was mainly due to the decrease in salaries, bonuses and allowances during the Reporting Period.

The following table sets forth the principal components of the staff costs of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024	2023	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	987,025	1,010,607	(23,582)	(2.3)
Pension and annuity	160,706	158,530	2,176	1.4
Other social insurance	111,843	119,344	(7,501)	(6.3)
Housing allowances	90,354	91,143	(789)	(0.9)
Supplementary retirement benefits	2,373	1,318	1,055	80.0
Other staff benefits	104,895	96,556	8,339	8.6
Staff costs	1,457,196	1,477,498	(20,302)	(1.4)

2. Office Expenses

In the first half of 2024, office expenses of the Bank amounted to RMB72 million, representing a year-on-year decrease of RMB41 million or 36.0%.

3. Depreciation and Amortisation

In the first half of 2024, depreciation and amortization expenses of the Bank amounted to RMB296 million, representing a year-on-year increase of RMB10 million or 3.6%.

4. Other General and Administrative Expenses

In the first half of 2024, other general and administrative expenses of the Bank amounted to RMB800 million, representing a year-on-year increase of RMB291 million or 57.1%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.1.8 Impairment losses on assets

In the first half of 2024, impairment losses on assets of the Bank amounted to RMB1,135 million, representing a year-on-year decrease of RMB2,536 million or 69.1%.

The following table sets forth the principal components of impairment losses on assets of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024	2023	Change in amount	Rate of change (%)
Deposits and placements with bank and other financial institutions	(851)	1,511	(2,362)	(156.3)
Financial assets held under resale agreements	(135)	(649)	514	(79.2)
Loans and advances to customers	749,066	448,557	300,509	67.0
Financial investments	990,138	3,234,295	(2,244,157)	(69.4)
Credit commitment	(52,916)	(113,156)	60,240	(53.2)
Others	(549,831)	100,477	(650,308)	(647.2)
Total	1,135,471	3,671,035	(2,535,564)	(69.1)

3.2.1.9 Income tax credit

In the first half of 2024, the Bank's income tax credit amounted to RMB59 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.2 Analysis of the Statement of Financial Position

3.2.2.1 Assets

As of 30 June 2024, total assets of the Bank amounted to RMB1,068.305 billion, representing a decrease of RMB11.747 billion or 1.1% as compared with that at the end of the previous year, mainly due to the optimisation and adjustment of the asset structure. The principal components of our assets are (i) net loans and advances to customers (ii) financial investments (iii) cash and deposits with Central Bank, which accounted for 48.5%, 38.2% and 7.8%, respectively, of total assets of the Bank as of 30 June 2024.

The following table sets forth the composition of the Bank's total assets for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024		As at 31 December 2023	
	Amount	of total (%)	Amount	of total (%)
Assets				
Total loans and advances to customers	492,707,548	46.1	477,876,799	44.3
Interest receivable	45,793,836	4.3	38,692,307	3.6
Provision for impairment losses	(20,727,746)	(1.9)	(20,279,602)	(1.9)
Net loans and advances to customers	517,773,638	48.5	496,289,504	46.0
Financial investments ⁽¹⁾	407,920,190	38.2	457,161,176	42.3
Deposits with banks and other financial institutions	11,648,158	1.1	7,506,953	0.7
Cash and deposits with Central Bank	83,349,513	7.8	76,097,764	7.0
Financial assets held under resale agreements	2,700,018	0.3	3,099,878	0.3
Placements with banks and other financial institutions	13,291,180	1.2	9,591,254	0.9
Derivative financial assets	430,673	0.0	196,703	0.0
Other assets ⁽²⁾	31,191,921	2.9	30,109,474	2.8
Total assets	1,068,305,291	100.0	1,080,052,706	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) Financial investments include financial investments at fair value through other comprehensive income, financial investments at amortised cost and financial investments at fair value through profit or loss.
- (2) Includes property and equipment, other receivables, deferred income tax assets and other assets.

1. Loans and Advances to Customers

The total loans and advances to customers made by the Bank as of 30 June 2024 amounted to RMB492.708 billion, representing an increase of RMB14.831 billion or 3.1% as compared with that at the end of the previous year, and accounted for 46.1% of the total assets, representing an increase of 1.8 percentage points as compared with that at the end of the previous year. The loans and advances to customers made by the Bank consisted mainly of corporate loans (including discounted bills) and personal loans.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024		As at 31 December 2023	
	Amount	of total (%)	Amount	of total (%)
Corporate loans				
– Corporate loans	329,817,595	66.9	308,103,841	64.5
– Discounted bills	53,506,492	10.9	61,223,282	12.8
Personal loans				
– Residential mortgage	51,269,678	10.4	53,510,771	11.2
– Personal consumption loans	41,232,870	8.4	35,024,031	7.3
– Credit cards	11,686,464	2.4	13,333,373	2.8
– Personal business loans	5,194,449	1.0	6,681,501	1.4
Total loans and advances to customers	492,707,548	100.0	477,876,799	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Corporate loans constituted the largest component of the Bank's loan portfolio. As of 30 June 2024, the corporate loans (including discounted bills) of the Bank amounted to RMB383.324 billion, representing an increase of RMB13.997 billion or 3.8% as compared with that at the end of the previous year, accounting for 77.8% of the total loans and advances to customers and representing an increase of 0.5 percentage point as compared with that at the end of the previous year.

Personal loans offered by the Bank mainly include residential mortgage, personal consumption loans, credit cards and personal business loans. As of 30 June 2024, personal loans of the Bank amounted to RMB109.383 billion, representing an increase of RMB833 million or 0.8% as compared with that at the end of the previous year, and accounted for 22.2% of total loans and advances to customers, representing a decrease of 0.5 percentage point as compared with that at the end of the previous year.

1) Loans by type of guarantee

The structure of collaterals of the Bank's loans and advances to customers was stable and the Bank's capability of mitigating risks was relatively solid. As of 30 June 2024, the balance of loans guaranteed or secured by mortgages and pledges amounted to RMB417,637 million, representing an increase of RMB8,388 million or 2.0% as compared with that at the end of the previous year, and accounted for 84.8% of the total loans and advances to customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

If a loan is secured by more than one form of collateral, the entire amount of such a loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of loans and advances to customers by guarantee method as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024		As at 31 December 2023	
	Amount	of total (%)	Amount	of total (%)
Loans secured by mortgages	198,994,339	40.4	203,536,856	42.5
Loans secured by pledges	76,618,348	15.6	81,669,185	17.1
Guaranteed loans	142,024,684	28.8	124,043,636	26.0
Unsecured loans	75,070,177	15.2	68,627,122	14.4
Total loans and advances to customers	492,707,548	100.0	477,876,799	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Changes in provision for impairment on loans and advances to customers

As of 30 June 2024, the balance of provision for impairment on loans and advances to customers of the Bank amounted to RMB20,728 million, representing an increase of RMB448 million or 2.2% as compared with that at the end of the previous year.

	For the six months ended 30 June 2024				2023			
	A lifetime expected credit loss		A lifetime expected credit loss		A lifetime expected credit loss		A lifetime expected credit loss	
	Expected credit loss in the next 12 months	– loans without credit impairment loss	– loans with credit impairment loss	Total	Expected credit loss in the next 12 months	– loans with credit impairment loss	– loans without credit impairment loss	Total
Balance as at the beginning of the period	5,247,512	6,248,958	8,783,132	20,279,602	7,183,023	7,843,415	12,348,735	27,375,173
Transferred to:								
– to expected credit loss over the next 12 months	102,576	(60,787)	(41,789)	–	5,571	(136)	(5,435)	–
– to lifetime expected credit losses – not credit-impaired loans	(82,731)	114,735	(32,004)	–	(109,523)	594,749	(485,226)	–
– to lifetime expected credit losses – credit-impaired loans	(9,915)	(40,386)	50,301	–	(20,672)	(635,268)	655,940	–
Net charge for the period	(19,493)	268,472	450,509	699,488	(1,810,887)	(1,553,802)	4,607,901	1,243,212
Transfer out	–	–	(234,502)	(234,502)	–	–	(7,841,229)	(7,841,229)
Write-offs	–	–	(32,821)	(32,821)	–	–	(531,199)	(531,199)
Recoveries	–	–	15,979	15,979	–	–	33,645	33,645
Balance as at the end of the period	<u>5,237,949</u>	<u>6,530,992</u>	<u>8,958,805</u>	<u>20,727,746</u>	<u>5,247,512</u>	<u>6,248,958</u>	<u>8,783,132</u>	<u>20,279,602</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Financial Investments

As of 30 June 2024, the balance of financial investments (including financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, and financial investments at amortised cost) of the Bank amounted to RMB405,145 million, representing a decrease of RMB46,957 million or 10.4% as compared with those at the end of the previous year, and accounted for 37.9% of the total assets, representing a decrease of 4.0 percentage points as compared with that at the end of the previous year.

The following table set forth the main components of the Bank's financial investments (exclusive of interest receivable) as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024		As at 31 December 2023	
	Amount	of total (%)	Amount	of total (%)
Financial assets at fair value through profit or loss	102,030,638	25.2	105,916,358	23.5
– Bonds issued by policy banks	31,596	0.0	2,322,296	0.5
– Bonds issued by banks and other financial institutions	37,150,564	9.2	28,880,590	6.4
– Corporate entity bonds	1,266,152	0.3	1,357,963	0.3
– Investment management products managed by securities companies	40,695,642	10.0	51,144,989	11.3
– Investment management products under the trust scheme	22,886,684	5.7	22,210,520	5.0
Financial assets at fair value through other comprehensive income	55,102,933	13.6	86,001,373	19.0
– Government bonds	24,972,792	6.2	44,754,896	9.9
– Bonds issued by policy banks	7,613,534	1.9	21,717,568	4.8
– Bonds issued by banks and other financial institutions	5,343,032	1.3	778,894	0.2
– Corporate entity bonds	438,236	0.1	808,153	0.2
– Capital bonds with no fixed terms issued by commercial banks	–	–	1,072,640	0.2
– Equity investments	16,735,339	4.1	16,869,222	3.7

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024		As at 31 December 2023	
	Amount	of total (%)	Amount	of total (%)
Financial investment measured at amortised cost	248,011,839	61.2	260,184,835	57.5
– Government bonds	10,473,768	2.6	20,006,787	4.4
– Bonds issued by policy banks	40,463,117	10.0	28,480,180	6.3
– Bonds issued by banks and other financial institutions	2,000,000	0.5	2,000,000	0.4
– Corporate entity bonds	166,098,626	41.0	179,426,068	39.7
– Investment management products managed by securities companies	2,919,826	0.7	2,920,856	0.6
– Investment management products under the trust scheme	33,037,383	8.1	33,340,269	7.4
Less: provisions for impairment of financial assets at amortised cost	(6,980,881)	(1.7)	(5,989,325)	(1.3)
Total	405,145,410	100.0	452,102,566	100.0

- 1) Changes in the provision for financial investments at fair value through other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2024				2023			
	Expected credit loss over the next 12 months	Lifetime expected credit loss – no credit impairment	Lifetime expected credit loss – credit impairment	Total	Expected credit loss over the next 12 months	Lifetime expected credit loss – no credit impairment	Lifetime expected credit loss – credit impairment	Total
Balance as at the beginning of the period	3,964	–	–	3,964	2,186	–	1,297,851	1,300,037
Net (release)/charge for the period	(1,418)	–	–	(1,418)	1,778	–	(664,332)	(662,554)
Write-offs for the period	–	–	–	–	–	–	(633,519)	(633,519)
Balance as at the end of the period	2,546	–	–	2,546	3,964	–	–	3,964

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Changes in the provision for financial investments at amortised cost

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2024				2023			
	Expected	Lifetime	Lifetime	Total	Expected	Lifetime	Lifetime	Lifetime
	credit loss over the next 12 months	expected credit loss – no credit impairment	expected credit loss – credit impairment		credit loss over the next 12 months	expected credit loss – no credit impairment	expected credit loss – credit impairment	expected credit loss – credit impairment
Balance as at the beginning of the period	308,878	2,136,428	3,544,019	5,989,325	867,371	1,091,089	3,899,224	5,857,684
Transferred to:								
– to lifetime expected credit losses – not credit-impaired loans	(83,901)	83,901	–	–	(143,956)	143,956	–	–
– to lifetime expected credit losses – credit-impaired loans	–	–	–	–	(97)	–	97	–
Net (release)/charge for the period	(34,779)	531,148	495,187	991,556	881,118	1,276,566	593,412	2,751,096
Write-offs for the period	–	–	–	–	(1,295,558)	(375,183)	(948,714)	(2,619,455)
Balance as at the end of the period	190,198	2,751,477	4,039,206	6,980,881	308,878	2,136,428	3,544,019	5,989,325

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.2.2 Liabilities

As of 30 June 2024, total liabilities of the Bank amounted to RMB988.241 billion, representing a decrease of RMB11.916 billion or 1.2% as compared with that at the end of the previous year. The Bank's liabilities mainly consisted of (i) deposits from customers, (ii) deposits from banks and other financial institutions and (iii) financial assets sold under repurchase agreements, accounting for 81.0%, 8.0% and 5.2%, respectively, with respect to the total liabilities.

The following table sets forth the components of the Bank's total liabilities as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024		As at 31 December 2023	
	Amount	of total (%)	Amount	of total (%)
Borrowings from Central Bank	303,330	0.1	839,337	0.1
Deposits from customers	800,459,374	81.0	779,966,905	78.0
Deposits from banks and other financial institutions	79,450,678	8.0	71,233,034	7.1
Placements from banks and other financial institutions	19,874,890	2.0	17,970,859	1.8
Financial liabilities at fair value through profit or loss	12,969,309	1.3	-	-
Derivative financial liabilities	141,782	0.0	218,373	0.0
Financial assets sold under repurchase agreements	51,130,195	5.2	106,901,210	10.7
Debt securities issued	16,871,890	1.7	16,834,257	1.7
Other liabilities ⁽¹⁾	7,039,969	0.7	6,193,868	0.6
Total	988,241,417	100.0	1,000,157,843	100.0

Note:

- (1) Including payment and collection clearance accounts, staff remuneration payable, deferred income, taxes payable, dormant accounts and other liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Deposits from Customers

As of 30 June 2024, the Bank's total deposits from customers (exclusive of interest payable) amounted to RMB779.277 billion, with an increase of RMB18.123 billion or 2.4% as compared with that at the end of the previous year, accounting for 78.9% of the total liabilities and representing an increase of 2.8 percentage points as compared with that at the end of the previous year. Among them, personal deposits increased by RMB27.206 billion or 5.2% as compared with that at the end of the previous year. Corporate deposits decreased by RMB15,217 million and other deposits increased by RMB6,134 million as compared with that at the end of the previous year.

The following table sets forth the Bank's deposits from customers (exclusive of interest payable) and product types as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024		As at 31 December 2023	
	Amount	of total (%)	Amount	of total (%)
Corporate deposits				
Demand deposits	115,070,665	14.8	114,540,917	15.0
Time deposits	98,320,421	12.6	114,066,954	15.0
Sub-total	213,391,086	27.4	228,607,871	30.0
Personal deposits				
Demand deposits	34,732,943	4.5	36,895,430	4.8
Time deposits	511,277,375	65.6	481,908,473	63.4
Sub-total	546,010,318	70.1	518,803,903	68.2
Other deposits ⁽¹⁾	19,875,906	2.5	13,742,779	1.8
Total	779,277,310	100.0	761,154,553	100.0

Note:

(1) Mainly including pledged deposits.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. *Debt Securities Issued*

The following table sets forth the components of the Bank's debt securities issued (exclusive of interest payable) as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024 Amount	As at 31 December 2023 Amount
Tier-two capital bond with fixed rate maturing in December 2032	4,999,057	4,999,057
Interbank certificates of deposits issued	<u>11,872,833</u>	<u>11,835,200</u>
Total	<u><u>16,871,890</u></u>	<u><u>16,834,257</u></u>

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB5 billion in the national inter-bank bond market on 27 December 2022. The term of maturity of such bonds is 10 years. The coupon rate is interest-bearing fixed rate of 4.80%. Interest on such bonds shall be paid once per year. Upon approval by the NFRA (formerly known as the CBRIC), the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

As of 30 June 2024, the balance of certificates of interbank deposit issued by the Bank amounted to RMB11.873 billion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.2.3 Equity

As of 30 June 2024, the equity balance of the Bank amounted to RMB80.064 billion, representing an increase of RMB169 million or 0.2% as compared with that at the end of the previous year. The following table sets forth the components of the equity of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024		As at 31 December 2023	
	Amount	of total (%)	Amount	of total (%)
Share capital	8,796,680	11.0	8,796,680	11.0
Capital reserve	26,957,822	33.6	26,957,822	33.6
Surplus reserve	7,536,253	9.4	7,481,817	9.4
General reserve	14,858,851	18.6	14,830,687	18.6
Investment revaluation reserve	(2,788,462)	(3.5)	(2,346,078)	(2.9)
Provision reserve	147,807	0.2	111,686	0.1
Reserve on remeasurement of defined benefit liability	(37,077)	(0.0)	(32,943)	(0.0)
Retained earnings	24,015,810	30.0	23,530,498	29.5
Non-controlling interests	576,190	0.7	564,694	0.7
Total equity	80,063,874	100.0	79,894,863	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.3 Loan quality analysis

During the Reporting Period, the Bank continued to upgrade its comprehensive risk management system and optimize the whole process of credit risk control and key management links. To promote the intelligent data and system construction and balance the risk, capital and income, the Bank comprehensively built an internal control management framework, strengthened risk monitoring and early warning, standardized post-credit management, and enhanced the ability to prevent and control credit risk. The Bank steadily adjusted and optimized the structure of credit assets and took various measures to carry out the collection and disposal of non-performing loans to strengthen asset quality and prevent and resolve financial risks. As of 30 June 2024, the Bank's non-performing loan ratio was 2.66%, representing a decrease of 0.02 percentage point as compared with that at the end of the previous year. The provision coverage ratio was 159.59%, representing an increase of 0.09 percentage point as compared with that at the end of the previous year, and the ability to offset risk losses continued to increase.

3.2.3.1 Breakdown of loans by the five-category classification system

The non-performing loans of the Bank are classified into loans and advances to customers that are substandard, doubtful and loss. As of 30 June 2024, the non-performing loans of the Bank amounted to RMB13.11 billion, and the non-performing loan ratio was 2.66%, representing a decrease of 0.02 percentage point as compared with that at the end of the previous year. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024		As at 31 December 2023	
	Amount	of total (%)	Amount	of total (%)
Normal	460,110,351	93.3	450,185,982	94.2
Special mention	19,487,015	4.0	14,885,253	3.1
Substandard	10,885,726	2.2	10,829,580	2.3
Doubtful	1,358,089	0.3	1,078,900	0.2
Loss	866,367	0.2	897,084	0.2
Total loans and advances to customers	492,707,548	100.0	477,876,799	100.0
Non-performing loan	13,110,182	2.66	12,805,564	2.68

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.3.2 Concentration of loans

1. Concentration in terms of Industry and Distribution of Non-performing Loans

The following table sets forth the breakdown of loans and non-performing loans by industry as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024				As at 31 December 2023			
	Loan amount	of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
Wholesale and retail	125,640,963	25.5	6,090,708	4.85	118,223,777	24.8	5,937,606	5.02
Renting and business activities	82,876,801	16.8	749,496	0.90	72,446,420	15.2	595,518	0.82
Real estate	41,461,006	8.4	977,232	2.36	44,554,021	9.3	978,953	2.20
Manufacturing	29,351,746	6.0	895,732	3.05	29,502,683	6.2	1,064,105	3.61
Construction	12,232,925	2.5	310,948	2.54	10,718,448	2.2	320,416	2.99
Transportation, storage and postal services	6,575,782	1.3	196,971	3.00	5,470,225	1.1	139,158	2.54
Production and supply of electric power, heat, gas and water	2,821,371	0.6	38,573	1.37	2,854,364	0.6	38,573	1.35

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024				As at 31 December 2023			
	Loan amount	of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
Accommodation and catering	1,973,423	0.4	129,896	6.58	1,987,802	0.4	129,896	6.53
Mining	1,649,425	0.3	23,200	1.41	3,343,213	0.7	23,000	0.69
Culture, sports and entertainment	1,170,510	0.2	44,811	3.83	1,094,636	0.2	34,900	3.19
Agriculture, forestry, animal husbandry and fishery	1,016,858	0.2	83,138	8.18	949,178	0.2	84,328	8.88
Household and other services	904,025	0.2	-	-	1,407,052	0.3	-	-
Others	22,142,760	4.5	487,550	2.20	15,552,022	3.3	487,350	3.13
Discounted bills	53,506,492	10.9	-	-	61,223,282	12.8	-	-
Personal loans and advances	109,383,461	22.2	3,081,927	2.82	108,549,676	22.7	2,971,761	2.74
Total	492,707,548	100.0	13,110,182	2.66	477,876,799	100.0	12,805,564	2.68

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

As of 30 June 2024, loans provided to customers of (i) wholesale and retail (ii) renting and business activities (iii) real estate (iv) manufacturing and (v) construction represented the largest components of the Bank's corporate loans. As of 30 June 2024 and 31 December 2023, the balance of loans provided to the corporate customers in the five industries mentioned above were RMB291.563 billion and RMB275.445 billion, respectively, accounting for 59.2% and 57.7%, respectively, with respect to the Bank's total loans and advances to customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Concentration in terms of Borrowers

Loans to the ten largest single borrowers

The following table sets forth the borrowing amounts of the ten largest single borrowers as of 30 June 2024. As of the same date, all such loans were classified as normal loans:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024		
	Industry involved	Amount	of total (%)
Customer A	Wholesale and retail	7,981,692	1.62
Customer B	Renting and business activities	7,601,000	1.54
Customer C	Real estate	6,139,900	1.25
Customer D	Renting and business activities	5,945,000	1.21
Customer E	Renting and business activities	5,543,730	1.13
Customer F	Manufacturing	5,510,900	1.12
Customer G	Real estate	5,186,169	1.05
Customer H	Real estate	5,130,000	1.04
Customer I	Renting and business activities	4,481,000	0.91
Customer J	Renting and business activities	4,165,298	0.85

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Distribution of Non-performing Loans by Product Type

The following table sets forth the loans and non-performing loans by product type as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024			As at 31 December 2023		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	383,324,087	10,028,255	2.62	369,327,123	9,833,803	2.66
Short-term loans	76,654,447	6,026,176	7.86	65,835,641	5,646,060	8.58
Medium and long-term loans	253,163,148	4,002,079	1.58	242,268,200	4,187,743	1.73
Discounted bills	53,506,492	–	–	61,223,282	–	–
Personal loans	109,383,461	3,081,927	2.82	108,549,676	2,971,761	2.74
Mortgage loans	51,269,678	1,554,527	3.03	53,510,771	1,458,649	2.73
Personal business loans	5,194,449	164,701	3.17	6,681,501	145,723	2.18
Personal consumption loans	41,232,870	408,026	0.99	35,024,031	411,160	1.17
Credit card overdrawn	11,686,464	954,673	8.17	13,333,373	956,229	7.17
Total	492,707,548	13,110,182	2.66	477,876,799	12,805,564	2.68

As of 30 June 2024 and 31 December 2023, the non-performing loan ratio of the Bank was 2.66% and 2.68%, respectively.

As of 30 June 2024 and 31 December 2023, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 2.62% and 2.66%, respectively.

As of 30 June 2024 and 31 December 2023, the non-performing loan ratio of the Bank's personal loans was 2.82% and 2.74%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (《商業銀行資本管理辦法》) promulgated by the NFRA. As of 30 June 2024, the Bank's core tier-one capital adequacy ratio was 10.26%, tier-one capital adequacy ratio was 12.24%, and the capital adequacy ratio was 13.93%, which at all levels met the regulatory requirements.

The following table sets forth the relevant information of the Bank's capital adequacy ratio as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024	As at 31 December 2023
Core capital		
– Share capital	8,796,680	8,796,680
– Qualifying portion of capital reserve	26,957,822	26,957,822
– Surplus reserve	7,536,253	7,481,817
– General reserve	14,858,851	14,830,687
– Investment revaluation reserve	(2,788,462)	(2,346,078)
– Provision reserve	147,807	111,686
– Retained earnings	24,015,810	23,530,498
– Qualifying portions of non-controlling interests	205,934	165,248
– Others	(37,077)	(32,943)
Core Tier-one Capital	79,693,618	79,495,417
Core tier-one capital deductions	(1,958,005)	(1,697,075)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024	As at 31 December 2023
Net Core Tier-one Capital	77,735,613	77,798,342
Other tier-one capital – other tier-one capital instruments and premiums	15,000,000	15,000,000
Net Tier-one Capital	<u>92,735,613</u>	<u>92,798,342</u>
Tier-two Capital		
–Qualifying portions of tier-two capital instruments issued	4,999,057	4,999,057
–Surplus provision for loan impairment	<u>7,812,094</u>	<u>7,618,988</u>
Net tier-two Capital	<u>12,811,151</u>	<u>12,618,045</u>
Total net Capital	<u>105,546,764</u>	<u>105,416,387</u>
Total risk weighted assets	<u>757,566,431</u>	<u>746,552,852</u>
Core Tier-one Capital adequacy ratio	10.26%	10.42%
Tier-one Capital adequacy ratio	12.24%	12.43%
Capital adequacy ratio	<u>13.93%</u>	<u>14.12%</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.5 Segment Information

3.2.5.1 Regional branches

The Bank is mainly operating within China. 18 branches are located in five provinces and municipalities directly under the Central Government. It also established seven subsidiaries in Liaoning, Shanghai and Zhejiang Province.

(Expressed in thousands of Renminbi, unless otherwise stated)	Operating income				Non-current assets ⁽¹⁾			
	For the period ended 30 June							
	2024		2023		30 June 2024		31 December 2023	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Northeast China Region	4,208,413	92.3	6,843,697	95.8	6,053,648	97.3	6,214,361	97.2
North China Region	284,255	6.2	278,363	3.9	149,386	2.4	161,645	2.5
Others	67,478	1.5	21,877	0.3	18,044	0.3	19,193	0.3
Total	4,560,146	100.0	7,143,937	100.0	6,221,078	100.0	6,395,199	100.0

Note:

- (1) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.2.5.2 Business segments

In the first half of 2024, the operating income of corporate banking business amounted to RMB2.534 billion, accounting for 55.6% of the total operating income. The operating income of retail banking business amounted to RMB1.129 billion, accounting for 24.7% of the total operating income. The operating income of treasury business amounted to RMB0.880 billion, accounting for 19.3% of the total operating income.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2024		2023	
	Amount	of total (%)	Amount	of total (%)
Operating income				
Corporate banking	2,533,834	55.6	4,864,432	68.1
Retail banking	1,128,556	24.7	1,246,408	17.5
Treasury business	879,821	19.3	1,020,589	14.3
Others	17,935	0.4	12,508	0.1
Total	4,560,146	100.0	7,143,937	100.0

3.2.6 Commitments of Off-balance Sheet Items

The following table sets forth the Bank's credit commitments as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2024	As at 31 December 2023
Bank acceptances	21,892,346	33,522,247
Letters of guarantees	4,149,054	3,991,416
Letters of credit	5,801,262	9,879,151
Unused credit card commitments	22,674,763	22,376,738
Total	54,517,425	69,769,552

3.3 BUSINESS OVERVIEW

3.3.1 Corporate Banking Business

In the first half of 2024, the Bank thoroughly implemented the work requirements outlined in the Central Financial Work Conference regarding the “five major articles”, deeply understood the political and people-oriented nature of financial work, and closely followed the national and regional development strategies. With the orientation of supporting the construction of a modern industrial system and a focus on efficiently serving the real economy, the Bank persistently strived for “stable growth, improved quality, increased efficiency, and enhanced effectiveness”, strengthened the integrated operation of corporate sector, continuously increased credit granting to key areas and vulnerable sectors, made efforts to forge new competitive advantages through differentiation, and consistently enhanced the quality and effectiveness of operation, aiming to achieve high-quality development of corporate banking business.

3.3.1.1 Corporate deposits

The debt business of the Bank relied on comprehensive transformation, aiming at expanding the scale of high-quality and high-price liabilities, and promoting balanced development in terms of volume and price. The Bank established corporate ecosystems around the industrial and funding chains, focusing on key clients along the industrial chain and extending our services upstream and downstream. Through asset business, settlement product connection, intermediary business services, and liability product retention, the Bank increased the proportion of deposits from credit customers, achieved the aggregation of settlement funds, and enabled internal circulation of customer funds. The Bank strengthened the fine management of debt business, expanded the marketing of key customers through multiple channels, took the enhancement of the capital turnover acceptance rate as the starting point to improve the stability of the scale of debt business, optimized the structure of liability cost, and continued to reduce the scale of high-cost debt business. As of 30 June 2024, the balance of corporate deposits was RMB213.391 billion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.1.2 Corporate loans

With persistence in the finance for good and starting from the “heart”, the Bank integrated itself into the overall situation of local development, by focusing on the “five major articles”, key areas and industrial clusters, and issued implementation plans to advance technology finance, green finance, inclusive finance, pension finance and digital finance, which served as the action guidelines for accomplishing the “five major articles”. The Bank fully aligned with national policy directions and regulatory requirements, took practical measures such as chain-based customer expansion, list-based customer expansion and channel-based customer expansion, actively expanded the customer base to central and local state-owned enterprises, listed companies, nationally and provincially innovative and specialized enterprises, single champion enterprises, gazelle enterprises, unicorn enterprises and other excellent enterprises as well as leading companies in niche segments, and continuously increased the proportion of credit allocation to enterprises in key sectors such as technology, green, agriculture-related and manufacturing. As of 30 June 2024, the balance of corporate loans was RMB329.818 billion (excluding discounted bills), representing an increase of RMB21.714 billion as compared with that at the end of the previous year.

3.3.1.3 Transaction banking

The Bank has always positioned itself as a bank dedicated to “serving the local economy, small and medium enterprises, and urban and rural residents”, upheld its original mission, embraced a long-term perspective, and extensively engaged in customer structure and asset structure adjustments, centering our efforts on corporate clients and promoting inclusive finance. The Bank accelerated digital transformation, enhanced refine management capabilities, focused on innovating transaction banking products and services, provided solid support for the high-level and opening-up region and contributed to regional development, elevating the development of transaction banking from a focus on quality to a focus on high quality. As of 30 June 2024, the balance of the on/off balance assets of the transaction banking of the Bank amounted to RMB33.436 billion. The revenue from the transaction banking intermediary business amounted to RMB88 million.

3.3.2 Retail Banking Business

In the first half of 2024, the Bank focused on the strategic vision of “being a good bank that benefits enterprises and the people”, continuously optimised the “four transformations” and improved the “four guarantees”, placed emphasis on personalized customer operation, creation of scenario ecosystems, construction of a wealth management system and digital transformation, optimization of liability structure, and outlet transformation and upgrading, strengthened protection of consumer rights and interests, and enhanced of team capabilities, so as to accelerate the high-quality development of retail banking business.

3.3.2.1 *Personal deposits*

The Bank steadily expanded the scale of deposits, and vigorously reduced the interest cost of deposits while focusing on “cost reduction and efficiency enhancement”. Firstly, the Bank concentrated on customer needs and enriched deposit product offerings from multiple dimensions. It introduced customized deposits that provide differentiated product services based on regional and customer characteristics; launched special deposit certificates such as the New Year’s Certificates of Deposit, Solar Term Certificates of Deposit and Love Certificates of Deposit, which offer exclusive designs and benefits to enhance the customer experience. Secondly, the Bank optimized the liability structure by controlling both volume and price, and continued to guide liability costs downward. The Bank implemented a market-oriented adjustment mechanism for deposit interest rates and lowered deposit interest rates; and strengthened the management of high-cost and long-term liabilities to mitigate the impact of long-term deposits and shorten deposit duration. As of 30 June 2024, the balance of personal deposits amounted to RMB546.010 billion, representing an increase of RMB27,206 million as compared with that at the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.2.2 Personal loans

The Bank actively implemented the national regulatory policies on commercial personal housing, fulfilled the social responsibility of financial institutions, combined the regional policy guidelines and market demands based on outlet coverage, and differentially allocated personal housing credit resources, to enhance the equality and convenience of financial services and benefit the public. The Bank innovated financial services by introducing high-end products like “e-Loan (e享貸)” and launching a mobile banking APP information collection system, established a mobile platform for housing mortgage and consumer loan products, and enhanced digital operation capabilities and customer experience. By utilizing advanced machine learning algorithms, the Bank improved the accuracy and generalization ability of retail credit risk models, quantitatively upgraded risk models, and provided precise matching of consumer credit products for individual customers. As of 30 June 2024, the balance of the Bank’s personal loans amounted to RMB109.383 billion, representing an increase of RMB833 million as compared with that at the end of the previous year.

3.3.2.3 Debit cards

The Bank adhered to the “customer-centric” business philosophy and continuously improved the types of bank cards while enriching their functions. The Bank issued specialized cards such as the “Life Accompanied by Shengjing (盛享人生)” Card, the “Orange Growth Time (橙長光陰)” Card and the “Salary” Card targeting three segmented customer groups such as the elderly, parent-children services and payroll, which were accompanied by exclusive products and services; issued third-generation social security cards for specific customer groups related to social security, expanded service channels, and enhanced customer satisfaction; rolled out distinctive features such as “card replacement with the same number”, meeting the diverse needs of customers; built scenario ecosystems to expand the application of card usage for cardholders in various scenarios such as consumption, daily life, healthcare and education, so as to enhance satisfaction with the use of its cards. As of 30 June 2024, the Bank issued 20.7452 million debit cards in total, representing an increase of 305,000 cards as compared with that at the end of the previous year, with a total consumption amount of RMB7,479 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.2.4 Assets management

The Bank's asset management business, with the goal of appreciating customer assets, adhered to the operating philosophy of "making progress while maintaining stability", dedicated to provide clients with safe, reliable, and trustworthy financial products. In terms of products, the Bank deepened functional upgrades, achieved 24/7 quick redemption for daily open-end products and T+0.5 redemption, improved the performance display function of electronic channels, optimised products and enhanced customer experience. In terms of investment, the Bank adhered to a "small-scale, diversified and decentralized" investment strategy, closely followed national key development strategies, actively leveraged its guiding role in funds through asset management business, and proactively invested in thematic bonds related to technology innovation, green environmental protection, freight logistics and other sectors, which effectively supported the development of the real economy. The Bank also continued to strengthen comprehensive risk management and internal control compliance construction for our asset management business in order to achieve stable, healthy and high-quality development of our asset management business. As of 30 June 2024, the scale of wealth management products amounted to RMB38.906 billion with a realized intermediary business revenue of RMB102 million.

3.3.3 Capital Business

In the first half of 2024, for capital business, the Bank followed the direction under the bank-wide business strategies, promoted the transformation and development of financial market operation, implemented a strategy focused on increasing revenue, expanding channels, and strengthening services, intensified market control capabilities, optimized asset-liability structure, enhanced profitability, and deployed system construction to meet the needs of agency business development and support the overall business growth of the Bank. Firstly, continuously optimizing asset structure and further enriching the range of trading products. The Bank strengthened investment and research and technological support, conducted in-depth analysis of market variables, continuously expanded our range of trading products, implemented multiple portfolio strategies, and effectively increased trading activity and market influence; enriched the whitelist of fund products, actively explored high-quality targets through the establishment of a comprehensive evaluation system using multiple indicators, ensured the alignment between selection criteria and market conditions. Secondly, optimizing liability structure and continuously reducing costs. The Bank reinforced fine management of debt business, timely adjusted portfolio strategies based on market interest rate conditions in terms of liability product selection and business duration arrangement, and effectively reduced liability costs. Thirdly, strengthening product innovation to enhance service levels. The Bank continued to build an agency product system, improved the development of agency management system and risk management system, offered a range of series linked to bonds, foreign exchange, gold, stock index, and contributed to diversified and comprehensive financial needs of customers.

3.3.4 Specialized Institutions and Subsidiaries

3.3.4.1 *Financial service center for small business*

The financial service center for small businesses of the Bank thoroughly implemented the strategic deployment outlined in the Central Financial Work Conference regarding the “five major articles”, coordinated efforts to promote balanced development in terms of scale, quality and efficiency. The Bank continuously improved the product system, vigorously advanced customer base development, proactively served key sectors, enhanced the market image, and achieve a positive development trend in inclusive credit business. Firstly, the Bank actively fulfilled its social responsibilities, strategically planned and designed the top-level framework and layout for inclusive finance, and formulated the Implementation Plan for Inclusive Finance. In a bid to effectively implement the three-year action plan of “Starry Sea”, the Bank formulated the Guiding Opinions on the Development of Inclusive Business of Shengjing Bank in 2024, and provided detailed measures in fifteen aspects, including customer base development, key sectors and product innovation, guiding the allocation of credit resources towards key sectors and vulnerable areas. Secondly, the Bank further met the diverse financing needs of customers, and developed a comprehensive range of guarantee-based products, including the credit-based “Tax e Loan (税易贷)”, the mortgage-based “Real estate e Loan (房易贷)”, the guarantee-based “Liaoning Trade Loan (辽贸贷)”, and the intellectual property pledge-based “Liaoning IP Loan (辽知贷)”; drove digital transformation to provide strong support for product innovation, enhanced the ability to offer “universal + customized” product solutions by considering different customer types and usage scenarios. Thirdly, the Bank focused on national major strategies and key areas of economic and social development, strived to innovate inclusive business products and service offerings in the fields of green finance, cultural and creative tourism, and military-civilian integration, solidified the customer relationships along the funding chain, leveraged advantages in industry chain and supply chain finance, and concentrated on the main lines of customer fund flows and information flows, aligning ourselves with national key sectors to provide mutual support, mutual promotion, and collaborative cooperation. Fourthly, the Bank actively promoted financial services for rural revitalization, formulated the Shengjing Bank “1+1+N” Action Plan for Financial Support to Rural Revitalization, established a collaborative service mechanism of “spot, link, block and area” to promote and expand, and further intensified the integration of online and offline rural financial services, fully enhancing the quality and effectiveness of financial services for rural revitalization.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.4.2 Credit card center

The credit card center of the Bank consistently implemented the work requirements of “stabilizing growth, improving quality, increasing efficiency and enhancing effectiveness”, focused on profit centers, reinforced the placement of high-quality assets, deepened refined customer management, maintained a strong emphasis on risk prevention and control, and efficiently accomplished various goals and objectives to accelerate high-quality development. Firstly, the Bank enhanced the consumer finance product system, improved the capacity to place high-quality assets, comprehensively established an automotive installment system, and enhanced cooperation and customer acquisition effectiveness. It created standout consumer credit products, expanded installment services to lower-tier outlets, formulated jurisdiction policies, optimized differentiated pricing strategies and asset structure, and increased the proportion of interest-earning assets. Secondly, the Bank strengthened integrated channel-based customer acquisition and marketing, accelerated the transformation of assets through direct sales channels, built comprehensive customer manager teams, optimized market-oriented appraisal systems, and continuously improved individual productivity and team efficiency; enhanced the quality and effectiveness of outlet transformation through distribution channels, strengthened the conversion of existing resources, team reutilization, and coordination between head and branch offices, developed innovative customer acquisition projects at the local level, implemented branch scenario marketing campaigns, and made full efforts to expand the scale of active target customers. Thirdly, the Bank built a full-chain customer management system, continuously refined customer group classification, enhanced the acquisition of high-value customers, and increased the proportion of target customer group. For segmented customers, the Bank implemented refined management strategies, optimized digital inclusive services, created high-quality lifestyle ecosystems, and organized multiple rounds of public welfare activities such as the “being spree together (9要一起嗨)”. Fourthly, the Bank improved the digital self-risk control system, iteratively developed pre-credit risk strategies for all products, dynamically optimized risk models for standard cards and installment products, incorporated and utilized high-quality external data resources, developed derivative variable platforms, and maintained a

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

solid risk defense line; advanced the credit fine control, established monitoring and early warning platforms, deepened risk stratification and differentiated management for existing customers, achieved unified credit limit management for customers, launched automated credit risk disposal strategies, and effectively reduced the delinquency rate; strengthened post-credit management, enhanced the integrated mechanism of collection, mediation and litigation, optimized collection strategies, and ensured compliant recovery processes. As of 30 June 2024, there were in aggregate 2,514,100 credit cards issued by the Bank, representing an increase of 143,000 credit cards or 6.0% as compared with that at the end of the previous year.

3.3.4.3 Shengjing Bank Consumer Finance Co., Ltd.

Shengjing Bank Consumer Finance Co., Ltd. was the first consumer finance company in Northeast China established by the Bank as its major contributor and was approved to start business in February 2016. Shengjing Bank Consumer Finance Co., Ltd. consistently adheres to the leadership of the Party building to consolidate development strength and the working principle of “seeking progress and adjustment while maintaining stability, ensuring the stable and improving development of operations”, deeply explores the market, optimizes the structure, continuously promotes business model transformation, makes ongoing adjustments to risk control strategy models, safeguards the bottom line of asset quality, carries out technology infrastructure construction, strengthens technological empowerment, and steadily improves operational quality and efficiency. In addition, the company always adheres to its main responsibilities and business, persistently pursues the business direction of inclusive finance, firmly establishes the political and people-oriented concepts of finance, continuously reduces costs, benefits the people by reducing interest and fees, and constantly enhances consumer satisfaction and sense of gain. It perseveres in establishing the company with compliance, using the “Three-Year Action Plan for Compliance Promotion” as a starting point, solidly carries out compliance construction work throughout the year, actively explores areas such as “technology finance, green finance, inclusive finance, pension finance, and digital finance”, and contributes to the economic and social development.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3.3.4.4 Village banks

The Bank was the principal contributor to jointly establish six village banks, four of which are located in Shenyang area, one in Shanghai area and one in Ningbo area. The Bank has established a village bank management model through coordination between the head office and branches under which the risk department at the head office level shall take the lead in coordination with the professional supports from functional departments, and which, at the branch level, Shenyang Branch shall support four village banks in Shenyang area and Shanghai Branch shall support two village banks in Shanghai and Ningbo. As of 30 June 2024, the total assets of the six village banks amounted to RMB2,343 million, representing an increase of 28.9% as compared with that at the end of the previous year; and total liabilities amounted to RMB1,727 million, representing an increase of 42.4% as compared with that at the end of the previous year, of which the deposits amounted to RMB1,686 million, representing an increase of 44.6% as compared with that at the end of the previous year, with the level of operation and development steadily improving and the ability of risk management and control continuously strengthening.

3.3.5 Distribution Channels

3.3.5.1 *Offline Channels*

The Bank actively explored new models of financial services, fulfilled the social responsibilities of financial institutions, deepened outlet transformation and upgrading, continuously optimized outlet layout, accelerated the construction of the aging-friendly outlets, and established specialized sub-branches with characteristics in technology finance and pension finance, initiated the construction of themed sub-branches for culture, tourism, and parent-children services, and comprehensively promoted the establishment of specialized zones under the “Shengqing Station (盛情驛站)” and the extension of specialized services under the “Shengqing Community (盛情社區)”; strengthened the concept of cost control, continuously reduced leasing costs and construction area of outlets while ensuring the functional layout and external image of outlets; explored the creation of digitalized banking halls, continuously optimized and enriched the functionalities of self-service devices, established a digital management platform, implemented unified device management, increased the allocation of portable devices, and enhanced the capability of door-to-door services. As of 30 June 2024, the Bank established 213 institutional outlets, including 1 head office, 3 branch-level specialized institutions, 18 branches, 190 traditional sub-branches, and 1 small sub-branch, equipped with advanced self-service terminal equipment such as self-service deposit/withdrawal machines (ATM and CDM), intelligent teller machines (ITM), Business Conducting PAD, high-speed cash recycling machines (CRS), and intelligent queuing machines.

3.3.5.2 Electronic Banking

1. Corporate Online Banking

To meet the diverse needs of corporate clients, 37 functions were launched for the corporate online banking business, including corporation overdraft account, electronic certificates and batch fees. Meanwhile, on the mobile terminal, the Bank focused on inclusive finance and introduced financing products such as Tax e Loan (税易贷), Real estate e Loan (房易贷) and Entrepreneurship Guarantee Loan (创业担保贷), thus enhancing the online service experience for corporate customers of the Bank. As of 30 June 2024, there were 91,200 corporate online banking customers in total, representing an increase of 12.9% as compared with that at the end of the previous year. There were 2.6610 million transactions, with a cumulative transaction value of RMB1,952.841 billion.

2. Personal Mobile Banking

With the goal of enhancing user experience and increasing customer engagement, the Bank launched the new version of the mobile banking through its client terminal, with the introduction of 42 new functions such as card replacement with the same number, agency sales of wealth management products, agency sales of precious metal, Shengjing Industry Loan (盛产贷), certificate of deposit, and optimization of mobile banking transaction limits, further improving the lifestyle pages and providing individual customers with a wider range of financial products and functions. As of 30 June 2024, there were 4,287,000 corporate online banking customers in total, representing an increase of 3.8% as compared with that at the end of the previous year, with the number of monthly active users increased by 4.0% compared with the same period of the previous year.

3.3.6 Information Technology and R&D

In the first half of 2024, keeping regarding digitalisation transformation as an engine to promote its high-quality development, the Bank continued to optimise the construction of its information systems, and promoted the in-depth integration of technology and business. Firstly, the Bank established a cross-domain, cross-department, and cross-functional management model to rapidly respond to the overall business development needs, embedded technology personnel in multiple departments or formed integrated co-creation teams to realise industry-technology integration and enhance operational efficiency and innovation capabilities. Secondly, the Bank thoroughly carried out technology R&D and architectural optimisation, implemented structural transformation of the domestically produced distributed database platform and completed the upgrading to a same-city three-center five-replica multi-active mode (同城三中心五副本多活模式), which ensured data security and business continuity, and greatly improved the ability to process business transactions, providing users with more efficient and stable data services. Thirdly, the Bank further optimized project management organization mechanisms, to objectively and accurately reflect the actual situation of the projects through a series of clear, quantifiable and highly operational evaluation indicators, continuously driving the enhancement and improvement of project performance. Fourthly, it continuously improved the service level of its financial technologies. It completed the development of projects such as “Intelligent message push platform, Shengqing community (盛情社區) platform, wealth management selling system, precious metals selling module”, and continued to promote business scenario innovation, providing users with one-stop service experience.

3.4 RISK MANAGEMENT

In the first half of 2024, the Bank continued to optimize its comprehensive risk management system, further enhancing the risk management capabilities. Firstly, risk preference management has been increasingly refined. The Bank reviewed and optimized preference indicators, improved daily monitoring and transmission mechanisms to ensure effective implementation of preferences, and guided and constrained various risk management tasks. Secondly, credit risk management has been improved in quality and efficiency. The Bank comprehensively detailed credit policy standards, developed complementary limit management plans, carried out a thorough inventory of credit assets, and continuously improved the quality of the “three checks” for loans, ensuring the qualitative and effective improvement of asset business and reasonable growth in quantity. Thirdly, special risk management continued to be strengthened. The Bank continuously improved the market risk management system, advanced system construction, enhanced country-specific risk prevention and control, raised the level of professional management across various risks, and bolstered comprehensive risk prevention and control capabilities. Fourthly, the application of risk management in digital transformation was consistently deepened. The Bank optimized and upgraded system functions of credit management, risk warning, risk mitigation, accelerated the implementation of the expected credit loss approach, steadily constructed a model risk management system, and enhanced technological support for risk management.

3.4.1 Credit Risk Management

The Bank strictly maintained the credit risk bottom line, optimized asset business structures, enhanced the quality and efficiency of financial services for the real economy, and promoted the healthy development of asset business. Firstly, the Bank established a bottom-line mindset and adhered to the credit-granting principles of “moderate and gradual increment in small amounts in a diversified way”. The Bank resolutely prevented “concentration of large accounts”, “over-credit”, etc., rationally determined enterprises’ solvency, industry status, shareholder background and other risk conditions, strictly implemented the management of industry, group and single account limits, and scientifically and reasonably set the credit-granting amount. Secondly, the Bank promoted the reform of the approval mechanism and optimised the review and approval processes. The Bank cancelled the approval model of “Credit Approval Committee”, implemented the approval model of “Corporate Approval Personnel”, revised and refined the Administrative Measures for the Examination and Approval of Credit Granting by Shengjing Bank to Corporate Clients (《盛京銀行對公客戶授信審查審批管理辦法》), clarified job responsibilities and due diligence exemption clauses, and detailed review and approval processes and requirements. Thirdly, the Bank took the initiative to work in parallel to empower business development. For projects that are complex, the Bank carried out the work in parallel with the branches to study and judge the risks and improve the programs jointly. Fourthly, the Bank enhanced risk management and control, while conducting thorough inventory of credit assets, reducing exposure, and exiting. It assessed potential risks of existing clients, explored the establishment of client exit mechanisms, devised tailored risk control measures for each client, dynamically set reduction and exit plans, and comprehensively managed asset quality.

3.4.2 Operational Risk Management

Within the comprehensive risk management framework, the Bank constructed its operational risk governance architecture following the “three lines of defense” principle. During the Reporting Period, the Bank continued to nurture a strong internal control risk culture, optimized its operational risk management system, strengthened operational risk control, enhanced the elimination of operational risk hazards, and improved its ability to defend against operational risks. Firstly, the Bank raised awareness for preventing operational risks, conducted specialized training on various business knowledge, risk management, practical operations, case prevention and control, and warning education through typical cases, strengthened the internal control risk culture, instilled correct compliance concepts, and enhanced legal awareness. Secondly, the Bank enhanced process node management, focused on high-risk business areas, optimized authorization management systems, improved risk control mechanisms, and devised risk mitigation measures for deficiencies in systems, processes, and institutional mechanisms in a timely manner, gradually integrating risk management and internal control compliance requirements into business processes. Thirdly, the Bank reinforced risk identification and monitoring. Concentrating on critical areas, the Bank intensified supervision and inspection efforts, monitored the misconduct of personnel in important positions and sensitive areas, conducted thorough investigations to rectify management loopholes, identified weak links in operational risk, and promptly triggered risk alerts, process assessments, optimization, and improvements to continuously mitigate operational risks and reduce risk losses.

3.4.3 Market Risk Management

The Bank continued to strengthen the market risk management system. Firstly, the Bank improved the basic system of the market risk management, and successively launched the “Administrative Measures for Market Risk of Shengjing Bank (2024) (《盛京銀行市場風險管理辦法(2024年)》)” and the “Implementation Rules for Segregation of Accounting Books of Shengjing Bank (2024) (《盛京銀行賬簿劃分實施細則》(2024年))” in accordance with the “Regulation Governing Capital of Commercial Banks (《商業銀行資本管理辦法》)”. Secondly, the Bank formulated and implemented the “Market Risk Limit Management Plan for 2024” to enhance the monitoring and early warning of risk limits and strengthen the control of market risk. Thirdly, the Bank steadily progressed the construction of the market risk management system, with a comprehensive review of the front-end system’s portfolio settings, curve selection and valuation methodology, as well as confirmation of the system’s internal and external data sources, batch processing frequency, valuation model and risk measurement functions, so as to ensure the independence of the middle-end system’s risk measurement while taking into account the consistency of the data within the front-, middle- and back-ends of the system.

3.4.4 Bank Account Book Interest Rate Risk

In order to effectively reduce the negative impact of interest rate changes on the Bank’s current profit and loss and economic value, the Bank paid close attention to changes in the external market interest rate environment and strictly implemented the interest rate risk limit management mechanism of books of account of the Bank to continuously strengthen the monitoring and analysis of interest rate risk of such books, which is controlled within its tolerable ranges. The Bank further strengthened the assets and liabilities allocation management, comprehensively considered the repricing gap, reasonably matched quality liabilities with quality assets structures, reasonably controlled maturity mismatch risks, and effectively balanced interest rate risks and liquidity risks; strengthened internal and external pricing management and reasonably utilized instruments such as interest rate pricing and internal funds transfer pricing FTP, and guided the business units to adjust the repricing maturity structure of assets and liabilities business in accordance with the Bank’s work requirements in order to control the interest rate risk of banking books, to develop a mechanism for the proactive management of the interest rate risk, and to effectively reduce the interest rate risk brought about by the decline in the interest rate.

3.4.5 Liquidity Risk Management

In accordance with macro policies, regulatory requirements and market changes, the Bank established a scientific and comprehensive liquidity risk management system, effectively identified, measured, monitored and controlled liquidity risk to ensure that liquidity needs can be met in a timely manner at a reasonable cost, realizing overall liquidity security and achieving various liquidity regulatory indicators. Firstly, the Bank centrally and uniformly managed the liquidity risk of the Bank, and realized liquidity security through dynamically adjusting the total volume and structure of assets and liabilities, and comprehensively utilizing various financial instruments. Secondly, the Bank fully identified the sources of liquidity risk and prudently assessed the transformation and transmission of various risks to liquidity risk. Thirdly, the Bank regularly and irregularly reviewed the policies and procedures for liquidity risk measurement, monitoring and control to ensure the effectiveness of various liquidity risk management strategies and the applicability of policies and procedures. Fourthly, the Bank's liquidity risk management involved all businesses, various currencies and all institutions on-and off-balance sheets, and achieved an effective balance between liquidity, safety and profitability.

3.4.6 Information Technology Risk Management

The Bank continued to optimize and improve the organizational structure of IT governance. The Board of Directors, senior management and special committees fully performed their respective duties to ensure a stable operation of the Bank's governance structure. The departments of science and technology, risk and audit, as "three lines of defense", each took responsibility for their own work, with a clear division of labor, and mutual checks and balances, jointly promoting the steady advancement of the Bank's IT construction and the effective implementation of risk prevention and control work. Firstly, the Bank closely integrated technology risk management strategy with business, effectively reduced potential technical risks, improved the quality and efficiency of overall risk management, adopted advanced data analysis and artificial intelligence technologies, and constructed a relatively complete internal control and compliance management system for IT. Secondly, the Bank built a comprehensive security management system covering the design, coding, testing and other aspects of the entire life cycle of information system requirements, so as to ensure that the systems could continuously and effectively identify, assess and mitigate potential security risks throughout the entire life cycle, thereby safeguarding the stability and security of the information system. Thirdly, the Bank completed the construction of the open-source vulnerability knowledge base platform, which had accumulated more than 280,000 pieces of vulnerability information, and provided a solid technical support and guarantee for the prevention of security risks within the system. Fourthly, the Bank conducted various special inspections, including self-inspection of network security and data security checks. Fifthly, the Bank organized training and learning courses for all staff on cybersecurity emergency response, outsourcing risk management, information security management, business continuity management, digital transformation and innovation, with a total number of more than 5,987 participants.

3.4.7 Reputational Risk Management

The Bank continued to strengthen the foundation of reputational risk management, strictly implemented the relevant requirements of the “Measures on Reputational Risk Management of Banking and Insurance Institutions (Trial Implementation)”, and strengthened the whole process management of reputational risk. Firstly, the Bank coordinated pre-management, strengthened forward-looking research and analysis, and improved work measures and plan in a targeted manner. Secondly, the Bank enhanced reputational risk monitoring and response, dynamically adjusted the frequency of monitoring reports and maintained an effective coordination mechanism to ensure timely response. Thirdly, the Bank implemented regular management, regularly organized and carried out reputational risk inspections, scenario simulation and emergency drills, so as to improve reputational risk sensitivity, identification ability and response skills. Fourthly, the Bank strengthened brand building, enriched the content dimension of serving the local economy, serving the small and medium-sized enterprises, serving the urban and rural residents, explored the channels of integrated media communication, accumulated brand assets and enhanced the reputation of the brand.

3.4.8 Compliance Risk Management

The Bank actively managed compliance risks, continuously strengthened the construction of the compliance management system, played a core role in compliance risk management, adhered to the principle of “prevention as the main focus, resolution as a supplement”, and promoted the Bank’s lawful and compliant operations. Firstly, the Bank established a compliance management mechanism that covers “proper conduct on the positive side, prohibited acts on the negative side and penalties for violations”, so as to strengthen the inculcating of ideas from the source, cultivate the bottom-line thinking, and guide all employees to follow the Bank’s code of conduct. The Bank created a positive atmosphere throughout the Bank with the principles of “not daring to breach the rules, prohibited from breaching the rules, and unwilling to breach the rules” and built a compliance culture that prioritizes “respecting regulations, fearing systems, prioritizing compliance, and giving precedence to internal controls”. Secondly, strictly implementing the three-year action plan for compliance. The Bank thoroughly implemented regulatory requirements, formulated the “Shengjing Bank’s Three-year Action Plan for Promoting Compliance (2024–2026)(《盛京銀行推進合規三年行動工作方案(2024-2026)》)”, the “Shengjing Bank’s Three-year Action Key Points for Compliance in 2024 (《盛京銀行2024年合規三年行動工作要點》)” and the “Shengjing Bank’s Three-year Action Task List for Promoting Compliance (2024–2026) (《盛京銀行推進合規三年行動(2024-2026)任務清單》)”, refined its work tasks and focused on process management, established a monthly supervisory mechanism, and systematically launched the work related to the “Ten Comprehensives”. Thirdly, the Bank earnestly implemented the regulatory opinions of the financial regulatory authorities, formulated rectification work plans, specified work objectives, responsibilities, and deadlines, strengthening management in weak areas. Fourthly, the Bank continuously tracked the latest changes in regulatory policies, clarified policy directions, strengthened information sharing, effectively integrated dynamic regulatory requirements into the Bank’s overall operational management, insisted on the consistency between comprehensive planning with key points highlighting, insisted on the unification of deepening reforms and solving problems, and insisted on the coordination of supervision and guidance and long-term mechanism, promoting the Bank to strictly adhere to regulatory bottom lines and conduct business operations in accordance with the law. At the same time, the Bank conducted compliance risk investigation to promptly identify risks and potential issues in branches, strengthened training and education, and enhanced the level of compliance management. Fifthly, the Bank intensified internal inspections and audit supervision, drew on advanced experiences from peers in the industry, and continued to standardize operations and refine management in the three stages of credit business: entry, approval, and post-loan, ensuring the effectiveness of regulatory policy implementation and effectively prevent compliance risks.

3.4.9 Money Laundering Risk Management

The Bank continued to strengthen the risk management of money laundering, thoroughly implemented the regulatory requirements of anti-money laundering and continuously enhanced the effectiveness of money laundering risk management. Firstly, the Bank continuously optimized the anti-money laundering management structure. The Bank improved the transformation efficiency of the operation mode, enhanced the Bank's ability to identify, monitor and control money laundering risks, and constructed a risk-based, intensive and efficient working system. Secondly, the Bank strengthened the effectiveness of supervision and inspection. The Bank increased the intensity of inspection, supervised and inspected various anti-money laundering businesses, promptly identified problems and supervised rectification, and enhanced the effectiveness of the Bank's performance of its duties. Thirdly, the Bank increased technological support capacity. The Bank launched the optimization of the suspicious transaction monitoring model, continuously explored the application of financial technology and strengthened measures for monitoring and controlling money laundering risks. Fourthly, the Bank solidly carried out anti-money laundering training. The Bank deepened joint publicity with regulatory, public security, media and other departments, and formed a precise radiation. Fifthly, the Bank strengthened normalization of publicity work, fully utilized its influence, and further raised public awareness of money laundering risk prevention.

3.4.10 Country-specific Risk Management

Based on the actual situation of the Bank's business development, the Bank perfected the country-specific risk management policy and system to ensure that the policy and system were compatible with the nature, scale, and complexity of the Bank's cross-border business. The Bank strengthened country-specific risk management and controlled the Bank's country-specific risk exposure within a reasonable range. Firstly, on the basis of country-specific risk assessment, the Bank conducted country-specific risk ratings of countries and regions where it has commenced or plans to commence business, and reasonably estimated the possible loss of assets due to country-specific risks. Secondly, the Bank continued to pay attention to changes in the political, economic, institutional and social conditions of the relevant countries and made full use of internal and external resources to monitor the country-specific risk situation. Thirdly, the Bank continued to strengthen the system construction, optimized the country-specific risk management processes and enhanced the country-specific risk management standards in accordance with regulatory policies and internal systems.

3.5 FUTURE PROSPECTS AND DEVELOPMENT STRATEGY

Since the beginning of the year, faced with the severe and complex international environment and arduous tasks in domestic reform, development and stability, China continued to deepen reform and opening up, strengthened macro-control, and effectively responded to risks and challenges. The economy has been generally stable, making progress while maintaining stability, and has continued to rebound to an upward trend. At the same time, however, the external environment brings about an increase in adverse impact, domestic effective demand is insufficient, risks and hidden dangers in key areas still exist, and the transformation of old and new energies and the continued deepening of structural adjustment are also facing certain challenges. The present and coming period is a critical period for comprehensively promoting the construction of a strong nation and national rejuvenation with Chinese-style modernization. China will adhere to the general tone of seeking progress amidst stability, implement the new development concept in a complete, accurate and comprehensive manner, unswervingly follow the road of financial development with Chinese characteristics, accelerate the construction of a strong financial country, and assist high-quality economic and social development with high-quality financial services.

The Bank will adhere to the guidance of Xi Jinping's thought of socialism with Chinese characteristics in the new era, fully implement the spirit of the 20th National Congress of the CPC, the Third Plenary Session of the 20th Central Committee, the Central Economic Work Conference and the Central Financial Work Conference, cultivate the feelings of serving the country through finance, actively integrate into the new development pattern, and effectively enhance the political and people's character of financial work. Based on the strategic vision of "being a good bank that benefits enterprises and people", the Bank will create a Red Bank, People-Oriented Bank, Smart Bank, Retail and Community Banking as well as Inclusive and Industrial Banking. Promoting the "12345" development strategy in an integrated manner and centering on the strategic main line of "enhancing Party building and achieving high-quality development", the Bank pay close attention to the two key tasks of "transformation and development, reform and risk elimination", build three engines driven by "institutional restructuring, mechanism rebuilding and digital transformation", strengthen the four core guarantees of "party building leadership, compliance management, risk management and control, operation and network transformation", and constructed five business sectors of "retail finance, inclusive finance, government finance, corporate finance, financial market and asset management". Based on the market positioning of city commercial banks, aiming at forging a regional business model of "strengthening Shenyang, expanding Liaoning, and specializing in extra-territoriality". The Bank will make efforts in "five major articles", promote the realization of the strategic goal of "one stabilization, one enhancement and two increases" (i.e. stable growth, improved quality, increased efficiency, and enhanced effectiveness), and write a new chapter of high-quality development of Shengjing Bank!

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

As of the Latest Practicable Date, the Bank had a total of 8,796,680,200 Shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares. During the Reporting Period, there was no change.

	At 31 December 2023		Change during the Reporting Period			At 30 June 2024	
	Number	Percentage (%)	Issuance of new shares	Others	Sub-total	Number	Percentage (%)
1. Shareholding of Domestic Shares by legal persons	6,334,384,089	72.01	Nil	Nil	Nil	6,334,384,089	72.01
Of which:							
1.1 Shareholding of state-owned legal persons	3,300,756,425	37.52	Nil	Increased by 300,000,000	Increased by 300,000,000	3,600,756,425	40.93
1.2 Shareholding of private legal persons	3,033,627,664	34.49	Nil	Decreased by 300,000,000	Decreased by 300,000,000	2,733,627,664	31.08
2. Shareholding of Domestic Shares by natural persons	121,553,611	1.38	Nil	Nil	Nil	121,553,611	1.38
3. H Shares	2,340,742,500	26.61	Nil	Nil	Nil	2,340,742,500	26.61
Total	8,796,680,200	100.00	Nil	Nil	Nil	8,796,680,200	100.00

Notes:

- Percentage figures in the table have been adjusted by rounding. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.
- As of 30 June 2024, the Bank had 3,469 holders of Domestic Shares and 124 holders of H Shares in total. In respect of the holders of Domestic Shares, 42 are state-owned legal person Shareholders, 110 are private legal person Shareholders and 3,317 are natural person Shareholders.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

4.1 PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF DOMESTIC SHARES OF THE BANK

As of the Latest Practicable Date, the top ten Shareholders of the Domestic Shares of the Bank are as follows:

No.	Name of Shareholder	Nature of Shareholder	Total number of Shares held	Percentage of the total share capital of the Bank (%)	Number of Shares pledged
1	Shenyang Shengjing Finance Investment Group Co., Ltd. (瀋陽盛京金控投資集團有限公司) ("Shengjing Finance Holdings")	State-owned	1,829,225,327	20.79	0
2	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恒信國有資產經營集團有限公司) ("Shenyang Hengxin")	State-owned	479,836,334	5.45	0
3	Liaoning Huibao International Investment Group Co., Ltd. (遼寧匯寶國際投資集團有限公司)	Private	400,000,000	4.55	400,000,000
4	Founder Securities Co., Ltd. (方正證券股份有限公司)	Private	300,000,000	3.41	0
5	Quzhou Xin'an Development Co., Ltd. (衢州信安發展股份有限公司)	State-owned ⁽¹⁾	300,000,000	3.41	80,000,000
6	Shenyang Heping District State-Owned Assets Management Co., Ltd. (瀋陽市和平區國有資產經營有限公司)	State-owned	250,000,000	2.84	0
7	Shenyang Hi-Tech Development Investment Holding Group Co., Ltd. (瀋陽高新發展投資控股集團有限公司)	State-owned	250,000,000	2.84	0
8	Shanxi Yuwang Coal Gasification Co., Ltd. (山西禹王煤炭氣化有限公司)	Private	200,000,000	2.27	0
9	Lianmei Group Co., Ltd. (聯美集團有限公司)	Private	200,000,000	2.27	0
10	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	Private	200,000,000	2.27	0
Total			4,409,061,661	50.12	480,000,000

Notes: (1) Xinhua Zhongbao Co., Ltd. (新湖中寶股份有限公司) changed its company name to "Quzhou Xin'an Development Co., Ltd. (衢州信安發展股份有限公司)". The de facto controller of the Company is Quzhou Industrial Holding Group Co. Ltd. (衢州工業控股集團有限公司), Quzhou Industrial Holding Group Co. Ltd. is a wholly-owned company of Quzhou SASAC, and the nature of shareholders of Xinhua Zhongbao Co., Ltd. changed from private to state-owned.

(2) Percentage figures in the table have been subject to rounding adjustments. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

4.2 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

1. Interests of Substantial Domestic Shareholders

As at 30 June 2024, to the knowledge of the Directors after making reasonable enquiries, the substantial Shareholders (as defined under the SFO), other than the Directors, Supervisors and chief executive of the Bank had interests in the Domestic Shares and underlying Shares of the Bank, which would fall to be disclosed to the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of Interests	Number of Domestic Shares held	Percentage of the total number of Domestic Shares of the Bank (%)	Percentage of the total share capital of the Bank (%)
Shengjing Finance Holdings ⁽¹⁾	Beneficial owner	1,829,225,327 (Long position)	28.33	20.79
Shenyang Hengxin ⁽²⁾	Beneficial owner	479,836,334 (Long position)	7.43	5.45
Shenyang Industrial Investment Development Group ⁽²⁾	Interest of a controlled corporation	479,836,334 (Long position)	7.43	5.45

Notes:

- (1) According to the Register of Shareholders of the Bank as of 30 June 2024, Shengjing Finance Holdings held 1,829,225,327 Domestic Shares. Shengjing Finance Holdings was 64.85% directly owned by SASAC of Shenyang Municipal People's Government. By virtue of the SFO, SASAC of Shenyang Municipal People's Government is deemed to be interested in the Shares held by Shengjing Finance Holdings.
- (2) According to the Register of Shareholders of the Bank as of 30 June 2024, Shenyang Hengxin held 479,836,334 Domestic Shares. Shenyang Hengxin was wholly-owned by Shenyang Industrial Investment Development Group Co., Ltd., which was 98.16% owned by SASAC of Shenyang Municipal People's Government. By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. and SASAC of Shenyang Municipal People's Government are deemed to be interested in the Shares held by Shenyang Hengxin.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

2. Interests of Substantial H Shareholders

As at 30 June 2024, to the knowledge of the Directors after making reasonable enquiries, the substantial Shareholders (as defined under the SFO), other than the Directors, the Supervisors or the chief executive had interests in the H Shares and underlying Shares of the Bank, which would fall to be disclosed to the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of H Shares held	Percentage of the total number of H Shares (%)	Percentage of the total share capital of the Bank (%)
Zhengbo Holdings Limited ⁽¹⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
Suen Cho Hung, Paul ⁽¹⁾	Interest of a controlled corporation/ Beneficial owner	420,898,500 (Long position)	17.98	4.78
Future Capital Group Limited ⁽²⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
PEAK TRUST COMPANY-NV ⁽²⁾	Trustee	406,761,000 (Long position)	17.38	4.62
Cheung Chung Kiu ⁽³⁾	Interest of a controlled corporation/ Beneficial owner	324,651,500 (Long position)	13.87	3.69
Nu Kenson Limited ⁽⁴⁾	Beneficial owner	190,000,000 (Long position)	8.12	2.16
Oshidori International Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	293,034,000 (Long position)	12.52	3.33
Cheng Yu Tung Family (Holdings II) Limited ⁽⁵⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Cheng Yu Tung Family (Holdings) Limited ⁽⁵⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook (Holding) Limited ⁽⁵⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

Name of Shareholder	Nature of interests	Number of H Shares held	Percentage of the total number of H Shares (%)	Percentage of the total share capital of the Bank (%)
Chow Tai Fook Capital Limited ⁽⁵⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Nominee Limited ⁽⁵⁾	Interest of a controlled corporation/ Beneficial owner	179,518,060 (Long position)	7.67	2.04
Murtsa Capital Limited ⁽⁶⁾	Beneficial owner	172,512,893 (Long position)	7.37	1.96
Seekers Partners Limited ⁽⁶⁾	Interest of a controlled corporation	172,512,893 (Long position)	7.37	1.96

Notes:

- (1) Suen Cho Hung, Paul directly held 20,898,500 H Shares of the Bank. Zhengbo Holdings Limited held 400,000,000 H Shares of the Bank. Zhengbo Holdings Limited was wholly owned by Suen Cho Hung, Paul. By virtue of the SFO, Suen Cho Hung, Paul is deemed to be interested in the Shares held by Zhengbo Holdings Limited.
- (2) Cordoba Homes Limited held 6,761,000 H Shares of the Bank through its wholly owned subsidiary, Cordoba Homes Treasury Limited (registered in the British Virgin Islands); Terra Firma Cordoba Limited held 61.98% of the equity of Cordoba Homes Limited; Terra Firma Cordoba Limited was wholly owned by Terra Firma Holdings Limited; Terra Firma Holdings Limited was wholly owned by PEAK TRUST COMPANY-NV. By virtue of the SFO, Cordoba Homes Limited, Terra Firma Cordoba Limited, Terra Firma Holdings Limited and PEAK TRUST COMPANY- NV are deemed to be interested in the Shares held by Cordoba Homes Treasury Limited (registered in the British Virgin Islands).

Future Capital Group Limited held 400,000,000 H shares of the Bank. Future Capital Group Limited was wholly owned by Core Heaven Group Limited; Core Heaven Group Limited was wholly owned by Cordoba Homes Treasury Limited (registered in the Republic of Liberia); Cordoba Homes Treasury Limited (registered in the Republic of Liberia) was wholly owned by Cordoba Homes Limited. By virtue of the SFO, Core Heaven Group Limited, Cordoba Homes Treasury Limited (registered in the Republic of Liberia) and Cordoba Homes Limited are all deemed to be interested in the Shares held by Future Capital Group Limited.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

- (3) Cheung Chung Kiu directly held 299,651,500 H Shares of the Bank. Worthwell Investments Limited held 25,000,000 H Shares of the Bank. Worthwell Investments Limited was wholly owned by Mighty Gain Enterprise Limited; Might Gain Enterprises Limited was wholly owned by C C Land Holdings Limited; C C Land Holdings Limited was held as to 52.99% by Fame Seeker Holdings Limited; Fame Seeker Holdings Limited was wholly owned by Windsor Dynasty Limited; Windsor Dynasty Limited was wholly owned by Chueng Chung Kiu. By virtue of the SFO, Mighty Gain Enterprises Limited, C C Land Holdings Limited, Fame Seeker Holdings Limited, Windsor Dynasty Limited and Cheung Chung Kiu are deemed to be interested in the Shares held by Worthwell Investments Limited.
- (4) Smart Jump Corporation (registered in British Virgin Islands) held 3,034,000 H Shares of the Bank. Smart Jump Corporation (registered in British Virgin Islands) was wholly owned by Smart Jump Corporation (registered in Cayman Islands); Smart Jump Corporation (registered in Cayman Islands) was wholly owned by Smart Jump Corporation (registered in Marshall Islands); Smart Jump Corporation (registered in Marshall Islands) was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Smart Jump Corporation (registered in Cayman Islands), Smart Jump Corporation (registered in Marshall Islands), Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Smart Jump Corporation (registered in British Virgin Islands).

Nu Kenson Limited held 190,000,000 H Shares of the Bank. Nu Kenson Limited was wholly owned by Win Wind Intermediary Financial Services Limited; Win Winds Intermediary Financial Services Limited was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Win Wind Intermediary Financial Services Limited, Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Nu Kenson Limited.

Kenson Investment Limited held 100,000,000 H Shares of the Bank. Kenson Investment Limited is wholly owned by Uptown WW Holdings Limited; Uptown WW Holdings Limited is wholly owned by Uptown WW Capital Group Limited (registered in British Virgin Islands); Uptown WW Capital Group Limited (registered in British Virgin Islands) is wholly owned by Uptown WW Capital Group Limited (registered in the Cayman Islands); Uptown WW Capital Group Limited (registered in the Cayman Islands) is wholly owned by Enerchina Investments Limited; Enerchina Investments Limited is wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Uptown WW Holdings Limited, Uptown WW Capital Group Limited (registered in British Virgin Islands), Uptown WW Capital Group Limited (registered in the Cayman Islands), Enerchina Investments Limited and Oshidori International Holdings Limited are deemed to be interested in the shares held by Kenson Investment Limited.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

- (5) Acemax Enterprises Limited held 50,776,620 H Shares of the Bank. Acemax Enterprises Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of SFO, Chow Tai Fook Nominee Limited was deemed to be interested in the Shares held by Acemax Enterprises Limited.

Oceanic Fortress Limited holds 76,164,940 H Shares of the Bank. Oceanic Fortress Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of the SFO, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares held by Oceanic Fortress Limited.

Chow Tai Fook Nominee Limited directly held 52,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was held as to 99.90% by Chow Tai Fook (Holding) Limited; Chow Tai Fook (Holding) Limited was held as to 81.03% by Chow Tai Fook Capital Limited; Chow Tai Fook Capital Limited was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. By virtue of the SFO, Chow Tai Fook (Holding) Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

- (6) Murtsa Capital Limited held 172,512,893 H Shares of the Bank. Murtsa Capital Limited was wholly owned by Seekers Capital (HK) Limited; Seekers Capital (HK) Limited was wholly owned by Seekers Holdings Limited; Seekers Holdings Limited was wholly owned by Seekers Partners Limited. By virtue of the SFO, Seekers Capital (HK) Limited, Seekers Holdings Limited and Seekers Partners Limited are deemed to be interested in the Shares held by Murtsa Capital Limited.

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive (as defined under the Listing Rules) of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 30 June 2024 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

4.3 SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL

As at the end of the Reporting Period, Shengjing Finance Holdings and Shenyang Hengxin held 1,829,225,327 Domestic Shares and 479,836,334 Domestic Shares of the Bank, respectively, representing 20.79% and 5.45% of the Bank's total share capital, respectively.

4.4 INFORMATION ON SUBSTANTIAL SHAREHOLDERS AND DE FACTO CONTROLLERS OF DOMESTIC SHARES

Below is the information on the Bank's substantial Shareholders and their controlling Shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as at the end of the Report Period. For the definition of relevant concepts, please see the relevant requirements of the Interim Measures for the Shareholding Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the current National Financial Regulatory Administration (formerly known as the China Banking Regulatory Commission).

No.	Name of Shareholder	Number of Shares held (share)	Shareholding percentage	Reasons of being a substantial shareholder	Number of shares pledged (share)	Controlling Shareholder	De facto controller	Parties acting in concert	Ultimate beneficial owner
1	Shengjing Finance Holdings	1,829,225,327	20.79%	Holding 5% or more of the Bank's shares, being appointed director	0	Shenyang SASAC	Shenyang SASAC	Nil	Shengjing Finance Holdings
2	Shenyang Hengxin	479,836,334	5.45%	Holding 5% or more of the Bank's shares, being appointed director	0	Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司)	Shenyang SASAC	Nil	Shenyang Hengxin

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

4.5 ISSUANCE OF DEBT SECURITIES

1. Debt Securities Issued

As at the end of the Reporting Period, details of the debt securities issued by the Bank are set out in the “Debt Securities Issued” section of “MANAGEMENT DISCUSSION AND ANALYSIS” of this Report and note 29 to the section “NOTES TO THE INTERIM FINANCIAL STATEMENTS”.

2. Proposed Issuance of Debt Securities

References are made to the announcement of the Bank dated 27 March 2020, the circular dated 21 April 2020 and the poll results announcement at the 2019 Annual General Meeting dated 5 June 2020 in relation to the proposed issuance of financial bonds. References are also made to the announcement dated 24 March 2023 and the poll results announcement at the 2022 Annual General Meeting dated 2 June 2023, the Shareholders have approved the extension of the validity term of financial bonds and relevant authorization matters to 29 November 2024.

The debt securities as mentioned above will not be listed on the Hong Kong Stock Exchange.

4.6 PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE BANK

During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, redeemed or sold any listed securities.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

5.1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, the basic information of the Directors, Supervisors and senior management of the Bank is set out below:

Name	Age	Position
Mr. SUN Jin (孫進)	52	Executive Director, Chairman
Ms. LIU Xu (柳旭)	56	Executive Director, President
Mr. WANG Yigong (王亦工)	58	Executive Director, Vice President
Mr. ZHANG Xuewen (張學文)	56	Executive Director, Vice President
Mr. HE Yixuan (何一軒)	40	Executive Director, Vice President
Mr. SUN Zhenyu (孫振宇)	49	Non-executive Director
Mr. HE Peng (何鵬)	43	Non-executive Director
Ms. YANG Xiu (楊秀)	53	Non-executive Director
Ms. WANG Hongmei (王紅枚)	43	Non-executive Director
Mr. WANG Jun (王軍)	59	Non-executive Director
Mr. WANG Mo (王沫)	59	Independent Non-executive Director
Ms. LV Dan (呂丹)	46	Independent Non-executive Director
Mr. CHAN Pak Lam, Tom (陳柏楠) <i>Note 1</i>	61	Independent Non-executive Director
Ms. WANG Lan (王嵐)	54	Independent Non-executive Director
Mr. HUANG Weiqiang (黃瑋強)	42	Independent Non-executive Director
Mr. LIU Yan (劉岩)	53	Shareholder Representative Supervisor, Chief Supervisor
Mr. YUEN Wing Shing (袁永誠)	77	Shareholder Representative Supervisor
Mr. LI Jinsong (李勁松)	54	Shareholder Representative Supervisor
Mr. XING Tiancai (邢天才)	62	External Supervisor
Ms. MI Juan (米娟)	60	External Supervisor
Mr. LI Yanxi (李延喜)	54	External Supervisor

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Age	Position
Mr. YU Xiaolong (于小龍)	46	Employee Representative Supervisor
Mr. NIU Jiao (牛角)	48	Employee Representative Supervisor
Mr. CHEN Shijun (陳世俊)	49	Employee Representative Supervisor
Mr. SUN Yingpin (孫英品) ^{Note 2}	50	Assistant to President
Mr. BAO Hong (包宏)	52	Chief Financial Officer
Mr. ZHOU Zhi (周峙)	55	Secretary to the Board
Mr. WU Tienan (吳鐵男)	55	Chief Information Officer

Note 1 The eligibility of Mr. CHAN Pak Lam, Tom as Independent Non-executive Director is subject to formal approval by the Liaoning Financial Bureau. Mr. TAI Kwok Leung, Alexander will continue to perform his duties as an Independent Non-executive Director prior to the approval of the qualification of Mr. CHAN Pak Lam, Tom as the Independent Non-executive Director by the Liaoning Financial Bureau.

Note 2 The eligibility of Mr. SUN Yingpin as Assistant to President is subject to formal approval by the Liaoning Financial Bureau.

5.2 DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of the Latest Practicable Date, to the knowledge of the Directors after making reasonable enquiries, none of the Directors, the Supervisors, or the chief executives and their respective associates held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations which are required to be notified to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix C3 to the Listing Rules.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

5.3 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. XU Li resigned as proposed Chief Audit Officer of the Bank in January 2024

References are made to the announcement of the Bank dated 5 January 2024, the circular dated 9 January 2024 and the poll results announcement at the 2024 First Extraordinary General Meeting dated 22 February 2024. Upon the consideration and approval at the 2024 First Extraordinary General Meeting held on 22 February 2024, Mr. SUN Jin, Ms. LIU Xu, Mr. WANG Yigong, Mr. ZHANG Xuewen and Mr. HE Yixuan were elected as Executive Directors of the eighth session of the Board of the Bank; Mr. SUN Zhenyu, Mr. HE Peng, Ms. YANG Xiu, Ms. WANG Hongmei and Mr. WANG Jun were elected as Non-executive Directors of the eighth session of the Board of the Bank; Mr. WANG Mo, Ms. LV Dan, Mr. Chan Pak Lam, Tom, Ms. WANG Lan and Mr. HUANG Weiqiang were elected as Independent Non-executive Directors of the eighth session of the Board of the Bank. The terms of office of Mr. SUN Jin, Ms. LIU Xu, Mr. WANG Jun, Mr. WANG Mo and Ms. LV Dan shall take effect from 22 February 2024 until the expiration of the term of the eighth session of the Board. Reference is made to the announcement of the Bank dated 28 August 2024 that the eligibilities of Mr. WANG Yigong, Mr. ZHANG Xuewen, Mr. HE Yixuan, Mr. SUN Zhenyu, Mr. HE Peng, Ms. YANG Xiu, Ms. WANG Hongmei, Ms. WANG Lan and Mr. HUANG Weiqiang have been approved by Liaoning Financial Bureau for the terms of office with effect from 27 August 2024 until the expiration of the term of the eighth session of the Board. The eligibility of Mr. Chan Pak Lam, Tom is subject to the approval by the Liaoning Financial Bureau. Upon the consideration and approval at the first meeting of the eighth session of the Board on 22 February 2024, Mr. SUN Jin was elected as the Chairman of the eighth session of the Board, the chairman of the Strategic Development and ESG Committee under the Board and the vice chairman of the Nomination and Remuneration Committee under the Board, with a term of office effective from 22 February 2024 until the expiration of the term of the eighth session of the Board.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

References are made to the announcement dated 5 January 2024, the circular dated 9 January 2024 and the poll results announcement of the 2024 First Extraordinary General Meeting dated 22 February 2024 of the Bank. Upon the consideration and approval at the 2024 First Extraordinary General Meeting held on 22 February 2024, Mr. LIU Yan, Mr. YUEN Wing Shing and Mr. LI Jinsong were elected as Shareholder Representative Supervisors of the eighth session of the Board of Supervisors of the Bank, and Mr. XING Tiancai, Ms. MI Juan, Mr. LI Yanxi were elected as External Supervisors of the eighth session of the Board of Supervisors of the Bank. The terms of office of the above Supervisors took effect from 22 February 2024 until the expiration of the term of the eighth session of the Board of Supervisors. After the resolution at the first meeting of the eighth session of the Board of Supervisors held on the same date, Mr. LIU Yan was elected as the chairman of the eighth session of the Board of Supervisors of the Bank. His term of office shall commence from 22 February 2024 until the expiration of the term of the eighth session of the Board of Supervisors.

Upon the consideration and approval at the first meeting of the eighth session of the Board on 22 February 2024, it is agreed to change the name of the Strategic Development Committee to Strategic Development and ESG Committee and the name of the Risk Control and Consumers' Rights Protection Committee (風險控制及消費者權益保護委員會) to Risk Control and Consumers' Rights Protection Committee (風險控制與消費者權益保護委員會). At the same time, the composition of the eighth session of the Board committees of the Bank has been elected. The Strategic Development and ESG Committee consists of five Directors, including Mr. SUN Jin as the chairman, Mr. SUN Zhenyu as the vice chairman, Ms. LIU Xu, Ms. YANG Xiu and Mr. HUANG Weiqiang as members. The Nomination and Remuneration Committee consists of five Directors, including Ms. LV Dan as the chairlady, Mr. SUN Jin as the vice chairman, Ms. WANG Hongmei, Mr. WANG Mo and Mr. CHAN Pak Lam, Tom as members. The Risk Control and Consumers' Rights Protection Committee consists of five Directors, including Mr. WANG Mo as the chairman, Ms. LIU Xu as the vice chairlady, Mr. ZHANG Xuewen, Mr. HE Peng and Mr. HUANG Weiqiang as members. The Related Party Transactions Control Committee consists of five Directors, including Mr. HUANG Weiqiang as the chairman, Mr. WANG Yigong as the vice chairman, Mr. HE Yixuan, Ms. LV Dan and Ms. WANG Lan as members. The Audit Committee consists of five Directors, including Mr. CHAN Pak Lam, Tom as the chairman, Mr. HE Peng as the vice chairman, Mr. WANG Jun, Mr. WANG Mo and Ms. WANG Lan as members.

The Bank has elected Mr. YU Xiaolong, Mr. NIU Jiao and Mr. CHEN Shijun as Employee Representative Supervisors of the eighth session of the Board of Supervisors at the employee representative' general meeting with effect from 20 February 2024 until the expiration of the term of the eighth session of the Board of Supervisors.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

5.4 SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank adopted the Rules for Securities Transactions by Directors, Supervisors and Key Employees of Shengjing Bank Co., Ltd. (the “Rules for Securities Transactions”) regarding securities transactions by Directors, Supervisors and certain key employees on terms not less exacting than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix C3 to the Listing Rules.

Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors of the Bank has confirmed that they complied with the Rules for Securities Transactions during the Reporting Period.

5.5 EMPLOYEES, EMPLOYEES' COMPENSATION POLICIES AND TRAINING SCHEMES

As of 30 June 2024, the Bank had a total of 8,601 employees.

The compensation policies of the Bank are based on the business development strategy of the Bank, with a commitment to high-quality corporate development. We have adhered to market-oriented and value-oriented principles, balancing external competitiveness and internal equity, and striving to construct a diversified compensation system that fully reflects features of positions and flexibility of welfares. Employee compensation consists of fixed compensation, variable compensation, welfare income, etc., which can effectively play the long-term role of short-term incentive and long-term incentive. The Bank implements compensation policies that are consistent with the Bank's sustainable development goals, unified with corporate governance requirements, adapted to the risk management system, and matching with the value contribution of employees. In the process of salary payment, the supervision regulations are strictly enforced, and the deferred payment is implemented for middle and senior management personnel and personnel in positions with important influence on risk to strengthen risk control.

The Bank has aimed to continuously improve the comprehensive quality and professional competence of its employees, and effectively conducted training activities at each hierarchy level by focusing on compliance management, risk prevention and control and improvement of marketing capability. Through improving training and management system, the Bank strengthened the establishment of training management team and internal trainer team, formulated training books and testing questions, expanded training channels and enriched training resources by making full use of "mobile learning platform of Shengjing Bank". In the first half of 2024, the Bank has conducted a total of 9,822 training sessions, 12,151 hours and 167,278 person-times.

SIGNIFICANT EVENTS

6.1 CORPORATE GOVERNANCE CODE

The Bank strives to improve the transparency and accountability of corporate governance and ensure high standards of corporate governance to safeguard Shareholders' interests and enhance its enterprise value and commitment.

During the Reporting Period, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix C1 to the Listing Rules and the Listing Rules governing disclosure of insider information.

According to provision of C.1.6 of the Code, independent non-executive Directors and other non-executive Directors shall attend general meetings. During the Reporting Period, five Directors of the Bank are unable to attend the 2023 annual general meeting on 5 June 2024 due to business reasons.

6.2 EARNINGS AND DIVIDENDS

The Bank's revenue for the six months ended 30 June 2024 and the Bank's financial position as at the same date are set out in the section headed "Interim Financial Statements".

Upon consideration and approval at the Bank's 2023 annual general meeting held on 5 June 2024, the Bank decided that no final dividend for 2023 would be distributed to all Shareholders.

The Bank will not distribute any interim dividend for the first six months of 2024 or convert any capital reserve into share capital.

6.3 RELATED PARTY TRANSACTIONS

During the Reporting Period, no material related party transaction with adverse impact on the Bank's business results and financial position occurred.

6.4 MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

6.5 MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed, during the Reporting Period, the Group has no material acquisition or disposal of subsidiaries, associates and joint ventures.

6.6 PLEDGE OF ASSETS

Details of the Bank's pledge of assets for the six months ended 30 June 2024 are set out in the financial statement.

6.7 PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was subject to any investigation, administrative penalty or public criticism by the CSRC, or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

6.8 REVIEW OF THE INTERIM REPORT

Financial statements disclosed in this report have not been audited. The interim financial statements for the six months ended 30 June 2024 prepared by the Bank in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board have been reviewed by Crowe (HK) CPA Limited in accordance with International Standard on Review Engagements 2410.

The Board and the Audit Committee of the Board of the Bank have reviewed and approved the interim report of the Bank.

6.9 PUBLICATION OF INTERIM REPORT

The interim report will be released on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.shengjingbank.com.cn) at the same time.

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

INDEPENDENT AUDITOR'S REPORT ON REVIEW



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF SHENGJING BANK CO., LTD.

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

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 90 to 244, which comprises the condensed consolidated statement of financial position of Shengjing Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2024, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34.

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

INDEPENDENT AUDITOR'S REPORT ON REVIEW (CONTINUED)

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", issued by International Auditing and Assurance Standard Board. 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.

Crowe(HK)CPA Limited

Certified Public Accountants

Hong Kong,

28 August 2024

Chiu Lung Sang

Practising Certificate Number P08091

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	Six months ended 30 June	
		2024	2023
Interest income		16,442,995	21,300,324
Interest expense		<u>(13,207,207)</u>	<u>(15,322,002)</u>
Net interest income	5	<u>3,235,788</u>	<u>5,978,322</u>
Fee and commission income		296,502	416,361
Fee and commission expense		<u>(277,165)</u>	<u>(275,927)</u>
Net fee and commission income	6	<u>19,337</u>	<u>140,434</u>
Net trading losses	7	(1,058,480)	(126,981)
Net gains arising from investments	8	2,342,057	1,137,775
Other operating income	9	<u>21,444</u>	<u>14,387</u>
Operating income		4,560,146	7,143,937
Operating expenses	10	(2,773,695)	(2,553,648)
Impairment losses on assets	11	<u>(1,135,471)</u>	<u>(3,671,035)</u>
Profit before taxation		650,980	919,254
Income tax expense	12	<u>(59,290)</u>	<u>(129,619)</u>
Profit for the period		<u>591,690</u>	<u>789,635</u>
Net profit attributable to:			
Equity shareholders of the Bank		576,594	737,875
Non-controlling interests		<u>15,096</u>	<u>51,760</u>
		<u>591,690</u>	<u>789,635</u>

The notes on pages 101 to 244 form part of these financial statements.

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

*For the six months ended 30 June 2024
(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)*

	<i>Note</i>	Six months ended 30 June	
		2024	2023
Profit for the period		591,690	789,635
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss			
– Remeasurement of net defined benefit liability		(4,134)	(1)
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(56,337)	27,101
Items that may be reclassified subsequently to profit or loss			
– Loans and advances to customers and debt instruments measured at fair value through other comprehensive income:			
– net movement in the fair value reserve		(394,729)	3,941
– net movement in the provision reserve		36,121	77,280
Other comprehensive (loss)/income net of tax		(419,079)	108,321
Total comprehensive income		172,611	897,956
Total comprehensive income attributable to:			
Equity shareholders of the Bank		157,515	846,196
Non-controlling interests		15,096	51,760
		172,611	897,956
Basic and diluted earnings per share (<i>in RMB</i>)	13	0.07	0.08

The notes on pages 101 to 244 form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

(Expressed in thousands of RMB, unless otherwise stated)

	Note	30 June 2024	31 December 2023
Assets			
Cash and deposits with central bank	14	83,349,513	76,097,764
Deposits with banks and other financial institutions	15	11,648,158	7,506,953
Placements with banks and other financial institutions	16	13,291,180	9,591,254
Derivative financial assets	17	430,673	196,703
Financial assets held under resale agreements	18	2,700,018	3,099,878
Loans and advances to customers	19	517,773,638	496,289,504
Financial investments:			
Financial assets at fair value through profit or loss	20(a)	102,030,638	105,916,358
Financial assets at fair value through other comprehensive income	20(b)	55,366,719	86,554,502
Financial assets measured at amortised cost	20(c)	250,522,833	264,690,316
Property and equipment	21	4,910,569	5,041,423
Deferred tax assets	22	9,259,223	9,166,865
Other assets	23	17,022,129	15,901,186
Total assets		1,068,305,291	1,080,052,706

The notes on pages 101 to 244 form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 30 June 2024
(Expressed in thousands of RMB, unless otherwise stated)*

	<i>Note</i>	30 June 2024	31 December 2023
Liabilities			
Borrowings from central bank	24	303,330	839,337
Deposits from banks and other financial institutions	25	79,450,678	71,233,034
Placements from banks and other financial institutions	26	19,874,890	17,970,859
Financial liabilities at fair value through profit or loss		12,969,309	–
Derivative financial liabilities	17	141,782	218,373
Financial assets sold under repurchase agreements	27	51,130,195	106,901,210
Deposits from customers	28	800,459,374	779,966,905
Income tax payable		9,559	8,333
Debt securities issued	29	16,871,890	16,834,257
Other liabilities	30	7,030,410	6,185,535
Total liabilities		988,241,417	1,000,157,843

The notes on pages 101 to 244 form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

(Expressed in thousands of RMB, unless otherwise stated)

	Note	30 June 2024	31 December 2023
Equity			
Share capital	31	8,796,680	8,796,680
Capital reserve	32(a)	26,957,822	26,957,822
Surplus reserve	32(b)	7,536,253	7,481,817
General reserve	32(c)	14,858,851	14,830,687
Fair value reserve	32(d)	(2,788,462)	(2,346,078)
Provision reserve	32(e)	147,807	111,686
Deficit on remeasurement of net defined benefit liability	32(f)	(37,077)	(32,943)
Retained earnings		24,015,810	23,530,498
Total equity attributable to equity shareholders of the Bank		79,487,684	79,330,169
Non-controlling interests		576,190	564,694
Total equity		80,063,874	79,894,863
Total liabilities and equity		1,068,305,291	1,080,052,706

Approved and authorised for issue by the board of directors on 28 August 2024.

Sun Jin

Chairman of Board of Directors

Liu Xu

President

Bao Hong

Chief Financial Officer

Yang Xi

Person in Charge of Accounting Institution

Company chop

The notes on pages 101 to 244 form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Note	Attributable to equity shareholders of the Bank										Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2024	8,796,680	26,957,822	7,481,817	14,830,687	(2,346,078)	111,686	(32,943)	23,530,498	79,330,169	564,694	79,894,863
Profit for the period	-	-	-	-	-	-	-	576,594	576,594	15,096	591,690
Other comprehensive (loss)/income	-	-	-	-	(451,066)	36,121	(4,134)	-	(419,079)	-	(419,079)
Total comprehensive (loss)/income	-	-	-	-	(451,066)	36,121	(4,134)	576,594	157,515	15,096	172,611
Appropriation of profit:											
- Appropriation to surplus reserve	32(b)	-	54,436	-	-	-	-	(54,436)	-	-	-
- Appropriation to general reserve (Note (i))	32(c)	-	-	28,164	-	-	-	(28,164)	-	-	-
- Dividend paid by non-wholly owned subsidiaries		-	-	-	-	-	-	-	-	(3,600)	(3,600)
Subtotal		-	54,436	28,164	-	-	-	(82,600)	-	(3,600)	(3,600)
Disposal of investment in equity investment at fair value through other comprehensive income:		-	-	-	8,682	-	-	(8,682)	-	-	-
Balance at 30 June 2024	8,796,680	26,957,822	7,536,253	14,858,851	(2,788,462)	147,807	(37,077)	24,015,810	79,487,684	576,190	80,063,874

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB28.16 million.

The notes on pages 101 to 244 form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

(Expressed in thousands of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank										Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total		
Balance at 1 January 2023		8,796,680	26,931,360	7,411,839	14,797,531	(1,274,532)	1,239,049	(28,848)	22,901,106	80,774,185	662,910	81,437,095
Profit for the period		-	-	-	-	-	-	-	737,875	737,875	51,760	789,635
Other comprehensive (loss)/income		-	-	-	-	31,042	77,280	(1)	-	108,321	-	108,321
Total comprehensive (loss)/income		-	-	-	-	31,042	77,280	(1)	737,875	846,196	51,760	897,956
Appropriation of profit:												
- Appropriation to surplus reserve	32(b)	-	-	64,871	-	-	-	-	(64,871)	-	-	-
- Appropriation to general reserve (Note (i))	32(c)	-	-	-	510,691	-	-	-	(510,691)	-	-	-
Subtotal		-	-	64,871	510,691	-	-	-	(575,562)	-	-	-
Balance at 30 June 2023		<u>8,796,680</u>	<u>26,931,360</u>	<u>7,476,710</u>	<u>15,308,222</u>	<u>(1,243,490)</u>	<u>1,316,329</u>	<u>(28,849)</u>	<u>23,063,419</u>	<u>81,620,381</u>	<u>714,670</u>	<u>82,335,051</u>

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB13.18 million.

The notes on pages 101 to 244 form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*For the year ended 31 December 2023 (Continued)
(Expressed in thousands of RMB, unless otherwise stated)*

	Attributable to equity shareholders of the Bank										Total	Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings				
Balance at 1 July 2023		8,796,680	26,931,360	7,476,710	15,308,222	(1,243,490)	1,316,329	(28,849)	23,063,419	81,620,381	714,670	82,335,051	
Loss for the period		-	-	-	-	-	-	-	(5,441)	(5,441)	(19,435)	(24,876)	
Other comprehensive loss		-	-	-	-	(1,102,496)	(1,204,643)	(4,094)	-	(2,311,233)	-	(2,311,233)	
Total comprehensive loss		-	-	-	-	(1,102,496)	(1,204,643)	(4,094)	(5,441)	(2,316,674)	(19,435)	(2,336,109)	
Appropriation of profit:													
- Appropriation to surplus reserve	32(b)	-	-	5,107	-	-	-	-	(5,107)	-	-	-	
- Appropriation to general reserve	32(c)	-	-	-	(477,535)	-	-	-	477,535	-	-	-	
Subtotal		-	-	5,107	(477,535)	-	-	-	472,428	-	-	-	
Acquisition of non-controlling interests		-	26,462	-	-	-	-	-	-	26,462	(130,541)	(104,079)	
Disposal of investment in equity investment at fair value through other comprehensive income:		-	-	-	-	(92)	-	-	92	-	-	-	
Balance at 31 December 2023		8,796,680	26,957,822	7,481,817	14,830,687	(2,346,078)	111,686	(32,943)	23,530,498	79,330,169	564,694	79,894,863	

The notes on pages 101 to 244 form part of these financial statements.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024

(Expressed in thousands of RMB, unless otherwise stated)

	Note	Six months ended 30 June	
		2024	2023
Cash flows from operating activities			
Profit before taxation		650,980	919,254
<i>Adjustments for:</i>			
Impairment losses on assets		1,135,471	3,671,035
Depreciation and amortisation		295,779	285,386
Interest expense of the lease liability		14,325	17,368
Net losses on unrealised foreign exchange		9,094	65,842
Net losses on disposal of property and equipment		–	14,988
Dividend income		(7,557)	(28,092)
Net trading gains of financial assets at fair value through profit or loss		(404,839)	(416,066)
Net gains on disposal of financial investments		(1,929,661)	(693,617)
Interest expense on debt securities issued		218,814	275,543
Interest income on financial investments		(3,496,069)	(3,019,646)
		(3,513,663)	1,091,995
<i>Changes in operating assets</i>			
Net decrease/(increase) in deposits with central bank		3,060,409	(1,449,448)
Net decrease/(increase) in deposits and placements with bank and other financial institutions		6,641,683	(3,102,879)
Net increase in loans and advances to customers		(32,654,548)	(17,871,160)
Net increase in other operating assets		(668,806)	(4,938,153)
		(23,621,262)	(27,361,640)

The notes on pages 101 to 244 form part of these financial statements.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2024 (Continued)
(Expressed in thousands of RMB, unless otherwise stated)

	Note	Six months ended 30 June	
		2024	2023
<i>Changes in operating liabilities</i>			
Net (decrease)/increase in borrowings from central bank		(536,007)	170,557
Net increase in deposits and placements from banks and other financial institutions		10,121,675	849,671
Net decrease in financial assets sold under repurchase agreements		(55,771,015)	(20,292,193)
Net increase in deposits from customers		20,492,469	36,645,498
Income tax paid		(6,355)	(1,138,392)
Net increase in other operating liabilities		961,384	102,336
		<u>(24,737,849)</u>	<u>16,337,477</u>
Net cash flows used in operating activities		<u>(51,872,774)</u>	<u>(9,932,168)</u>
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		617,189,038	710,335,578
Proceeds from disposal of property and equipment		314	152
Payments on acquisition of investments		(540,582,981)	(694,451,028)
Payments on acquisition of property and equipment, intangible assets and other assets		(60,689)	(89,463)
Net cash flows generated from investing activities		<u>76,545,682</u>	<u>15,795,239</u>

The notes on pages 101 to 244 form part of these financial statements.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2024 (Continued)
(Expressed in thousands of RMB, unless otherwise stated)

	Note	Six months ended 30 June	
		2024	2023
Cash flows from financing activities			
Net proceeds from new debt securities issued		21,089,142	17,027,916
Repayment of debt securities issued		(21,051,509)	(20,123,471)
Interest paid on debt securities issued		(218,814)	(275,543)
Dividends paid		(2,240)	–
Payment of lease liabilities		(89,530)	(91,225)
Net cash flows used in financing activities		<u>(272,951)</u>	<u>(3,462,323)</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>(5,836)</u>	<u>373,784</u>
Net increase in cash and cash equivalents		24,394,121	2,774,532
Cash and cash equivalents as at 1 January		<u>35,769,940</u>	<u>38,211,017</u>
Cash and cash equivalents as at 30 June	34	<u><u>60,164,061</u></u>	<u><u>40,985,549</u></u>
Net cash flows used in operating activities include:			
Interest received		<u>12,199,179</u>	<u>8,537,795</u>
Interest paid (excluding interest expense on debt securities issued)		<u>(10,764,064)</u>	<u>(15,709,213)</u>

The notes on pages 101 to 244 form part of these financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of RMB, unless otherwise stated)

1 REPORTING ENTITY

Shengjing Bank Co., Ltd. (the “Bank”) is a bank domiciled in the People’s Republic of China (the “PRC”). These consolidated interim financial statements (the “interim financial report”) as at and for the six months ended 30 June 2024 comprise the Bank and its subsidiaries (together referred to as the “Group”). The principal activities of the Group are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the National Financial Regulatory Administration (the “NFRA”). The Bank mainly operated in mainland China, which, for the purpose of this interim financial report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

As at 30 June 2024, details of the subsidiaries are as follows:

	Date of incorporation	Place of incorporation registration and operations	Registered capital	Percentage owned by the bank	Business sector	Economic nature/type
Shenyang Shenbei Fumin Village Bank Co., Ltd. (“Shenyang Shenbei”)	09/02/2009	Liaoning, China	150,000	20%	Banking	Incorporated company
Shenyang Xinmin Fumin Village Bank Co., Ltd. (“Shenyang Xinmin”)	25/06/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Faku Fumin Village Bank Co., Ltd. (“Shenyang Faku”)	26/10/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Liaozhong Fumin Village Bank Co., Ltd. (“Shenyang Liaozhong”)	26/11/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Ningbo Jiangbei Fumin Village Bank Co., Ltd. (“Ningbo Jiangbei”)	17/08/2011	Zhejiang, China	100,000	30%	Banking	Incorporated company
Shanghai Baoshan Fumin Village Bank Co., Ltd. (“Shanghai Baoshan”)	09/09/2011	Shanghai, China	150,000	40%	Banking	Incorporated company
Shengjing Bank Consumer Finance Co., Ltd. (“Shengjing Consumer”)	25/02/2016	Liaoning, China	300,000	75%	Consumer finance	Limited company

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

2 BASIS OF PREPARATION

This interim financial report 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 IAS 34, “Interim financial reporting”, issued by the International Accounting Standards Board (the “IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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

The interim financial report is unaudited but has been reviewed by Crowe (HK) CPA Limited in accordance with International Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the International Auditing and Assurance Standards Board.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

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

The changes in accounting policies are also expected to be reflected in the Group's annual financial statements for the year ending 31 December 2024.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING

(a) Business Segment

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

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, and remittance and settlement 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 and deposit taking activities, bank card business, wealth management services, remittance and settlement services, and collection and payment agency services.

Treasury business

This segment covers the Group's treasury business including inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others

Others represent equity investment and related income and any other business which cannot form a single reportable segment.

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

Internal charges and transfer prices are determined regarding market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/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, with the exception of deferred tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long term assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	six months ended 30 June 2024				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	6,805,600	(5,205,196)	1,635,384	–	3,235,788
Internal net interest (expense)/income	<u>(4,369,141)</u>	<u>6,402,964</u>	<u>(2,033,823)</u>	–	–
Net interest income/(expense)	2,436,459	1,197,768	(398,439)	–	3,235,788
Net fee and commission income/(expense)	93,900	(69,246)	(5,317)	–	19,337
Net trading losses	–	–	(1,058,480)	–	(1,058,480)
Net gains arising from investments	–	–	2,342,057	–	2,342,057
Other operating income	<u>3,475</u>	<u>34</u>	<u>–</u>	<u>17,935</u>	<u>21,444</u>
Operating income	2,533,834	1,128,556	879,821	17,935	4,560,146
Operating expenses	(1,724,859)	(958,400)	(85,855)	(4,581)	(2,773,695)
Impairment losses on assets	<u>(57,671)</u>	<u>(39,070)</u>	<u>(1,038,730)</u>	–	<u>(1,135,471)</u>
Profit/(loss) before taxation	<u>751,304</u>	<u>131,086</u>	<u>(244,764)</u>	<u>13,354</u>	<u>650,980</u>
Other segment information					
– Depreciation and amortisation	<u>173,311</u>	<u>116,265</u>	<u>6,203</u>	–	<u>295,779</u>
– Capital expenditure	<u>71,469</u>	<u>47,945</u>	<u>2,557</u>	–	<u>121,971</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	30 June 2024				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	493,863,656	126,112,011	439,070,401	–	1,059,046,068
Deferred tax assets					<u>9,259,223</u>
Total assets					<u>1,068,305,291</u>
Segment liabilities/total liabilities	<u>239,210,055</u>	<u>565,830,886</u>	<u>183,091,896</u>	<u>108,580</u>	<u>988,241,417</u>
Credit commitments	<u>31,842,662</u>	<u>22,674,763</u>	<u>–</u>	<u>–</u>	<u>54,517,425</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	six months ended 30 June 2023				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	11,177,570	(6,383,180)	1,183,932	–	5,978,322
Internal net interest (expense)/income	<u>(6,506,119)</u>	<u>7,683,222</u>	<u>(1,177,103)</u>	–	–
Net interest income	4,671,451	1,300,042	6,829	–	5,978,322
Net fee and commission income/(expense)	191,146	(53,678)	2,966	–	140,434
Net trading losses	–	–	(126,981)	–	(126,981)
Net gains arising from investments	–	–	1,137,775	–	1,137,775
Other operating income	<u>1,835</u>	<u>44</u>	<u>–</u>	<u>12,508</u>	<u>14,387</u>
Operating income	4,864,432	1,246,408	1,020,589	12,508	7,143,937
Operating expenses	(1,612,817)	(853,365)	(76,873)	(10,593)	(2,553,648)
Impairment losses on assets	<u>1,548</u>	<u>(315,543)</u>	<u>(3,357,040)</u>	–	<u>(3,671,035)</u>
Profit/(loss) before taxation	<u>3,253,163</u>	<u>77,500</u>	<u>(2,413,324)</u>	<u>1,915</u>	<u>919,254</u>
Other segment information					
– Depreciation and amortisation	<u>179,488</u>	<u>100,237</u>	<u>5,661</u>	–	<u>285,386</u>
– Capital expenditure	<u>106,153</u>	<u>59,283</u>	<u>3,348</u>	–	<u>168,784</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	30 June 2023				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	608,502,744	117,286,771	359,905,224	-	1,085,694,739
Deferred tax assets					<u>9,470,230</u>
Total assets					<u><u>1,095,164,969</u></u>
Segment liabilities/total liabilities	<u>279,026,867</u>	<u>554,934,279</u>	<u>178,759,906</u>	<u>108,866</u>	<u>1,012,829,918</u>
Credit commitments	<u>59,577,706</u>	<u>20,377,348</u>	<u>-</u>	<u>-</u>	<u>79,955,054</u>

(b) Geographical information

The Group operates principally in mainland China with eighteen branches located in five provinces and municipalities directly under the central government, and seven subsidiaries located in Shenyang of Liaoning Province, Baoshan of Shanghai and Ningbo of Zhejiang Province respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(b) Geographical information (Continued)

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang, Tieling, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, Shenyang Liaozhong and Shengjing Consumer;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(b) Geographical information (Continued)

	Operating income	
	Six months ended 30 June	
	2024	2023
North east China	4,208,413	6,843,697
North China	284,255	278,363
Others	67,478	21,877
Total	<u>4,560,146</u>	<u>7,143,937</u>

	Non-current assets (Note i)	
	30 June	31 December
	2024	2023
North east China	6,053,648	6,214,361
North China	149,386	161,645
Others	18,044	19,193
Total	<u>6,221,078</u>	<u>6,395,199</u>

Note:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

5 NET INTEREST INCOME

	Six months ended 30 June	
	2024	2023
Interest income arising from		
Deposits with central bank	423,747	497,612
Deposits and placements with banks and other financial institutions	189,772	82,658
Loans and advances to customers		
– Corporate loans and advances	8,836,938	13,819,433
– Personal loans and advances	2,994,092	2,885,222
– Discounted bills	426,844	768,361
Financial assets held under resale agreements	75,533	227,392
Financial investments	<u>3,496,069</u>	<u>3,019,646</u>
Subtotal	<u>16,442,995</u>	<u>21,300,324</u>
Interest expense arising from		
Borrowings from central bank	(5,904)	(13,750)
Deposits and placements from banks and other financial institutions	(1,162,641)	(1,042,831)
Deposits from customers	(10,756,964)	(12,491,751)
Financial assets sold under repurchase agreements	(1,062,884)	(1,498,127)
Debt securities issued	<u>(218,814)</u>	<u>(275,543)</u>
Subtotal	<u>(13,207,207)</u>	<u>(15,322,002)</u>
Net interest income	<u>3,235,788</u>	<u>5,978,322</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

6 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2024	2023
Fee and commission income		
Agency and custody services fees	217,456	323,802
Settlement and clearing services fees	10,358	14,111
Bank card services fees	68,688	78,448
Subtotal	296,502	416,361
Fee and commission expense	(277,165)	(275,927)
Net fee and commission income	19,337	140,434

7 NET TRADING LOSSES

	Six months ended 30 June	
	2024	2023
Net gains/(losses) from debt securities	49,986	(126,499)
Net losses from derivatives and others	(434,270)	(259,776)
Net foreign exchange (losses)/gains	(674,196)	259,294
Total	(1,058,480)	(126,981)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

8 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2024	2023
Net gains on disposal of financial assets measured at amortised cost	1,421,573	13,095
Net gains on financial assets at fair value through profit or loss	404,839	416,066
Net gains on disposal of financial assets at fair value through other comprehensive income	508,088	680,522
Dividends from designated as financial assets at fair value through other comprehensive income	7,557	28,092
Total	<u>2,342,057</u>	<u>1,137,775</u>

9 OTHER OPERATING INCOME

	Six months ended 30 June	
	2024	2023
Rental income	18,207	3,779
Government grants	2,194	8,570
Handling charge income	34	44
Others	1,009	1,994
Total	<u>21,444</u>	<u>14,387</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

10 OPERATING EXPENSES

	Six months ended 30 June	
	2024	2023
Staff costs		
– Salaries, bonuses and allowances	987,025	1,010,607
– Pension and annuity	160,706	158,530
– Other social insurance	111,843	119,344
– Housing allowances	90,354	91,143
– Supplementary retirement benefits	2,373	1,318
– Others	104,895	96,556
	<hr/>	<hr/>
Subtotal	1,457,196	1,477,498
Office expenses	72,304	112,912
Depreciation and amortisation	201,578	191,388
Tax and surcharges	148,006	168,206
Depreciation of the right-of-use assets	94,201	93,998
Rental and property management expense	66,703	104,619
Interest expense of the lease liabilities	14,325	17,368
Other general and administrative expenses	719,382	387,659
	<hr/>	<hr/>
Total	<u>2,773,695</u>	<u>2,553,648</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

11 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2024	2023
Loans and advances to customers	749,066	448,557
Financial investments	990,138	3,234,295
Deposits and placements with banks and other financial institutions	(851)	1,511
Financial assets held under resale agreements	(135)	(649)
Credit commitment	(52,916)	(113,156)
Others	(549,831)	100,477
Total	<u>1,135,471</u>	<u>3,671,035</u>

12 INCOME TAX EXPENSE

(a) Income tax for the period:

	Six months ended 30 June	
	2024	2023
Current tax	14,805	1,044,675
(Over)/under-provision in prior years	(1,347)	81,168
Deferred tax	<u>45,832</u>	<u>(996,224)</u>
Total	<u>59,290</u>	<u>129,619</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

12 INCOME TAX EXPENSE (CONTINUED)

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

	Note	Six months ended 30 June	
		2024	2023
Profit before taxation		650,980	919,254
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		162,745	229,814
Tax effect of non-deductible expenses			
– Impairment losses and write-offs		8,205	3,092
– Entertainment expenses		1,727	2,412
– Others		101,315	12,682
Subtotal		111,247	18,186
Tax effect of non-taxable income	12(b)(i)	(175,840)	(202,246)
Utilisation of previously unrecognised loss		(37,301)	–
Deductible temporary difference due to unrecognised deferred tax asset		(214)	2,697
(Over)/under-provision in prior years		(1,347)	81,168
Income tax		59,290	129,619

Note:

- (i) Non-taxable income consists of interest income from the PRC government bonds, local government bonds, public funds and dividends from domestic companies, which are exempted from income tax under the PRC tax regulations.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

13 BASIC AND DILUTED EARNINGS PER SHARE

	Six months ended 30 June	
	2024	2023
Net profit attributable to equity shareholders of the Bank	576,594	737,875
Weighted average number of ordinary shares (in thousands)	8,796,680	8,796,680
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.07	0.08

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

14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	30 June	31 December
		2024	2023
Cash on hand		713,464	1,108,497
Deposits with central bank			
– Statutory deposit reserves	14(a)	49,569,607	52,533,323
– Surplus deposit reserves	14(b)	32,969,014	22,261,823
– Fiscal deposits		74,465	166,952
Subtotal		82,613,086	74,962,098
Add: interest receivable		22,963	27,169
Total		83,349,513	76,097,764

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

14 CASH AND DEPOSITS WITH CENTRAL BANK (CONTINUED)

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

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

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

The statutory deposit reserves are not available for the Group's daily business.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Analysed by type and location of counterparty

	30 June 2024	31 December 2023
Deposits in mainland China		
– Banks	5,388,579	3,985,096
– Other financial institutions	2,178,441	1,858,186
Deposits outside mainland China		
– Banks	<u>4,084,563</u>	<u>1,667,337</u>
Subtotal	11,651,583	7,510,619
Add: interest receivable	263	297
Less: provision for impairment losses	<u>(3,688)</u>	<u>(3,963)</u>
Total	<u><u>11,648,158</u></u>	<u><u>7,506,953</u></u>

(b) Movements of provision for impairment losses

	2024	2023
As at 1 January	3,963	402,465
Net release for the period/year	(275)	(341,163)
Transfer out	<u>–</u>	<u>(57,339)</u>
As at 30 June /31 December	<u><u>3,688</u></u>	<u><u>3,963</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Analysed by type and location of counterparty

	30 June 2024	31 December 2023
Placements in mainland China		
– Other financial institutions	13,230,000	9,609,000
Add: interest receivable	198,265	119,915
Less: provision for impairment losses	<u>(137,085)</u>	<u>(137,661)</u>
Total	<u><u>13,291,180</u></u>	<u><u>9,591,254</u></u>

(b) Movements of provision for impairment losses

	2024	2023
As at 1 January	137,661	152,275
Net release for the period/year	<u>(576)</u>	<u>(14,614)</u>
As at 30 June/31 December	<u><u>137,085</u></u>	<u><u>137,661</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

17 DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including option contracts, forwards and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between markets participates at measured date.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Analysed by nature of contract

	30 June 2024		
	Notional amount	Fair value	
		Assets	Liabilities
Precious metal derivatives	6,598,560	13,863	(9,500)
Foreign forward contracts	1,166,883	8,202	(16,082)
Currency swaps	24,330,895	325,817	(25,207)
Interest rate swaps	1,200,000	1,500	(9,702)
Option contracts	859,258	81,291	(81,291)
	<u>34,155,596</u>	<u>430,673</u>	<u>(141,782)</u>

	31 December 2023		
	Notional amount	Fair value	
		Assets	Liabilities
Precious metal derivatives	8,455,172	13,635	(41,854)
Foreign forward contracts	1,845,005	13,650	(8,612)
Currency swaps	10,319,494	88,909	(87,304)
Interest rate swaps	11,260,000	17,767	(17,861)
Option contracts	1,180,436	62,742	(62,742)
	<u>33,060,107</u>	<u>196,703</u>	<u>(218,373)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Analysed by credit risk-weighted amount

	30 June 2024	31 December 2023
Option contracts	20,622	2,951
Precious metal derivatives	26,394	21,138
Currency swaps	97,324	25,799
Foreign forward contracts	4,668	4,613
Total	149,008	54,501

The credit risk-weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the NFRA.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2024	31 December 2023
In mainland China		
– Banks	2,700,000	2,110,000
– Other financial institutions	–	990,000
Subtotal	2,700,000	3,100,000
Add: interest receivable	422	417
Less: provision for impairment losses	(404)	(539)
Total	2,700,018	3,099,878

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

(b) Analysed by type of security held

	30 June 2024	31 December 2023
Debt securities held under resale agreements	2,700,000	3,100,000
Add: interest receivable	422	417
Less: provision for impairment losses	(404)	(539)
Total	<u>2,700,018</u>	<u>3,099,878</u>

(c) Movements of provision for impairment losses

	2024	2023
As at 1 January	539	1,717
Net release for the period/year	(135)	(1,178)
As at 30 June /31 December	<u>404</u>	<u>539</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	30 June 2024	31 December 2023
Measured at amortised cost:		
Corporate loans and advances	321,584,208	299,044,027
Personal loans and advances		
– Residential mortgage	51,269,678	53,510,771
– Personal consumption loans	41,232,870	35,024,031
– Personal business loans	5,194,449	6,681,501
– Credit cards	11,686,464	13,333,373
Subtotal	109,383,461	108,549,676
Gross loans and advances to customers measured at amortised cost	430,967,669	407,593,703
Measured at fair value through other comprehensive income:		
– Corporate loans and advances	8,233,387	9,059,814
– Discounted bills	53,506,492	61,223,282
Gross loans and advances to customers measured at fair value through other comprehensive income	61,739,879	70,283,096

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(a) Analysed by nature (Continued)

	30 June 2024	31 December 2023
Gross loans and advances to customers	492,707,548	477,876,799
Add: interest receivable	45,793,836	38,692,307
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	<u>(20,727,746)</u>	<u>(20,279,602)</u>
Net loans and advances to customers	<u><u>517,773,638</u></u>	<u><u>496,289,504</u></u>

As at 30 June 2024, the Group's provision amount for loans and advances to customers measured at fair value through other comprehensive income is RMB194.53 million (31 December 2023: RMB144.95 million), as detailed in Note 19(f).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector

	30 June 2024		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	125,640,963	26%	65,866,958
Renting and business activities	82,876,801	17%	40,081,140
Real estate	41,461,006	8%	36,948,284
Manufacturing	29,351,746	6%	8,752,215
Construction	12,232,925	2%	5,536,688
Transportation, storage and postal services	6,575,782	1%	3,987,309
Production and supply of electricity, heat, gas and water	2,821,371	1%	841,910
Accommodation and catering	1,973,423	1%	1,870,950
Mining	1,649,425	0%	348,375
Culture, sports and entertainment	1,170,510	0%	106,670
Agriculture, forestry, animal husbandry and fishery	1,016,858	0%	263,948
Household and other services	904,025	0%	73,943
Others	22,142,760	5%	4,820,797
Subtotal of corporate loans and advances	329,817,595	67%	169,499,187
Personal loans and advances	109,383,461	22%	52,607,008
Discounted bills	53,506,492	11%	53,506,492
Gross loans and advances to customers	492,707,548	100%	275,612,687

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector (Continued)

	31 December 2023		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	118,223,777	25%	60,707,094
Renting and business activities	72,446,420	15%	40,685,652
Real estate	44,554,021	9%	41,073,379
Manufacturing	29,502,683	6%	7,455,218
Construction	10,718,448	2%	5,371,537
Transportation, storage and postal services	5,470,225	1%	4,018,748
Production and supply of electricity, heat, gas and water	2,854,364	1%	935,025
Accommodation and catering	1,987,802	1%	1,886,300
Mining	3,343,213	1%	542,955
Culture, sports and entertainment	1,094,636	0%	59,860
Agriculture, forestry, animal husbandry and fishery	949,178	0%	243,348
Household and other services	1,407,052	0%	1,384,488
Others	15,552,022	3%	4,898,317
Subtotal of corporate loans and advances	308,103,841	64%	169,261,921
Personal loans and advances	108,549,676	23%	54,720,838
Discounted bills	61,223,282	13%	61,223,282
Gross loans and advances to customers	477,876,799	100%	285,206,041

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	30 June 2024	31 December 2023
Unsecured loans	75,070,177	68,627,122
Guaranteed loans	142,024,684	124,043,636
Loans secured by tangible assets other than monetary assets	198,994,339	203,536,856
Loans secured by intangible assets or monetary assets	<u>76,618,348</u>	<u>81,669,185</u>
Gross loans and advances to customers	<u>492,707,548</u>	<u>477,876,799</u>
Add: interest receivable	45,793,836	38,692,307
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	<u>(20,727,746)</u>	<u>(20,279,602)</u>
Net loans and advances to customers	<u><u>517,773,638</u></u>	<u><u>496,289,504</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue period

	30 June 2024				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	555,154	458,861	547,106	160,990	1,722,111
Guaranteed loans	6,573,219	1,192,904	89,087	2,880,194	10,735,404
Loans secured by tangible assets other than monetary assets	5,996,238	1,438,452	2,446,794	2,938,369	12,819,853
Loans secured by intangible assets or monetary assets	<u>324,694</u>	<u>17,996</u>	<u>26,225</u>	<u>33,365</u>	<u>402,280</u>
Total	<u><u>13,449,305</u></u>	<u><u>3,108,213</u></u>	<u><u>3,109,212</u></u>	<u><u>6,012,918</u></u>	<u><u>25,679,648</u></u>
As a percentage of gross loans and advances to customers	<u>2.73%</u>	<u>0.63%</u>	<u>0.63%</u>	<u>1.22%</u>	<u>5.21%</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue period (Continued)

	31 December 2023				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	749,365	381,082	629,564	129,621	1,889,632
Guaranteed loans	6,307,034	1,380,134	1,077	2,795,294	10,483,539
Loans secured by tangible assets other than monetary assets	6,142,420	2,492,150	1,411,733	2,527,151	12,573,454
Loans secured by intangible assets or monetary assets	80,381	1,597	11,856	331	94,165
Total	13,279,200	4,254,963	2,054,230	5,452,397	25,040,790
As a percentage of gross loans and advances to customers	2.78%	0.89%	0.43%	1.14%	5.24%

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advance and provision for impairment losses

- (i) As at 30 June 2024, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	30 June 2024			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit- impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	443,453,313	32,977,556	16,276,679	492,707,548
Add: interest receivable	42,578,249	3,215,587	-	45,793,836
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	<u>(5,237,949)</u>	<u>(6,530,992)</u>	<u>(8,958,805)</u>	<u>(20,727,746)</u>
Net loans and advances to customers	<u>480,793,613</u>	<u>29,662,151</u>	<u>7,317,874</u>	<u>517,773,638</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advance and provision for impairment losses (Continued)

- (ii) As at 31 December 2023, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2023			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	432,121,287	29,783,451	15,972,061	477,876,799
Add: interest receivable	36,170,821	2,521,486	-	38,692,307
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(5,247,512)	(6,248,958)	(8,783,132)	(20,279,602)
Net loans and advances to customers	<u>463,044,596</u>	<u>26,055,979</u>	<u>7,188,929</u>	<u>496,289,504</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

As at 30 June 2024, the movements of provision for loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Six months ended 30 June 2024			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	5,247,512	6,248,958	8,783,132	20,279,602
Transferred:				
– to ECL over the next 12 months	102,576	(60,787)	(41,789)	–
– to lifetime ECL-not credit-impaired loans	(82,731)	114,735	(32,004)	–
– to lifetime ECL-credit-impaired loans	(9,915)	(40,386)	50,301	–
Net (release)/charge for the period	(19,493)	268,472	450,509	699,488
Transfer out	–	–	(234,502)	(234,502)
Write-offs	–	–	(32,821)	(32,821)
Recoveries	–	–	15,979	15,979
As at 30 June	<u>5,237,949</u>	<u>6,530,992</u>	<u>8,958,805</u>	<u>20,727,746</u>

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

	Six months ended 30 June 2024			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	144,951	–	–	144,951
Net charge for the period	<u>49,578</u>	<u>–</u>	<u>–</u>	<u>49,578</u>
As at 30 June	<u>194,529</u>	<u>–</u>	<u>–</u>	<u>194,529</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

As at 31 December 2023, the movements of provision for loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Year ended 31 December 2023			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	7,183,023	7,843,415	12,348,735	27,375,173
Transferred:				
– to ECL over the next 12 months	5,571	(136)	(5,435)	–
– to lifetime ECL-not credit-impaired loans	(109,523)	594,749	(485,226)	–
– to lifetime ECL-credit-impaired loans	(20,672)	(635,268)	655,940	–
Net (release)/charge for the year	(1,810,887)	(1,553,802)	4,607,901	1,243,212
Transfer out	–	–	(7,841,229)	(7,841,229)
Write-offs	–	–	(531,199)	(531,199)
Recoveries	–	–	33,645	33,645
As at 31 December	<u>5,247,512</u>	<u>6,248,958</u>	<u>8,783,132</u>	<u>20,279,602</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

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

	Year ended 31 December 2023			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	352,028	–	–	352,028
Net release for the year	(207,077)	–	–	(207,077)
As at 31 December	<u>144,951</u>	<u>–</u>	<u>–</u>	<u>144,951</u>

Notes:

- (a) Analysed by movements in loss allowance.

The movements of loss allowance are mainly affected by:

- Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;
- Allowance for new loans and advances to customers recognised;
- Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;
- The reversal of allowances caused by repayment, write-offs and loans and advances to customers transferred out.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

Notes: (Continued)

- (b) Provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income are recognised in other comprehensive income, while the losses or gains impairment are recognised in profit or loss. Besides, the carrying amount of the financial assets presented in the consolidated statement of financial position are not reduced.
- (c) As at 30 June 2024, the Group adjusted the five-tier classification and customer rating of loans and advance to customers measured at amortised cost, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired transferred to ECL over the next 12 months were RMB576.11 million. The loan principal from ECL over the next 12 months and lifetime ECL-credit-impaired transferred to lifetime ECL-not credit-impaired were RMB3,777.74 million, the principal of the loan transferred from ECL over the 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired were RMB676.57 million.

As at 31 December 2023, the Group adjusted the five-tier classification and customer rating of loans and advance to customers measured at amortised cost, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired transferred to ECL over the next 12 months were RMB12.56 million. The loan principal from ECL over the next 12 months and lifetime ECL-credit-impaired transferred to lifetime ECL-not credit-impaired were RMB6,814.77 million, the principal of the loan transferred from ECL over the 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired were RMB4,225.74 million.

20 FINANCIAL INVESTMENTS

	Note	30 June 2024	31 December 2023
Financial assets at fair value through profit or loss	20(a)	102,030,638	105,916,358
Financial assets at fair value through other comprehensive income	20(b)	55,366,719	86,554,502
Financial assets measured at amortised cost	20(c)	250,522,833	264,690,316
Total		407,920,190	457,161,176

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

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

	30 June 2024	31 December 2023
Debt securities at fair value listed outside Hong Kong		
– Policy banks	31,596	2,322,296
– Banks and other financial institutions	–	201,097
– Corporate	1,043,122	1,043,120
	<u>1,074,718</u>	<u>3,566,513</u>
Subtotal	1,074,718	3,566,513
Wealth management plan	40,684,696	51,133,490
Investment funds	37,150,564	28,679,493
Trust scheme investment	22,886,684	22,210,520
Other	10,946	11,499
	<u>100,732,890</u>	<u>102,035,002</u>
Subtotal	100,732,890	102,035,002
Equity investment		
– Listed	171,546	263,359
– Unlisted	51,484	51,484
	<u>223,030</u>	<u>314,843</u>
Subtotal	223,030	314,843
Total	<u>102,030,638</u>	<u>105,916,358</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial assets at fair value through other comprehensive income

	30 June 2024	31 December 2023
Debt securities at fair value listed outside Hong Kong		
– Government	24,972,792	44,754,896
– Policy banks	7,613,534	21,717,568
– Banks and other financial institutions	5,343,032	778,894
– Corporate	438,236	808,153
Subtotal	38,367,594	68,059,511
Commercial banks undated capital bonds	–	1,072,640
Equity investments		
– Listed	870,032	1,000,523
– Unlisted	15,865,307	15,868,699
Subtotal	16,735,339	17,941,862
Add: interest receivable	263,786	553,129
Total	55,366,719	86,554,502

The movements of provision for financial assets at fair value through other comprehensive income are as follows:

	Six months ended 30 June 2024			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January	3,964	–	–	3,964
Net release for the period	(1,418)	–	–	(1,418)
As at 30 June	2,546	–	–	2,546

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial assets at fair value through other comprehensive income (Continued)

	Year ended 31 December 2023			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January	2,186	–	1,297,851	1,300,037
Net charge/(release) for the year	1,778	–	(664,332)	(662,554)
Transfer out	–	–	(633,519)	(633,519)
As at 31 December	<u>3,964</u>	<u>–</u>	<u>–</u>	<u>3,964</u>

Notes:

- (i) During the six months ended 30 June 2024 and year ended 31 December 2023 there is no transfer of stage between the above debt instruments.
- (ii) Provision for impairment of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the carrying amount of the financial assets presented in the consolidated statement of financial position are not reduced.
- (iii) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets measured at amortised cost

	30 June 2024	31 December 2023
Debt securities issued by the following institutions outside Hong Kong		
– Government	10,473,768	20,006,787
– Policy banks	40,463,117	28,480,180
– Banks and other financial institutions	2,000,000	2,000,000
– Corporate	166,098,626	179,426,068
	<u>219,035,511</u>	<u>229,913,035</u>
Subtotal	219,035,511	229,913,035
Wealth management plan	2,919,826	2,920,856
Beneficial investment of trust	33,037,383	33,340,269
	<u>35,957,209</u>	<u>36,261,125</u>
Subtotal	35,957,209	36,261,125
Add: interest receivable	2,510,994	4,505,481
Less: provision for impairment losses	(6,980,881)	(5,989,325)
	<u>250,522,833</u>	<u>264,690,316</u>
Total	250,522,833	264,690,316

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets measured at amortised cost (Continued)

The movements of provision for financial assets at amortised cost are as follows:

	Six months ended 30 June 2024			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January	308,878	2,136,428	3,544,019	5,989,325
Transferred:				
– to lifetime ECL-not credit-impaired investments	(83,901)	83,901	–	–
Net (release)/charge for the period	<u>(34,779)</u>	<u>531,148</u>	<u>495,187</u>	<u>991,556</u>
As at 30 June	<u>190,198</u>	<u>2,751,477</u>	<u>4,039,206</u>	<u>6,980,881</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets measured at amortised cost (Continued)

	Year ended 31 December 2023			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	867,371	1,091,089	3,899,224	5,857,684
Transferred:				
– to lifetime ECL-not credit-impaired investments	(143,956)	143,956	–	–
– to lifetime ECL-credit-impaired investments	(97)	–	97	–
Net charge for the year	881,118	1,276,566	593,412	2,751,096
Transfer out	<u>(1,295,558)</u>	<u>(375,183)</u>	<u>(948,714)</u>	<u>(2,619,455)</u>
As at 31 December	<u>308,878</u>	<u>2,136,428</u>	<u>3,544,019</u>	<u>5,989,325</u>

Notes:

- (i) During the six months ended 30 June 2024, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost from ECL over the next 12 months was transferred to lifetime ECL – not credit-impaired of RMB4,837.61 million.

In the year 2023, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost from ECL over the next 12 months was transferred to lifetime ECL – not credit-impaired of RMB10,682.74 million. The financial assets measured at amortised cost from ECL over the next 12 months to lifetime ECL – credit-impaired of RMB3.7 million.

- (ii) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

21 PROPERTY AND EQUIPMENT

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
Cost						
As at 1 January 2023	4,470,200	1,214,330	2,286,759	1,096,965	104,819	9,173,073
Additions	18,515	17,820	24,242	178,911	16,445	255,933
Disposals	—	—	—	(15,563)	(3,577)	(19,140)
As at 31 December 2023 and 1 January 2024	4,488,715	1,232,150	2,311,001	1,260,313	117,687	9,409,866
Additions	35	10,127	1,248	20,588	1,299	33,297
Disposals	(1,163)	—	—	(8,119)	(792)	(10,074)
As at 30 June 2024	4,487,587	1,242,277	2,312,249	1,272,782	118,194	9,433,089
Accumulated depreciation						
As at 1 January 2023	(2,103,954)	(968,635)	—	(892,685)	(101,913)	(4,067,187)
Additions	(185,463)	(58,096)	—	(57,466)	(18,792)	(319,817)
Disposals	—	—	—	15,117	3,444	18,561
As at 31 December 2023 and 1 January 2024	(2,289,417)	(1,026,731)	—	(935,034)	(117,261)	(4,368,443)
Additions	(92,293)	(23,910)	—	(47,592)	(42)	(163,837)
Disposals	1,128	—	—	7,864	768	9,760
As at 30 June 2024	(2,380,582)	(1,050,641)	—	(974,762)	(116,535)	(4,522,520)
Net book value						
As at 31 December 2023	2,199,298	205,419	2,311,001	325,279	426	5,041,423
As at 30 June 2024	2,107,005	191,636	2,312,249	298,020	1,659	4,910,569

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

22 DEFERRED TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	30 June 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	24,391,862	6,072,050	23,531,337	5,855,330
Change in fair value of financial assets at fair value through other comprehensive income	3,692,651	923,163	3,097,244	774,311
Supplementary retirement benefits	121,782	30,446	113,897	28,474
Change in fair value of derivative financial instruments	(288,892)	(72,223)	21,670	5,417
Change in fair value of financial assets at fair value through profit or loss	3,721,176	930,294	3,272,790	818,197
Right-of-use assets	(713,901)	(180,054)	(738,588)	(184,647)
Lease liabilities	740,818	186,800	758,670	189,668
Other	5,474,993	1,368,747	6,720,461	1,680,115
Net deferred income tax	<u>37,140,489</u>	<u>9,259,223</u>	<u>36,777,481</u>	<u>9,166,865</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

22 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Analysed by movement

	At 1 January 2024	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2024
Allowance for impairment losses	5,855,330	216,720	–	6,072,050
Change in fair value of financial assets at fair value through other comprehensive income	774,311	–	148,852	923,163
Supplementary retirement benefits	28,474	594	1,378	30,446
Change in fair value of derivative financial instruments	5,417	(77,640)	–	(72,223)
Change in fair value of financial assets at fair value through profit or loss	818,197	112,097	–	930,294
Right-of-use assets	(184,647)	4,593	–	(180,054)
Lease liabilities	189,668	(2,868)	–	186,800
Others	1,680,115	(311,368)	–	1,368,747
	<u>9,166,865</u>	<u>(57,872)</u>	<u>150,230</u>	<u>9,259,223</u>
Net deferred income tax	9,166,865	(57,872)	150,230	9,259,223

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

22 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Analysed by movement (Continued)

	At 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2023
Allowance for impairment losses	7,269,653	(1,414,323)	–	5,855,330
Change in fair value of financial assets at fair value through other comprehensive income	424,038	–	350,273	774,311
Supplementary retirement benefits	26,727	382	1,365	28,474
Change in fair value of derivative financial instruments	(16,049)	21,466	–	5,417
Change in fair value of financial assets at fair value through profit or loss	805,325	12,872	–	818,197
Right-of-use assets	(180,255)	(4,392)	–	(184,647)
Lease liabilities	180,255	9,413	–	189,668
Others	–	1,680,115	–	1,680,115
Net deferred income tax	<u>8,509,694</u>	<u>305,533</u>	<u>351,638</u>	<u>9,166,865</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

23 OTHER ASSETS

	<i>Note</i>	30 June 2024	31 December 2023
Settlement and clearing accounts		3,028,408	1,106,233
Reposessed assets	23(a)	8,799,290	8,778,355
Interest receivable	23(b)	1,110,549	1,758,543
Right-of-use assets	23(c)	769,387	802,306
Intangible assets	23(d)	482,972	491,229
Land use rights		58,150	60,242
Prepayments		107,464	94,023
Others	23(e)	<u>2,665,909</u>	<u>2,810,255</u>
Total		<u><u>17,022,129</u></u>	<u><u>15,901,186</u></u>

(a) Reposessed assets

	30 June 2024	31 December 2023
Land use rights and buildings	8,811,450	8,790,515
Less: impairment allowance	<u>(12,160)</u>	<u>(12,160)</u>
Total	<u><u>8,799,290</u></u>	<u><u>8,778,355</u></u>

(b) Interest receivable

	30 June 2024	31 December 2023
Interest receivable arising from:		
– Loans and advances to customers	<u><u>1,110,549</u></u>	<u><u>1,758,543</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

23 OTHER ASSETS (CONTINUED)

(c) Right-of-use assets

	Leased properties and buildings
Cost	
As at 1 January 2023	1,403,268
Additions	256,560
Disposals	<u>(324,545)</u>
As at 31 December 2023 and 1 January 2024	1,335,283
Additions	61,282
Disposals	<u>(45,399)</u>
As at 30 June 2024	<u>1,351,166</u>
Accumulated depreciation	
As at 1 January 2023	(667,343)
Additions	(190,179)
Disposals	<u>324,545</u>
As at 31 December 2023 and 1 January 2024	(532,977)
Additions	(94,201)
Disposals	<u>45,399</u>
As at 30 June 2024	<u>(581,779)</u>
Carrying amount:	
As at 31 December 2023	<u>802,306</u>
As at 30 June 2024	<u>769,387</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

23 OTHER ASSETS (CONTINUED)

(d) Intangible assets

	30 June 2024	31 December 2023
Cost		
As at 1 January	783,130	604,226
Additions	<u>27,392</u>	<u>178,904</u>
As at 30 June/31 December	<u>810,522</u>	<u>783,130</u>
Accumulated amortisation		
As at 1 January	(291,901)	(233,779)
Additions	<u>(35,649)</u>	<u>(58,122)</u>
As at 30 June/31 December	<u>(327,550)</u>	<u>(291,901)</u>
Net value		
As at 1 January	<u>491,229</u>	<u>370,447</u>
As at 30 June/31 December	<u>482,972</u>	<u>491,229</u>

Intangible assets of the Group mainly represent computer software.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

23 OTHER ASSETS (CONTINUED)

(e) Others

	30 June 2024	31 December 2023
Receivable due from disposal of non-performing assets (<i>Note (i)</i>)	653,754	653,754
Others	<u>2,623,696</u>	<u>3,263,447</u>
Subtotal	3,277,450	3,917,201
Less: impairment allowance	<u>(611,541)</u>	<u>(1,106,946)</u>
Total	<u><u>2,665,909</u></u>	<u><u>2,810,255</u></u>

Note:

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd.

24 BORROWINGS FROM CENTRAL BANK

	30 June 2024	31 December 2023
Borrowings (<i>Note (a)</i>)	303,168	838,830
Add: interest payable	<u>162</u>	<u>507</u>
Total	<u><u>303,330</u></u>	<u><u>839,337</u></u>

Note:

- (a) Borrowings from central bank mainly include re-lending operation.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2024	31 December 2023
Deposits in mainland China		
– Banks	7,532,048	32,086,094
– Other financial institutions	<u>71,525,264</u>	<u>38,801,970</u>
Subtotal	79,057,312	70,888,064
Add: interest payable	<u>393,366</u>	<u>344,970</u>
Total	<u><u>79,450,678</u></u>	<u><u>71,233,034</u></u>

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2024	31 December 2023
Placements in mainland China		
– Banks	19,114,904	17,338,475
– Other financial institutions	<u>680,000</u>	<u>550,000</u>
Subtotal	19,794,904	17,888,475
Add: interest payable	<u>79,986</u>	<u>82,384</u>
Total	<u><u>19,874,890</u></u>	<u><u>17,970,859</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2024	31 December 2023
In mainland China		
– Banks	47,619,912	99,540,337
– Other financial institutions	3,506,990	7,166,544
Subtotal	51,126,902	106,706,881
Add: interest payable	3,293	194,329
Total	51,130,195	106,901,210

(b) Analysed by type of security held

	30 June 2024	31 December 2023
Debt securities sold under repurchase agreements	6,106,952	49,466,535
Bills sold under repurchase agreements	45,019,950	57,240,346
Subtotal	51,126,902	106,706,881
Add: interest payable	3,293	194,329
Total	51,130,195	106,901,210

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

28 DEPOSITS FROM CUSTOMERS

	30 June 2024	31 December 2023
Demand deposits		
– Corporate deposits	115,070,665	114,540,917
– Personal deposits	34,732,943	36,895,430
Subtotal	<u>149,803,608</u>	<u>151,436,347</u>
Time deposits		
– Corporate deposits	98,320,421	114,066,954
– Personal deposits	511,277,375	481,908,473
Subtotal	<u>609,597,796</u>	<u>595,975,427</u>
Pledged deposits		
– Acceptances	4,911,315	8,093,396
– Letters of credit	581,759	1,890,866
– Letters of guarantees	290,560	452,936
– Others	1,122,373	1,029,816
Subtotal	<u>6,906,007</u>	<u>11,467,014</u>
Inward and outward remittances	<u>12,969,899</u>	<u>2,275,765</u>
Total deposits from customers at amortised cost	779,277,310	761,154,553
Add: interest payable	<u>21,182,064</u>	<u>18,812,352</u>
Total	<u><u>800,459,374</u></u>	<u><u>779,966,905</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

29 DEBT SECURITIES ISSUED

	30 June 2024	31 December 2023
Tier two capital fixed rate debts maturing in December 2032 (<i>Note(a)</i>)	4,999,057	4,999,057
Certificates of interbank deposit (<i>Note(b)</i>)	11,872,833	11,835,200
Total	16,871,890	16,834,257

Notes:

- (a) Tier two capital fixed rate debts of RMB5.0 billion with a term of ten years were issued on 27 December 2022. The coupon rate is 4.80%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (b) As at 30 June 2024, the interbank negotiable certificates of deposit were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB11,683 million (31 December 2023: RMB11,789 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES

	<i>Note</i>	30 June 2024	31 December 2023
Lease liabilities	30(a)	742,262	758,670
Expected credit loss of credit commitment	30(b)	234,336	287,252
Taxes payable	30(c)	675,110	615,077
Accrued staff cost	30(d)	380,653	369,266
Payment and collection clearance accounts		3,531,751	2,533,859
Dividend payable		108,384	107,024
Dormant accounts		105,623	111,471
Others		<u>1,252,291</u>	<u>1,402,916</u>
Total		<u><u>7,030,410</u></u>	<u><u>6,185,535</u></u>

(a) Maturity analysis of contractual undiscounted cash flows of lease liabilities

	30 June 2024	31 December 2023
Within one year	179,857	183,839
Between one year and two years	164,505	159,856
Between two years and three years	129,376	136,758
Between three years and five years	179,698	192,596
More than five years	<u>168,104</u>	<u>173,792</u>
Contractual undiscounted cash flows of lease liabilities	<u><u>821,540</u></u>	<u><u>846,841</u></u>
Ending balance of lease liabilities	<u><u>742,262</u></u>	<u><u>758,670</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(b) Expected credit loss of credit commitment

	Six months ended 30 June 2024			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January	283,724	3,528	–	287,252
Transferred:				
– to ECL over the next 12 months	520	(123)	(397)	–
– to lifetime ECL-not credit-impaired	(62)	2,354	(2,292)	–
Net (release)/charge for the period	<u>(54,613)</u>	<u>(992)</u>	<u>2,689</u>	<u>(52,916)</u>
As at 30 June	<u>229,569</u>	<u>4,767</u>	<u>–</u>	<u>234,336</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(b) Expected credit loss of credit commitment (Continued)

	Year ended 31 December 2023			Total
	ECL over the next 12 months	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January	533,879	40,471	24,773	599,123
Transferred:				
– to ECL over the next 12 months	565	(134)	(431)	–
– to lifetime ECL-not credit-impaired	(50)	1,884	(1,834)	–
Net release for the year	<u>(250,670)</u>	<u>(38,693)</u>	<u>(22,508)</u>	<u>(311,871)</u>
As at 31 December	<u><u>283,724</u></u>	<u><u>3,528</u></u>	<u><u>–</u></u>	<u><u>287,252</u></u>

(c) Taxes payable

	30 June 2024	31 December 2023
Value-added tax and surcharges payable	625,648	547,975
Others	<u>49,462</u>	<u>67,102</u>
Total	<u><u>675,110</u></u>	<u><u>615,077</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost

	<i>Note</i>	30 June 2024	31 December 2023
Salary, bonuses and allowances payable		220,482	214,193
Supplementary retirement benefits payable	30(d)(i)	121,782	113,897
Housing allowances payable		30,278	30,299
Pension and annuity payable	30(d)(ii)	4,819	4,334
Other social insurance payable		18	2,760
Others		3,274	3,783
Total		<u>380,653</u>	<u>369,266</u>

(i) *Supplementary retirement benefits*

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) *Supplementary retirement benefits (Continued)*

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation.

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the supplementary retirement benefits were assessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Towers Watson Management Consulting (Shenzhen) Co., Ltd.

(1) The balances of supplementary retirement benefits of the Group are as follows:

	30 June 2024	31 December 2023
Present value of early retirement plan	5,779	6,627
Present value of supplementary retirement plan	<u>116,003</u>	<u>107,270</u>
Total	<u><u>121,782</u></u>	<u><u>113,897</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) Supplementary retirement benefits (Continued)

Supplementary retirement plan (continued)

- (2) The movements of supplementary retirement benefits of the Group are as follows:

	2024	2023
As at 1 January	113,897	106,906
Benefits paid during the period/year	(1,664)	(4,597)
Defined benefit cost recognised in profit or loss	4,037	6,128
Defined benefit cost recognised in other comprehensive income	5,512	5,460
As at 30 June/31 December	121,782	113,897

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) Supplementary retirement benefits (Continued)

Supplementary retirement plan (continued)

(3) Principal actuarial assumptions of the Group are as follows:

	30 June 2024	31 December 2023
Early retirement plan		
Discount rate	1.75%	2.25%
Mortality	<i>Note</i>	<i>Note</i>
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	4.00%	4.00%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) Supplementary retirement benefits (Continued)

Supplementary retirement plan (continued)

(3) Principal actuarial assumptions of the Group are as follows: (continued)

	30 June 2024	31 December 2023
Supplementary retirement plan		
Discount rate	2.50%	2.75%
Mortality	<i>Note</i>	<i>Note</i>
Turnover rate	3.00%	3.00%
Retired age		
– Male	60	60
– Female	55	55

Note:

- (i) As at 30 June 2024 and 31 December 2023, Mortality assumptions are based on China Life Insurance Annuity Table (2010–2013) in China Life Insurance Mortality Table compiled by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) *Supplementary retirement benefits (Continued)*

Supplementary retirement plan (continued)

- (4) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal:

	30 June 2024	31 December 2023
Change in present value of the defined benefit plan obligation	Increase/ (decrease)	Increase/ (decrease)
Up 25 bps in discount rate	(5,539)	(5,062)
Down 25 bps in discount rate	<u>5,950</u>	<u>5,434</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

30 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(ii) Pension and annuity

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the basic social pension schemes for employees arranged by local government labor and social security authorities. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stimulated by the relevant government authorities.

The Group also provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to the total salaries and bonuses of employees, which are charged to profit or loss when the contributions are made.

The contributions of the above social pension schemes and annuity plan are managed and supervised by the relevant authorities or the qualified trustee in China, and the Group is not allowed to confiscate any relevant contributions. Therefore, the Group has no forfeited contributions available to reduce the existing level of contributions.

31 SHARE CAPITAL

Issued share capital

	30 June 2024	31 December 2023
Number of shares, issued and fully paid at par value (in thousands)	8,796,680	8,796,680

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

32 RESERVES

(a) Capital reserve

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserve

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

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% from its net profit to statutory surplus reserve fund, according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”), after offsetting prior year’s accumulated loss. Until the statutory surplus reserve accumulated amount reaches 50% of its registered capital.

The Bank also appropriates discretionary surplus reserve fund in accordance with the resolution of the shareholders meeting.

(c) General reserve

From 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)” issued by the MOF on 30 March 2012, the Group is required to set aside a general reserve through its net profit for the profit distribution which should not be lower than 1.5% of the ending gross risk bearing assets balance by 30 June 2024.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

32 RESERVES (CONTINUED)

(d) Fair value reserve

	2024	2023
As at 1 January	(2,346,078)	(1,274,532)
Changes in fair value recognised in fair value reserve	(225,644)	(1,024,842)
Transfer to profit or loss upon disposal	(374,274)	(396,885)
Transfer to retained earnings upon disposal	8,682	(92)
Less: income tax	148,852	350,273
Subtotal	(442,384)	(1,071,546)
As at 30 June/31 December	(2,788,462)	(2,346,078)

(e) Provision reserve

	2024	2023
As at 1 January	111,686	1,239,049
Changes in fair value recognised in provision reserve	48,161	(1,503,149)
Less: income tax	(12,040)	375,786
As at 30 June/31 December	147,807	111,686

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

32 RESERVES (CONTINUED)

(f) Deficit on remeasurement of net defined benefit liability

Deficit on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

33 PROFIT DISTRIBUTION

(a) In accordance with the resolution of the Bank's 2023 Annual General Meeting held on 5 June 2024, the proposed profit distribution plan for the year ended 31 December 2023 is as follows:

- Appropriate RMB69.98 million to the statutory surplus reserve fund;

(b) In accordance with the resolution of the Bank's 2022 Annual General Meeting held on 2 June 2023, the proposed profit distribution plan for the year ended 31 December 2022 is as follows:

- Appropriate RMB92.49 million to the statutory surplus reserve fund.
- Appropriate RMB776.91 million to the general reserve.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

34 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	30 June 2024	31 December 2023
Cash on hand	713,464	1,108,497
Deposits with central bank other than restricted deposits	32,969,014	22,261,823
Deposits with banks and other financial institutions with original maturity of three months or less	11,651,583	7,470,620
Placements with banks and other financial institutions with original maturity of three months or less	12,130,000	1,829,000
Financial assets held under resale agreements with original maturity of three months or less	<u>2,700,000</u>	<u>3,100,000</u>
Total	<u><u>60,164,061</u></u>	<u><u>35,769,940</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

Share percentage in the Bank:

Company Name	Major shareholders	30 June 2024	Major shareholders	31 December 2023
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	Y	20.79%	Y	20.79%
Shenyang Hengxin State-owned Asset Management Group Co., Ltd.	Y	5.45%	Y	5.45%
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	N	2.16%	Y	2.16%

Main condition of major shareholders:

Company Name	Registered Address	Main business	Company nature	Legal Representative
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	Shenyang	Industrial investment; investment management	Limited Liability Company	Xv Dong
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	Shenyang	Management and operation of asset	Limited Liability Company	Wang Jun
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	Shenyang	General freight; Metal materials; electromechanical equipment	Limited Liability Company	Liu Xinfu

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(a) Relationship of related parties (Continued)

(i) Major shareholders (Continued)

Registered capital of major shareholders:

Company Name	Currency	30 June 2024	31 December 2023
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	RMB	21,889,000	21,889,000
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	RMB	10,000,000	10,000,000
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	RMB	N/A	200,000

(ii) Subsidiaries of the Bank

The detailed information of the Bank's subsidiaries is set out in Note 1.

(iii) 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)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Group (Note 30(d)).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions between the Bank and major shareholders

(1) Deposits from customers

	30 June 2024	31 December 2023
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	818,172	1,132,072
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	917	3,585
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	N/A	4
Total	<u>819,089</u>	<u>1,135,661</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(i) Transactions between the Bank and major shareholders (Continued)

(2) Guarantees received

	30 June 2024	31 December 2023
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	1,388,525	1,264,525

(3) Interest expense

	Six months ended 30 June	
	2024	2023
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	13,240	23,340
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	6	–
Total	13,246	23,340

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(ii) Transactions between the Bank and subsidiaries

	30 June 2024	31 December 2023
Balances at the end of the period/year:		
Deposits from banks and other financial institutions	1,833,025	1,737,741
Placements with banks and other financial institutions	5,263,282	4,638,981
	Six months ended 30 June 2024	2023
Transactions during the period:		
Interest income	54,192	83,014
Interest expense	782	6,337

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(iii) Transactions between the Bank and other related parties

	30 June 2024	31 December 2023
Balances at the end of the period/year:		
Loans and advances to customers	2,812,136	1,394,649
Deposits from customers	601,505	473,520
Deposits from banks and other financial institutions	2,400,003	400,003
Guarantees received	449,748	464,536
	Six months ended 30 June 2024	2023
Transactions during the period:		
Interest income	75,540	268,368
Interest expense	11,966	5,218

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel

(i) *Key management personnel remuneration*

Key management personnel refers to those who have authority and are responsible for directly or indirectly planning, command and control the Group's operating. Including members of Board of Directors, Board of Supervisors and Senior managements.

	Six months ended 30 June	
	2024	2023
Salaries and other emoluments	5,108	12,305
Discretionary bonuses	2,274	2,039
Contributions to pension schemes	776	1,018
Total	<u>8,158</u>	<u>15,362</u>

(ii) *Loans and advances to directors, supervisors and officers*

As at 30 June 2024 and 31 December 2023, there is no loans and advances to directors, supervisors of the Group pursuant to section 383(1) of Hong Kong Companies Ordinance. As at 30 June 2024, there is no loans and advances to officers (31 December 2023: RMB1.81 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(iii) Transactions between the Bank and key management personnel

	30 June 2024	31 December 2023
Balances at the end of period/year:		
Deposits from customers	13,421	21,131
Loans and advances to customers	–	1,808
	Six months ended 30 June 2024	2023
Transactions during the period:		
Interest income	15	50
Interest expense	91	72

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Bank in terms of risk management and oversees the Group's risk management functions through Risk Control and Consumer Rights Protection Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Control and Consumer Rights Protection Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 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 debt investments portfolios and guarantees granted.

Credit business

The Board is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that all kinds of credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Management Department and the Credit Approval Department are responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department and the Capital Operation Center carry out credit businesses according to the Group's risk management policies and procedures.

Treasury Business

The Group's treasury business is exposed to the credit risk associated with the investment business and inter-bank business. The Group manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively. The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of the next 12-months ECL, and measures loss provision for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

(1) *Significant increase in credit risk*

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the rating or the probability of default (PD) of the financial instruments reaches a certain extent, comparing with the one at initial recognition; and
- The debtor is more than 30 days past due on its contractual payment.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(1) Significant increase in credit risk (Continued)

Qualitative criteria

- The credit risk event of the debtor which is highly likely to lead to significant adverse effects;
- The debtor meets problems of cash flow or liquidity, i.e. overdue loans;
- The debtor is unwilling to repay the debt, i.e. debt dodge, fraud;
- The debtor defaults on loans outside the Group, resulting in non-performing assets in PBOC credit system;
- Credit spread increases significantly; and
- For collateralised and pledged loans, change of the value of collateral might incur a rise in credit risk.

Baseline criteria

- Be classified into Special Mention category

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(2) *Definition of credit-impaired financial asset*

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- The debtor is more than 90 days past due on its contractual payment;
- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(2) Definition of credit-impaired financial asset (Continued)

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

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.

(3) Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his 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. Loss given default varies due to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(3) Notes to the parameters, assumptions and valuation techniques (Continued)

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future years. The results of calculation for each year are then discounted to the reporting date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime probability of default is to deduce the marginal probability of default by using supervisory formula or conditional probability formula.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different due to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(3) Notes to the parameters, assumptions and valuation techniques (Continued)

- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method and obtained from multiplying the nominal amount of the off-balance sheet items on the balance sheet date by the credit conversion factor (CCF).
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affect post-default recovery. LGD for different product types are different.
- As to financial assets classified as guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(3) Notes to the parameters, assumptions and valuation techniques (Continued)

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

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, including gross domestic product (GDP), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting the future economic indicators.
- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. 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 from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(3) Notes to the parameters, assumptions and valuation techniques (Continued)

- 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 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 impact, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 38(a).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers

Loans and advances to customers were analysed as follows as at 30 June 2024 and 31 December 2023:

	30 June 2024	31 December 2023
Gross balance of loans and advances to customers		
– ECL over the next 12 months	443,453,313	432,121,287
– Lifetime ECL – not credit-impaired loans	32,977,556	29,783,451
– Lifetime ECL – credit-impaired loans	16,276,679	15,972,061
	<u>492,707,548</u>	<u>477,876,799</u>
Add: Interest receivable		
– ECL over the next 12 months	42,578,249	36,170,821
– Lifetime ECL – not credit-impaired loans	3,215,587	2,521,486
	<u>45,793,836</u>	<u>38,692,307</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(5,237,949)	(5,247,512)
– Lifetime ECL – not credit-impaired loans	(6,530,992)	(6,248,958)
– Lifetime ECL – credit-impaired loans	(8,958,805)	(8,783,132)
	<u>(20,727,746)</u>	<u>(20,279,602)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

	30 June 2024	31 December 2023
Net balance		
– ECL over the next 12 months	480,793,613	463,044,596
– Lifetime ECL – not credit-impaired loans	29,662,151	26,055,979
– Lifetime ECL – credit-impaired loans	7,317,874	7,188,929
	<u>517,773,638</u>	<u>496,289,504</u>

(1) ECL over the next 12 months loans

	30 June 2024	31 December 2023
Corporate loans and advances	337,831,099	327,217,549
Personal loans and advances	<u>105,622,214</u>	<u>104,903,738</u>
Total gross balance	<u>443,453,313</u>	<u>432,121,287</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

(2) Lifetime ECL – not credit-impaired loans

	30 June 2024			Total
	Not overdue	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	28,653,702	3,585,122	59,411	32,298,235
Personal loans and advances	<u>1,297</u>	<u>73,784</u>	<u>604,240</u>	<u>679,321</u>
Total gross balance	<u><u>28,654,999</u></u>	<u><u>3,658,906</u></u>	<u><u>663,651</u></u>	<u><u>32,977,556</u></u>

	31 December 2023			Total
	Not overdue	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	25,445,624	2,909,921	753,729	29,109,274
Personal loans and advances	<u>5,227</u>	<u>62,435</u>	<u>606,515</u>	<u>674,177</u>
Total gross balance	<u><u>25,450,851</u></u>	<u><u>2,972,356</u></u>	<u><u>1,360,244</u></u>	<u><u>29,783,451</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

(2) Lifetime ECL – not credit-impaired loans (Continued)

Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired was analysed as follows:

	30 June 2024	31 December 2023
Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired	11,451,101	15,212,612

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

(3) Lifetime ECL – credit-impaired loans

	30 June 2024	31 December 2023
Corporate loans and advances	13,194,753	13,000,300
Personal loans and advances	<u>3,081,926</u>	<u>2,971,761</u>
Total gross balance	<u><u>16,276,679</u></u>	<u><u>15,972,061</u></u>
Of total loans and advances	<u><u>3.30%</u></u>	<u><u>3.34%</u></u>
Allowance for impairment losses		
– Corporate loans and advances	7,245,974	7,131,985
– Personal loans and advances	<u>1,712,831</u>	<u>1,651,147</u>
Total	<u><u>8,958,805</u></u>	<u><u>8,783,132</u></u>
Fair value of collateral held against credit-impaired loans and advances	<u><u>16,991,103</u></u>	<u><u>21,222,785</u></u>

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iii) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2024	31 December 2023
Carrying amount		
ECL over the next 12 months		
– grade A to AAA	24,204,714	15,589,619
– grade B to BBB	3,076,869	4,330,000
Lifetime ECL – credit-impaired		
– grade C to CCC	300,000	300,000
	<u>27,581,583</u>	<u>20,219,619</u>
Add: interest receivable		
– ECL over the next 12 months	<u>198,950</u>	<u>120,629</u>
Less: provision for impairment loss		
– ECL over the next 12 months	(6,177)	(7,163)
– Lifetime ECL – credit-impaired	<u>(135,000)</u>	<u>(135,000)</u>
	<u>(141,177)</u>	<u>(142,163)</u>
Net balance		
– ECL over the next 12 months	27,474,356	20,033,085
– Lifetime ECL – credit-impaired	<u>165,000</u>	<u>165,000</u>
	<u>27,639,356</u>	<u>20,198,085</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

	30 June 2024	31 December 2023
Gross balance of debt securities investments		
– ECL over the next 12 months		
– Government	35,446,560	64,761,683
– Policy banks	48,108,247	52,520,044
– Banks and other financial institutions	7,343,032	2,979,991
– Corporate	163,503,047	178,546,671
– Lifetime ECL – not credit-impaired		
– Corporate	2,836,937	2,670,670
– Lifetime ECL – credit-impaired		
– Corporate	1,240,000	60,000
	<u>258,477,823</u>	<u>301,539,059</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) Debt securities investments (Continued)

	30 June 2024	31 December 2023
Less: allowance for impairment losses		
– ECL over the next 12 months	(15,818)	(27,457)
– Lifetime ECL – not credit-impaired	(587,595)	(588,862)
– Lifetime ECL – credit-impaired	(520,570)	(23,850)
	<u>(1,123,983)</u>	<u>(640,169)</u>
Net balance		
– ECL over the next 12 months	254,385,068	298,780,932
– Lifetime ECL – not credit-impaired	2,249,342	2,081,808
– Lifetime ECL – credit-impaired	719,430	36,150
	<u>257,353,840</u>	<u>300,898,890</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(v) *Financial assets measured at amortised cost*

	30 June 2024	31 December 2023
Gross balance of financial assets measured at amortised cost		
– ECL over the next 12 months	224,712,742	242,072,945
– Lifetime ECL – not credit-impaired	17,906,798	12,902,931
– Lifetime ECL – credit-impaired	<u>12,373,180</u>	<u>11,198,284</u>
	<u>254,992,720</u>	<u>266,174,160</u>
Add: Interest receivable		
– ECL over the next 12 months	<u>2,510,994</u>	<u>4,505,481</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(190,198)	(308,878)
– Lifetime ECL – not credit-impaired	(2,751,477)	(2,136,428)
– Lifetime ECL – credit-impaired	<u>(4,039,206)</u>	<u>(3,544,019)</u>
	<u>(6,980,881)</u>	<u>(5,989,325)</u>
Net balance		
– ECL over the next 12 months	227,033,538	246,269,548
– Lifetime ECL – not credit-impaired	15,155,321	10,766,503
– Lifetime ECL – credit-impaired	<u>8,333,974</u>	<u>7,654,265</u>
	<u>250,522,833</u>	<u>264,690,316</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's inside and outside the financial statements activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to identify, measure, monitor and control market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Control and Consumer Interest Protection Committee to supervise the market risk management conducted by the senior management. The Risk Management Department of the Bank is responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines, providing various data on market risks and other technical support.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

(i) 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 treasury position.

(1) Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of 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 movement in interest rates.

The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	Total	Non-interest bearing	30 June 2024			
			Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	83,349,513	736,426	82,613,087	-	-	-
Deposits with banks and other financial institutions	11,648,158	263	11,647,895	-	-	-
Placements with banks and other financial institutions	13,291,180	363,264	12,228,102	699,814	-	-
Financial assets held under resale agreements	2,700,018	422	2,699,596	-	-	-
Loans and advances to customers (Note (i))	517,773,638	45,793,837	203,608,519	158,923,046	41,400,578	68,047,658
Financial investments (Note (ii))	407,920,190	24,981,390	86,760,477	11,702,817	54,256,613	230,218,893
Others	31,622,594	31,191,920	376,812	50,664	3,198	-
Total assets	1,068,305,291	103,067,522	399,934,488	171,376,341	95,660,389	298,266,551

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

	30 June 2024					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	
Liabilities						
Borrowings from central bank	(303,330)	(3,597)	(152,916)	(110,757)	(36,060)	-
Deposits from banks and other financial institutions	(79,450,678)	(393,366)	(55,222,312)	(23,675,000)	(160,000)	-
Placements from banks and other financial institutions	(19,874,890)	(79,986)	(7,500,000)	(12,294,904)	-	-
Financial assets sold under repurchase agreements	(51,130,195)	(67,422)	(51,062,773)	-	-	-
Deposits from customers	(800,459,374)	(21,182,064)	(240,709,446)	(170,710,746)	(355,798,400)	(12,058,718)
Debt securities issued	(16,871,890)	-	(9,384,377)	(2,488,456)	-	(4,999,057)
Others	(20,151,060)	(6,806,017)	(13,146,230)	(124,073)	(74,740)	-
Total liabilities	<u>(988,241,417)</u>	<u>(28,532,452)</u>	<u>(377,178,054)</u>	<u>(209,403,936)</u>	<u>(356,069,200)</u>	<u>(17,057,775)</u>
Asset-liability gap	<u>80,063,874</u>	<u>74,535,070</u>	<u>22,756,434</u>	<u>(38,027,595)</u>	<u>(260,408,811)</u>	<u>281,208,776</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

	Total	Non-interest bearing	31 December 2023			
			Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	76,097,764	1,135,666	74,962,098	-	-	-
Deposits with banks and other financial institutions	7,506,953	296	7,506,657	-	-	-
Placements with banks and other financial institutions	9,591,254	284,915	1,828,530	7,477,809	-	-
Financial assets held under resale agreements	3,099,878	417	3,099,461	-	-	-
Loans and advances to customers (Note (i))	496,289,504	38,692,307	168,366,584	159,874,387	67,442,709	61,913,517
Financial investments (Note (ii))	457,161,176	21,476,767	113,582,120	10,280,033	41,955,875	269,866,381
Others	30,306,177	30,109,473	73,621	120,380	2,703	-
Total assets	1,080,052,706	91,699,841	369,419,071	177,752,609	109,401,287	331,779,898

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

	Total	Non-interest bearing	31 December 2023			
			Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Liabilities						
Borrowings from central bank	(839,337)	(3,943)	(168,078)	(667,316)	-	-
Deposits from banks and other financial institutions	(71,233,034)	(344,971)	(52,591,844)	(18,129,545)	(166,674)	-
Placements from banks and other financial institutions	(17,970,859)	(82,384)	(9,369,350)	(8,519,125)	-	-
Financial assets sold under repurchase agreements	(106,901,210)	(297,623)	(60,542,904)	(46,060,683)	-	-
Deposits from customers	(779,966,905)	(18,812,351)	(271,811,484)	(130,309,338)	(343,298,008)	(15,735,724)
Debt securities issued	(16,834,257)	-	(10,204,913)	(1,630,287)	-	(4,999,057)
Others	(6,412,241)	(5,906,989)	(187,507)	(246,419)	(71,326)	-
Total liabilities	(1,000,157,843)	(25,448,261)	(404,876,080)	(205,562,713)	(343,536,008)	(20,734,781)
Asset-liability gap	79,894,863	66,251,580	(35,457,009)	(27,810,104)	(234,134,721)	311,045,117

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months (inclusive)" as at 30 June 2024 included overdue amounts (net of provision for impairment losses) of RMB17,928 million (31 December 2023: RMB17,229 million).
- (ii) Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(2) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on simplified scenarios. 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 of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the mid of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities 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 management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's 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 UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies, setting limits on synthetic positions in the settlement and sale of foreign exchange, and setting country risk quota, etc.

The Group's currency exposures as at the end of the reporting period are as follows:

	30 June 2024			Total (RMB Equivalent)
	RMB (RMB Equivalent)	USD (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with central bank	83,054,509	268,836	26,168	83,349,513
Deposits with banks and other financial institutions	5,736,366	2,698,889	3,212,903	11,648,158
Placements with banks and other financial institutions	13,291,180	–	–	13,291,180
Financial assets held under resale agreements	2,700,018	–	–	2,700,018
Loans and advances to customers	502,558,611	14,816,246	398,781	517,773,638
Financial investments (Note (i))	389,588,793	18,331,397	–	407,920,190
Others	29,195,980	2,425,759	855	31,622,594
Total assets	1,026,125,457	38,541,127	3,638,707	1,068,305,291

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	30 June 2024			
	RMB	USD	Others	Total
	<i>(RMB Equivalent) (RMB Equivalent) (RMB Equivalent)</i>			
Liabilities				
Borrowings from central bank	(303,330)	–	–	(303,330)
Deposits from banks and other financial institutions	(79,450,678)	–	–	(79,450,678)
Placements from banks and other financial institutions	(19,860,636)	(14,254)	–	(19,874,890)
Financial assets sold under repurchase agreements	(51,130,195)	–	–	(51,130,195)
Deposits from customers	(798,430,150)	(1,491,519)	(537,705)	(800,459,374)
Debt securities issued	(16,871,890)	–	–	(16,871,890)
Others	(18,026,395)	(80,443)	(2,044,222)	(20,151,060)
Total liabilities	<u>(984,073,274)</u>	<u>(1,586,216)</u>	<u>(2,581,927)</u>	<u>(988,241,417)</u>
Net position	<u>42,052,183</u>	<u>36,954,911</u>	<u>1,056,780</u>	<u>80,063,874</u>
Off-balance sheet credit commitments	<u>54,083,728</u>	<u>432,631</u>	<u>1,066</u>	<u>54,517,425</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	31 December 2023			
	RMB (RMB Equivalent)	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	75,770,766	299,232	27,766	76,097,764
Deposits with banks and other				
financial institutions	5,000,617	1,385,677	1,120,659	7,506,953
Placements with banks and other				
financial institutions	9,591,254	–	–	9,591,254
Financial assets held under resale				
agreements	3,099,878	–	–	3,099,878
Loans and advances to customers	491,496,169	4,793,335	–	496,289,504
Financial investments (Note (i))	438,333,926	18,827,250	–	457,161,176
Others	30,125,898	180,279	–	30,306,177
	<u>1,053,418,508</u>	<u>25,485,773</u>	<u>1,148,425</u>	<u>1,080,052,706</u>
Total assets	1,053,418,508	25,485,773	1,148,425	1,080,052,706

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	31 December 2023			
	RMB	USD	Others	Total
	<i>(RMB Equivalent) (RMB Equivalent) (RMB Equivalent)</i>			
Liabilities				
Borrowings from central bank	(839,337)	–	–	(839,337)
Deposits from banks and other financial institutions	(71,233,034)	–	–	(71,233,034)
Placements from banks and other financial institutions	(17,970,859)	–	–	(17,970,859)
Financial assets sold under repurchase agreements	(93,554,654)	(13,346,556)	–	(106,901,210)
Deposits from customers	(779,001,683)	(844,489)	(120,733)	(779,966,905)
Debt securities issued	(16,834,257)	–	–	(16,834,257)
Others	(5,930,010)	(472,887)	(9,344)	(6,412,241)
Total liabilities	<u>(985,363,834)</u>	<u>(14,663,932)</u>	<u>(130,077)</u>	<u>(1,000,157,843)</u>
Net position	<u>68,054,674</u>	<u>10,821,841</u>	<u>1,018,348</u>	<u>79,894,863</u>
Off-balance sheet credit commitments	<u>69,282,860</u>	<u>485,598</u>	<u>1,094</u>	<u>69,769,552</u>

Note:

- (i) Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	30 June 2024	31 December 2023
	Increase/ (decrease)	Increase/ (decrease)
Change in profit after taxation and equity		
Up 100 bps parallel shift in yield curves	380,117	118,402
Down 100 bps parallel shift in yield curves	(380,117)	(118,402)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

Due to the assumptions adopted, actual changes in the Group's profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group centrally manages the Bank's liquidity risk at the head office through a liquidity risk governance structure consisting of Board of Directors, Board of Supervisors, senior management, as well as the liquidity risk management structure consisting of the Asset and Liability Management Committee, Planning and Financial Department and Risk Management Department at the head office:

- The Asset and Liability Management Committee is the Bank's liquidity risk management body that is responsible for developing, and regularly assessing and monitoring the implementation of liquidity risk management policies and measures;
- As the leading department in liquidity risk management, Planning and Financial Department is responsible for developing and implementing the relevant system; identifying, measuring and monitoring the liquidity risk and the implementation of limitations; performing stress testing, risk analysis and reporting; organising the daily management of the liquidity risk by business departments as well as the assessment and evaluation ;
- The Group includes liquidity risk in a comprehensive risk management system. The Risk Management Department initiates ideas on limitation management of the liquidity risk, and arranges for performance evaluation.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The Group manages liquidity risk by managing the term structure of assets and liabilities, as well as dynamically monitoring liquidity indicators such as loan-to-deposit ratio, liquidity ratio, liquidity coverage ratio, excess reserves ratio, inter-bank loan to saving ratio, credit quality ratio, liquidity gap ratio, etc. The Group forecasts liquidity weekly, analyses liquidity monthly, and performs stress testing of liquidity risk quarterly.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis

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

	30 June 2024							Total
	Indefinite <i>(Note(iii))</i>	Repayable on demand <i>(Note(ii))</i>	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	49,644,073	33,705,440	-	-	-	-	-	83,349,513
Deposits with banks and other financial institutions	-	11,648,158	-	-	-	-	-	11,648,158
Placements with banks and other financial institutions	165,000	-	7,546,567	4,870,075	709,538	-	-	13,291,180
Financial assets held under resale agreements	-	-	2,700,018	-	-	-	-	2,700,018
Loans and advances to customers	12,588,197	19,087,472	152,517,853	37,296,874	175,451,840	45,706,446	75,124,956	517,773,638
Financial investments <i>(Note(i))</i>	49,940,587	-	19,731,949	40,644,542	12,331,543	54,758,354	230,513,215	407,920,190
Others	25,949,687	44,912	3,648,457	161,315	1,557,499	100,611	160,113	31,622,594
Total assets	138,287,544	64,485,982	186,144,844	82,972,806	190,050,420	100,565,411	305,798,284	1,068,305,291

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	30 June 2024							Total
	Indefinite (Note(ii))	Repayable on demand (Note(ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Liabilities								
Borrowings from central bank	-	(3,436)	-	(153,001)	(110,816)	(36,077)	-	(303,330)
Deposits from banks and other financial institutions	-	(26,426,255)	(21,247,154)	(7,659,899)	(23,951,891)	(165,479)	-	(79,450,678)
Placements from banks and other financial institutions	-	-	(6,639,202)	(866,848)	(12,368,840)	-	-	(19,874,890)
Financial assets sold under repurchase agreements	-	-	(21,819,611)	(29,310,584)	-	-	-	(51,130,195)
Deposits from customers	-	(163,150,089)	(38,870,127)	(41,398,377)	(176,566,137)	(368,002,311)	(12,472,333)	(800,459,374)
Debt securities issued	-	-	(3,725,765)	(5,658,612)	(2,488,456)	-	(4,999,057)	(16,871,890)
Others	-	(6,063,753)	(13,066,833)	(79,398)	(291,147)	(502,713)	(147,216)	(20,151,060)
Total liabilities	-	(195,643,533)	(105,368,692)	(85,126,719)	(215,777,287)	(368,706,580)	(17,618,606)	(988,241,417)
Long/(short) position	<u>138,287,544</u>	<u>(131,157,551)</u>	<u>80,776,152</u>	<u>(2,153,913)</u>	<u>(25,726,867)</u>	<u>(268,141,169)</u>	<u>288,179,678</u>	<u>80,063,874</u>
Notional amount of derivatives	<u>-</u>	<u>-</u>	<u>20,289,303</u>	<u>9,223,974</u>	<u>4,542,319</u>	<u>100,000</u>	<u>-</u>	<u>34,155,596</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	31 December 2023							Total
	Indefinite <i>(Note(i))</i>	Repayable on demand <i>(Note(ii))</i>	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	52,719,375	23,378,389	-	-	-	-	-	76,097,764
Deposits with banks and other financial institutions	-	7,206,976	299,977	-	-	-	-	7,506,953
Placements with banks and other financial institutions	165,000	-	1,535,260	302,322	7,588,672	-	-	9,591,254
Financial assets held under resale agreements	-	-	3,099,878	-	-	-	-	3,099,878
Loans and advances to customers	20,612,354	10,734,743	127,213,104	22,246,291	174,388,883	73,562,381	67,531,748	496,289,504
Financial investments <i>(Note(i))</i>	41,815,108	-	26,472,730	63,339,625	10,628,360	42,365,244	272,540,109	457,161,176
Others	27,143,399	-	1,147,193	32,661	1,980,221	2,703	-	30,306,177
Total assets	<u>142,455,236</u>	<u>41,320,108</u>	<u>159,768,142</u>	<u>85,920,899</u>	<u>194,586,136</u>	<u>115,930,328</u>	<u>340,071,857</u>	<u>1,080,052,706</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	31 December 2023							Total
	Indefinite (Note(ii))	Repayable on demand (Note(ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Liabilities								
Borrowings from central bank	-	(3,436)	-	(168,181)	(667,720)	-	-	(839,337)
Deposits from banks and other financial institutions	-	(18,386,758)	(15,510,938)	(19,039,119)	(18,129,545)	(166,674)	-	(71,233,034)
Placements from banks and other financial institutions	-	-	(3,401,906)	(5,994,700)	(8,574,253)	-	-	(17,970,859)
Financial assets sold under repurchase agreements	-	-	(21,930,775)	(38,704,723)	(46,265,712)	-	-	(106,901,210)
Deposits from customers	-	(155,150,549)	(68,173,593)	(52,158,532)	(134,341,345)	(353,920,271)	(16,222,615)	(779,966,905)
Debt securities issued	-	-	(4,833,169)	(5,371,744)	(1,630,287)	-	(4,999,057)	(16,834,257)
Others	-	(4,155,642)	(1,073,681)	(106,503)	(413,960)	(511,619)	(150,836)	(6,412,241)
Total liabilities	<u>-</u>	<u>(177,696,385)</u>	<u>(114,924,062)</u>	<u>(121,543,502)</u>	<u>(210,022,822)</u>	<u>(354,598,564)</u>	<u>(21,372,508)</u>	<u>(1,000,157,843)</u>
Long/(short) position	<u>142,455,236</u>	<u>(136,376,277)</u>	<u>44,844,080</u>	<u>(35,622,603)</u>	<u>(15,436,686)</u>	<u>(238,668,236)</u>	<u>318,699,349</u>	<u>79,894,863</u>
Notional amount of derivatives	<u>-</u>	<u>-</u>	<u>4,002,168</u>	<u>10,920,794</u>	<u>18,037,145</u>	<u>100,000</u>	<u>-</u>	<u>33,060,107</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) *Maturity analysis (Continued)*

Notes:

- (i) 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. The “indefinite” period financial investments amount represents the balance being credit-impaired or overdue for more than one month. Equity investments is listed in the category of Indefinite.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance not impaired but overdue within one month is included in “repayable on demand”.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	30 June 2024					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(309,161)	(3,527)	(156,017)	(112,919)	(36,698)	-
Deposits from banks and other financial institutions	(79,914,184)	(47,774,858)	(7,689,237)	(24,278,153)	(171,936)	-
Placements from banks and other financial institutions	(19,877,762)	(6,639,317)	(866,951)	(12,371,494)	-	-
Financial assets sold under repurchase agreements	(51,166,145)	(21,825,304)	(29,340,841)	-	-	-
Deposits from customers	(898,936,378)	(202,930,559)	(41,744,715)	(178,938,061)	(460,239,736)	(15,083,307)
Debt securities issued	(18,993,246)	(3,733,687)	(5,691,727)	(2,528,174)	(1,199,774)	(5,839,884)
Other financial liabilities	(19,854,218)	(19,032,678)	-	(179,857)	(473,579)	(168,104)
Total non-derivative financial liabilities	(1,089,051,094)	(301,939,930)	(85,489,488)	(218,408,658)	(462,121,723)	(21,091,295)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities (Continued)

	31 December 2023					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(855,737)	(3,527)	(171,481)	(680,729)	-	-
Deposits from banks and other financial institutions	(71,646,609)	(33,915,237)	(19,169,938)	(18,386,758)	(174,676)	-
Placements from banks and other financial institutions	(18,168,138)	(3,406,467)	(6,055,405)	(8,706,266)	-	-
Financial assets sold under repurchase agreements	(107,449,611)	(21,943,433)	(38,829,198)	(46,676,980)	-	-
Deposits from customers	(1,247,987,803)	(230,888,171)	(66,675,331)	(189,694,070)	(741,267,437)	(19,462,794)
Debt securities issued	(19,100,880)	(4,852,056)	(5,413,938)	(1,675,579)	(1,199,774)	(5,959,533)
Other financial liabilities	(5,994,311)	(5,147,945)	-	(183,718)	(488,954)	(173,694)
Total non-derivative financial liabilities	(1,471,203,089)	(300,156,836)	(136,315,291)	(266,004,100)	(743,130,841)	(25,596,021)

This analysis of the non-derivative financial assets and liabilities by contractual undiscounted cash flow might vary from actual results.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives

The Group's derivatives that will be settled on a net basis include:

- Interest rate swaps

The Group's derivatives that will be settled on a gross basis include:

- Option contracts
- Foreign forward contracts
- Precious metal derivatives
- Currency swaps

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period.

	30 June 2024					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Interest rate swaps	(8,202)	-	-	(8,202)	-	-
Derivatives settled on gross basis						
Option contracts						
– cash outflow	(859,257)	(127,896)	(152,471)	(578,890)	-	-
– cash inflow	859,257	127,896	152,471	578,890	-	-
Foreign forward contracts						
– cash outflow	(1,155,815)	(252,411)	(903,404)	-	-	-
– cash inflow	1,159,551	253,258	906,293	-	-	-
Precious metal derivatives						
– cash outflow	(5,846,610)	-	(3,341,691)	(2,504,919)	-	-
– cash inflow	6,598,560	-	3,849,160	2,749,400	-	-
Currency swaps						
– cash outflow	(21,323,386)	(16,926,150)	(4,311,714)	(85,522)	-	-
– cash inflow	21,561,244	17,140,169	4,336,269	84,806	-	-

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)

	31 December 2023					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Interest rate swaps	(94)	(482)	(4,017)	4,405	-	-
Derivatives settled on gross basis						
Option contracts						
- cash outflow	(1,178,168)	(412,953)	(268,800)	(496,415)	-	-
- cash inflow	1,178,168	412,953	268,800	496,415	-	-
Foreign forward contracts						
- cash outflow	(1,828,106)	-	(31,190)	(1,796,916)	-	-
- cash inflow	1,834,190	-	31,190	1,803,000	-	-
Precious metal derivatives						
- cash outflow	(7,862,591)	-	(3,562,413)	(4,300,178)	-	-
- cash inflow	6,058,849	-	4,076,515	1,982,334	-	-
Currency swaps						
- cash outflow	(8,761,300)	(1,041,157)	(2,386,870)	(5,333,273)	-	-
- cash inflow	8,670,828	1,068,524	2,381,922	5,220,382	-	-

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has built “Three Lines of Defense for Risk Management” mainly involving business departments, the Compliance Department and the Internal Audit Department in risk management, and established a reporting mechanism between the Compliance Department and business departments, as well as between the head office and branches.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group’s measures to manage the operational risk mainly include:

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(d) Operational risk (Continued)

- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. Return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (商業銀行資本管理辦法) issued by the NFRA in 2023 and relevant requirements promulgated by the NFRA as follows:

Note	30 June 2024	31 December 2023
Total core tier-one capital		
– Share capital	8,796,680	8,796,680
– Qualifying portion of capital reserve	26,957,822	26,957,822
– Surplus reserve	7,536,253	7,481,817
– General reserve	14,858,851	14,830,687
– Fair value reserve	(2,788,462)	(2,346,078)
– Provision reserve	147,807	111,686
– Retained earnings	24,015,810	23,530,498
– Qualifying portions of non-controlling interests	205,934	165,248
– Others	(37,077)	(32,943)
Core tier-one capital	79,693,618	79,495,417
Core tier-one capital deductions	(1,958,005)	(1,697,075)
Net core tier-one capital	77,735,613	77,798,342
Other tier-one capital		
– Other tier-one capital instruments and premium	15,000,000	15,000,000
Net tier-one capital	92,735,613	92,798,342

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

36 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

	Note	30 June 2024	31 December 2023
Tier-two capital			
– Qualifying portions of tier-two capital instruments issued		4,999,057	4,999,057
– Surplus provision for loan impairment		<u>7,812,094</u>	<u>7,618,988</u>
Net tier-two capital		<u>12,811,151</u>	<u>12,618,045</u>
Net capital base		<u>105,546,764</u>	<u>105,416,387</u>
Total risk weighted assets	36(e)(i)	<u>757,566,431</u>	<u>746,552,852</u>
Core tier-one capital adequacy ratio		10.26%	10.42%
Tier-one capital adequacy ratio		12.24%	12.43%
Capital adequacy ratio		13.93%	14.12%

Notes:

- (i) Both the on-balance and off-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 as well as any eligible collateral or guarantees.
- (ii) Pursuant to the Notification on Matters Related to the Regulation Governing Capital of Commercial Banks (《商業銀行資本管理辦法》), the NFRA requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5%.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, which specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(a) Methods and assumptions for measurement of fair value (Continued)

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities investments

The fair values of debt securities 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.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign forwards contracts, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange forward rates, foreign exchange rate volatility, CFETS middle rate and Shanghai interbank offered rate yield curves, etc.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2024			Total
	Level 1	Level 2	Level 3	
Assets				
Derivative financial assets				
– Currency swaps	–	325,817	–	325,817
– Interest rate swaps	–	1,500	–	1,500
– Option contracts	–	81,291	–	81,291
– Foreign forward contracts	–	8,202	–	8,202
– Precious metal derivatives	–	13,863	–	13,863
Financial assets at fair value through profit or loss				
– Debt instruments	–	1,074,718	–	1,074,718
– Investment funds	37,150,564	–	–	37,150,564
– Others	171,546	–	63,633,810	63,805,356
Financial assets at fair value through other comprehensive income				
– Debt instruments	–	38,631,380	–	38,631,380
– Equity instruments	870,032	–	15,865,307	16,735,339
Loans and advances to customers at fair value through other comprehensive income				
– Corporate loans and advances	–	–	8,233,387	8,233,387
– Discounted bills	–	–	53,506,492	53,506,492
Total	38,192,142	40,136,771	141,238,996	219,567,909

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	30 June 2024			Total
	Level 1	Level 2	Level 3	
Liabilities				
Financial liabilities at fair value through profit or loss	–	(12,969,309)	–	(12,969,309)
Derivative financial liabilities				
– Currency swaps	–	(25,207)	–	(25,207)
– Interest rate swaps	–	(9,702)	–	(9,702)
– Option contracts	–	(81,291)	–	(81,291)
– Foreign forward contracts	–	(16,082)	–	(16,082)
– Precious metal derivatives	–	(9,500)	–	(9,500)
Total	–	(13,111,091)	–	(13,111,091)

During the six months ended 30 June 2024, there were no significant transfers between instruments in Level 1 and Level 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– Currency swaps	–	88,909	–	88,909
– Interest rate swaps	–	17,767	–	17,767
– Option contracts	–	62,742	–	62,742
– Foreign forward contracts	–	13,650	–	13,650
– Precious metal derivatives	–	13,635	–	13,635
Financial assets at fair value through profit or loss				
– Debt instruments	–	3,566,513	–	3,566,513
– Investment funds	28,679,493	–	–	28,679,493
– Others	263,359	–	73,406,993	73,670,352
Financial assets at fair value through other comprehensive income				
– Debt instruments	–	68,612,640	–	68,612,640
– Equity instruments	2,073,163	–	15,868,699	17,941,862
Loans and advances to customers at fair value through other comprehensive income				
– Corporate loans and advances	–	–	9,059,814	9,059,814
– Discounted bills	–	–	61,223,282	61,223,282
Total	31,016,015	72,375,856	159,558,788	262,950,659

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2023			Total
	Level 1	Level 2	Level 3	
Liabilities				
Derivative financial liabilities				
– Currency swaps	–	(87,304)	–	(87,304)
– Interest rate swaps	–	(17,861)	–	(17,861)
– Option contracts	–	(62,742)	–	(62,742)
– Foreign forward contracts	–	(8,612)	–	(8,612)
– Precious metal derivatives	–	(41,854)	–	(41,854)
Total	–	(218,373)	–	(218,373)

For the year ended 31 December 2023, there were no significant transfers between instruments in Level 1 and Level 2.

(c) Level 2 fair value measurement

A majority of the debt instruments classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level also includes a majority of OTC derivative contracts, the most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters. Financial liabilities at fair value through profit or loss mainly includes the financial liabilities related to debt securities, of which the fair value is determined with reference to the available market value. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(d) Level 3 fair value measurement

As at 30 June 2024 and 31 December 2023, unobservable inputs such as discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly wealth management plan, beneficial investment of trust and equity investments. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs. The higher the discount rate, the lower the fair value.

As at 30 June 2024 and 31 December 2023, the effects of changes in significant unobservable assumption to reasonably possible alternative assumptions were immaterial.

(e) Fair value of financial assets and liabilities not carried at fair value

(i) *Cash and deposits with central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements, borrowings from central bank.*

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

(ii) *Loans and advances to customers*

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

(iii) *Financial assets measured at amortised cost*

The fair values of financial assets measured at amortised cost are estimated on the basis of pricing models or discounted cash flows in the absence of any other relevant observable market data if the market value is not available.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value (Continued)

(iv) Financial assets at fair value through other comprehensive income equity instruments

Financial assets at fair value through other comprehensive income equity instruments are unlisted shares. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

(v) Deposits from customers

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

(vi) Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value (Continued)

(vi) Debt securities issued (Continued)

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised cost and debt securities issued:

	30 June 2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	250,522,833	251,080,933	–	54,535,073	196,545,860
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	4,999,057	5,233,640	–	5,233,640	–
– certificates of interbank deposit	11,872,833	11,682,901	–	11,682,901	–
Total	16,871,890	16,916,541	–	16,916,541	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

37 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value (Continued)

(vi) Debt securities issued (Continued)

	31 December 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	264,690,316	265,143,952	–	53,124,477	212,019,475
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	4,999,057	5,070,095	–	5,070,095	–
– certificates of interbank deposit	11,835,200	11,788,726	–	11,788,726	–
Total	16,834,257	16,858,821	–	16,858,821	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

38 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, credit card limits, letters of credit and letters of guarantees.

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 its customers. The contractual amounts of credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	30 June 2024	31 December 2023
Bank acceptances	21,892,346	33,522,247
Letters of guarantees	4,149,054	3,991,416
Unused credit card commitments	22,674,763	22,376,738
Letters of credit	<u>5,801,262</u>	<u>9,879,151</u>
Total	<u><u>54,517,425</u></u>	<u><u>69,769,552</u></u>

The Group may be exposed to credit risk in all the above credit businesses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

38 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Credit risk-weighted amount

	30 June 2024	31 December 2023
Credit risk-weighted amount of contingent liabilities and commitments	16,988,232	18,633,448

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the NFRA. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

(c) Capital commitments

As at 30 June 2024 and 31 December 2023, the authorised capital commitments of the Group are as follows:

	30 June 2024	31 December 2023
Contracted but not paid for	233,987	206,819
Approved but not contracted for	49,310	52,052
Total	283,297	258,871

(d) Outstanding litigations and disputes

As at 30 June 2024 and 31 December 2023, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

38 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(e) Pledged assets

	30 June 2024	31 December 2023
Investment securities	57,541,438	97,952,889
Discounted bills	<u>45,131,226</u>	<u>57,797,113</u>
Total	<u><u>102,672,664</u></u>	<u><u>155,750,002</u></u>

Some of the Group's assets are pledged as collateral under repurchase agreements and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 30 June 2024 and 31 December 2023, the pledged assets were not sold or repledged, which it has an obligation to repurchase on due.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 30 June 2024 and 31 December 2023 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2024		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	43,604,522	43,604,522	43,604,522
Investment management products under trust scheme	55,924,067	55,924,067	55,924,067
Total	99,528,589	99,528,589	99,528,589

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

(a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	31 December 2023		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	54,054,346	54,054,346	54,054,346
Investment management products under trust scheme	<u>55,550,789</u>	<u>55,550,789</u>	<u>55,550,789</u>
Total	<u><u>109,605,135</u></u>	<u><u>109,605,135</u></u>	<u><u>109,605,135</u></u>

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the statement of financial position.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

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 notes to investors. Interest held by the Group includes fees charged by providing management services.

During the six months ended 30 June 2024, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB102.00 million (six months ended 30 June 2023: RMB110.21 million).

As at 30 June 2024, the amount of assets held by unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB38,906 million (31 December 2023: RMB39,044 million).

There were no guarantees or other commitments between the Group and any third parties that could increase the level of the Group's risk from wealth management products disclosed above during the six months ended 30 June 2024 and for the years ended 31 December 2023. The Group was not required to absorb any losses incurred by wealth management products.

During the six months ended 30 June 2024, there were no non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2024, but matured before 30 June 2024 (six months ended 30 June 2023: RMB240 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

40 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are principal-guaranteed wealth management products. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The Group does not hold any shares of the principal-guaranteed wealth management products; however, the Group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of the aggregate economic interests of the Group in the structured entities is high. The Group concludes that these structured entities shall be consolidated

41 FIDUCIARY ACTIVITIES

The Group commonly acts as a manager, trustee or agent for clients in fiduciary acts. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 30 June 2024, the entrusted loans balance of the Group is RMB722 million (31 December 2023: RMB865 million).

42 TRANSFERRED FINANCIAL ASSETS

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the consolidated statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. As at 30 June 2024 and 31 December 2023, the Group doesn't have continuing involvement through acquiring some tranches.

43 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

As at the approval date of this financial report, the Group have no major financial report event after the reporting period that need to be disclosed.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2024.

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the six months ended 30 June 2024 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

		Effective for accounting period beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual improvements to IFRS Accounting Standards 2024	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	1 January 2026
IFRS 18 and consequential amendments to other IFRSs	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

(a) Liquidity coverage ratio

	As at 30 June 2024	Average for the period ended 30 June 2024	As at 31 December 2023	Average for the year ended 31 December 2023
Liquidity coverage ratio (RMB and foreign currency)	159.82%	137.76%	115.69%	127.00%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking Regulatory Commission the NFRA and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”).

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

The Hong Kong Banking (Disclosure) Rules (the “Rules”) took effect on 1 January 2007. It requires the disclosure of an average liquidity coverage ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity coverage ratio on a semi-annual basis and the disclosed average liquidity coverage ratio is the arithmetic mean of two consecutive liquidity coverage ratios as at 30 June and 31 December.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO (CONTINUED)

(b) Leverage ratio

	30 June 2024	31 December 2023
Leverage ratio	8.45%	8.37%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the NFRA and was effective since 1 January 2014, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio is calculated in accordance with the formula promulgated by the NFRA and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	30 June 2024			
	US Dollars <i>(RMB Equivalent)</i>	HK Dollars <i>(RMB Equivalent)</i>	Others <i>(RMB Equivalent)</i>	Total <i>(RMB Equivalent)</i>
Spot assets	38,541,127	579,970	3,058,737	42,179,834
Spot liabilities	(1,586,216)	(51,569)	(2,530,358)	(4,168,143)
Net long position	<u>36,954,911</u>	<u>528,401</u>	<u>528,379</u>	<u>38,011,691</u>

	31 December 2023			
	US Dollars <i>(RMB Equivalent)</i>	HK Dollars <i>(RMB Equivalent)</i>	Others <i>(RMB Equivalent)</i>	Total <i>(RMB Equivalent)</i>
Spot assets	25,485,773	141,452	1,006,973	26,634,198
Spot liabilities	(14,663,932)	(13,323)	(116,754)	(14,794,009)
Net long position	<u>10,821,841</u>	<u>128,129</u>	<u>890,219</u>	<u>11,840,189</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, 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 and claims dominated in foreign currency on third parties in Mainland China as international claims.

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

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

	As at 30 June 2024			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	295,003	5,909,968	1,930,817	8,135,788
North and South America	19,306,501	2,427	–	19,308,928
Europe	–	238	–	238
Total	19,601,504	5,912,633	1,930,817	27,444,954

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

3 INTERNATIONAL CLAIMS (CONTINUED)

	As at 31 December 2023			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	327,030	977,426	5,151,082	6,455,538
North and South America	19,187,034	893,544	–	20,080,578
Europe	–	635,768	–	635,768
Total	<u>19,514,064</u>	<u>2,506,738</u>	<u>5,151,082</u>	<u>27,171,884</u>

4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS

	30 June 2024	31 December 2023
Northeast China	23,775,226	21,714,549
North China	1,010,598	2,567,804
Others	893,824	758,437
Total	<u>25,679,648</u>	<u>25,040,790</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES FOR MORE THAN 90 DAYS

	30 June 2024	31 December 2023
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	638,739	3,183,072
– between 6 months and 1 year (inclusive)	2,469,475	1,071,892
– over 1 year	9,122,130	7,506,626
Total	<u>12,230,344</u>	<u>11,761,590</u>
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.13%	0.67%
– between 6 months and 1 year (inclusive)	0.50%	0.22%
– over 1 year	1.85%	1.57%
Total	<u>2.48%</u>	<u>2.46%</u>

DEFINITION

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

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, “our Bank”, “we” or “Shengjing Bank”	Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“NFRA”	National Financial Regulatory Administration (formerly known as China Banking and Insurance Regulatory Commission)
“Liaoning Financial Bureau”	Liaoning Bureau of the National Financial Regulatory Administration (formerly known as Liaoning Bureau of the China Banking and Insurance Regulatory Commission)
“CSRC”	China Securities Regulatory Commission
“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 in full in Renminbi
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange

DEFINITION (CONTINUED)

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	28 August 2024, being the latest practicable date prior to the publication for the purpose of ascertaining of certain information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC”, “People’s Bank” or “Central Bank”	the People’s Bank of China
“PRC”	the People’s Republic of China, and for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
“Reporting Period”	the six months ended 30 June 2024
“RMB or Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	the shareholder(s) of the Bank
“Shares”	the Domestic Shares and the H Shares
“Supervisor(s)”	the supervisor(s) of the Bank
“%”	per cent.



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