招商銀行
CHINA MERCHANTS BANK

CHINA MERCHANTS BANK CO., LTD.

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

H Share Stock Code : 03968

2024 Interim Report

Contents

Definitions

The Company, the Bank, CMB or China Merchants Bank:

China Merchants Bank Co., Ltd.

The Group:

China Merchants Bank and its subsidiaries

CSRC:

China Securities Regulatory Commission

Hong Kong Stock Exchange or SEHK:

The Stock Exchange of Hong Kong Limited

Hong Kong Listing Rules:

The Rules Governing the Listing of Securities on the SEHK

CMB Wing Lung Bank:

CMB Wing Lung Bank Limited

CMB Wing Lung Group:

CMB Wing Lung Bank and its subsidiaries

CMB Financial Leasing or CMBFL:

CMB Financial Leasing Co., Ltd.

CMB International Capital or CMBIC:

CMB International Capital Holdings Corporation Limited

CMB Wealth Management:

CMB Wealth Management Company Limited

China Merchants Fund or CMFM:

China Merchants Fund Management Co., Ltd.

CIGNA & CMAM:

CIGNA & CMB Asset Management Company Limited

CMB Europe S.A.:

China Merchants Bank (Europe) Co., Ltd.

CIGNA & CMB Life Insurance:

CIGNA & CMB Life Insurance Co., Ltd.

Merchants Union Consumer Finance or MUCFC:

Merchants Union Consumer Finance Company Limited

CMB YunChuang:

CMB YunChuang Information Technology Co., Ltd. with 100% equity interest held by the Company indirectly

CMB Network Technology:

China Merchants Bank Network Technology (Shenzhen) Co., Ltd. with 100% equity interest held by the Company indirectly

Ernst & Young Hua Ming LLP:

Ernst & Young Hua Ming LLP (Special General Partnership)

SFO:

Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Model Code:

Model Code for Securities Transactions by Directors of Listed Issuers of Hong Kong Stock Exchange

Significant Risk Warning

The Company has disclosed herein the major risks involved in its operations and the proposed risk management measures. Please refer to Chapter III for the details in relation to risk management.

Important Notice

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirm that the contents in this report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will severally and jointly accept legal responsibility for such contents.

2. The 39th meeting of the Twelfth Session of the Board of Directors of the Company was convened at the Shenzhen Training Centre on 29 August 2024. The meeting was presided by Miao Jianmin, Chairman of the Board of Directors. 13 out of 13 eligible Directors attended the meeting in person. 9 Supervisors of the Company were present at the meeting. The convening of the meeting complied with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of China Merchants Bank Co., Ltd.

3. As of the disclosure date of this report, the Company did not declare an interim dividend on ordinary shares for 2024, nor did it transfer any capital reserve into share capital.

4. The financial report in this report is unaudited.

5. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.

6. Miao Jianmin, Chairman of the Company, Wang Liang, President and Chief Executive Officer, Peng Jiawen, Executive Vice President, Chief Financial Officer and Secretary of the Board of Directors and Sun Zhihua, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in this report.

7. We have included in this report certain forward-looking statements with respect to the financial position, operating results and business development of the Group. We use words such as "will", "may", "expect", "try", "strive", "plan", "anticipate", "aim at", and similar expressions to indicate forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we give no assurance that these expectations will turn into reality or prove to be correct. Therefore, they should not be deemed as the Group's commitments. Investors should not place undue reliance on such statements and should pay attention to investment risks. You are cautioned that such forward-looking statements are related to future events or future financial position, business, or other performances of the Group, and are subject to a number of uncertainties which may cause substantial differences from those in the actual results.

Company Profile

1.1 **Registered Company Name in Chinese:** 招商銀行股份有限公司(Abbreviated Name in Chinese: 招商銀行)

Registered Company Name in English: China Merchants Bank Co., Ltd.

1.2 **Legal Representative:** Miao Jianmin

Authorised Representatives: Wang Liang, Peng Jiawen

Secretary of the Board of Directors: Peng Jiawen

Joint Company Secretaries: Peng Jiawen, Ho Wing Tsz Wendy

Securities Representative: Xia Yangfang

1.3 **Registered and Office Address:** 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China

1.4 **Contact Details:**

Address: 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China

Postcode: 518040

Tel: +86 755 8319 8888

Fax: +86 755 8319 5555

E-mail: cmb@cmbchina.com

Website: www.cmbchina.com

Customer complaint hotline: 95555-7

Credit card complaint hotline: +86 400 820 5555-7

1.5 **Principal Place of Business in Hong Kong:** 31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, the PRC

1.6 **Share Listing:**

A Shares: Shanghai Stock Exchange

Abbreviated Name of A Shares: CMB

Stock Code: 600036

H Shares: SEHK

Abbreviated Name of H Shares: CM BANK

Stock Code: 03968

Domestic Preference Shares: Shanghai Stock Exchange

Abbreviated Name of Shares: Zhao Yin You 1 (招銀優1)

Stock Code: 360028

1.7 **Domestic Auditor:** Ernst & Young Hua Ming LLP

Office Address: Room 01-12, 17/F, Ernst & Young Tower, Oriental Plaza, No.1 East Chang'an Avenue, Dongcheng District, Beijing, the PRC

International Auditor: Ernst & Young

Office Address: 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong, the PRC

1.8 **Legal Advisor as to PRC Law:** JunHe LLP

Legal Advisor as to Hong Kong Law: Herbert Smith Freehills

1.9 **Registrar for A Shares:**

China Securities Depository & Clearing Corporation Ltd., Shanghai Branch

Address: 188 South-Yanggao Road, Pudong New Area, Shanghai, the PRC

Tel: +86 4008 058 058

Share Register and Transfer Office as to H Shares:

Computershare Hong Kong Investor Services Ltd.

Address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, the PRC

Tel: +852 2862 8555

Registrar for Domestic Preference Shares: China Securities Depository & Clearing Corporation Ltd., Shanghai Branch

1.10 **Newspapers and Websites Designated for Information Disclosure:**

The Chinese mainland: "China Securities Journal" (www.cs.com.cn), "Securities Times" (www.stcn.com), "Shanghai Securities News" (www.cnstock.com)
website of Shanghai Stock Exchange (www.sse.com.cn)
website of the Company (www.cmbchina.com)

Hong Kong: website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk)
website of the Company (www.cmbchina.com)

Place for maintenance of periodic reports: Office of the Board of Directors of the Company and principal place of business of the Company

Summary of Accounting Data and Financial Indicators

2.1 Key Accounting Data and Financial Indicators of the Group

(in millions of RMB, unless otherwise specified)	January to June 2024	January to June 2023	Changes +/-%
Operating Results			
Net operating income[(1)]	172,922	178,465	-3.11
Profit before tax	89,641	90,884	-1.37
Net profit attributable to shareholders of the Bank	74,743	75,752	-1.33
Per Share (RMB)			
Basic earnings attributable to ordinary shareholders of the Bank[(2)]	2.89	2.93	-1.37
Diluted earnings attributable to ordinary shareholders of the Bank	2.89	2.93	-1.37

(in millions of RMB, unless otherwise specified)	30 June 2024	31 December 2023	Changes +/-%
Volume Indicators			
Total assets	11,574,783	11,028,483	4.95
of which: total loans and advances to customers[(3)]	6,747,804	6,508,865	3.67
Total liabilities	10,457,758	9,942,754	5.18
of which: total deposits from customers[(3)]	8,662,886	8,155,438	6.22
Total equity attributable to shareholders of the Bank	1,110,213	1,076,370	3.14
Net assets per share attributable to ordinary shareholders of the Bank (RMB)[(2)]	38.06	36.71	3.68

Notes:

(1) Net operating income is the sum of net interest income, net fee and commission income, other net income as well as share of profits of joint ventures and associates.

(2) The Company issued non-cumulative preference shares in 2017, and issued perpetual bonds in 2020, 2021 and 2023, all of which were classified as other equity instruments. In addition, the Company accrued interests on perpetual bonds of RMB1.975 billion payable in current period, and did not pay or accrue any dividends on the preference shares. Therefore, when calculating the indicators such as basic earnings attributable to ordinary shareholders, return on average equity and net assets per share, interests on perpetual bonds accrued in current period shall be deducted from "net profit attributable to shareholders of the Bank", while the preference shares and perpetual bonds shall be deducted from both the "average equity" and the "net assets".

(3) Unless otherwise stated, the balance of the relevant financial instrument items herein and set out below excludes accrued interest.

2.2 Financial Ratios of the Group

(%)	January to June 2024	January to June 2023	Changes
Profitability indicators (annualised)			
Return on average assets attributable to shareholders of the Bank	**1.32**	1.45	Decreased by 0.13 percentage point
Return on average equity attributable to ordinary shareholders of the Bank	**15.44**	17.55	Decreased by 2.11 percentage points
Net interest spread(1)	**1.88**	2.12	Decreased by 0.24 percentage point
Net interest margin(2)	**2.00**	2.23	Decreased by 0.23 percentage point
As percentage of net operating income			
– Net interest income	**60.40**	61.07	Decreased by 0.67 percentage point
– Net non-interest income	**39.60**	38.93	Increased by 0.67 percentage point
Cost-to-income ratio(3)	**29.75**	29.07	Increased by 0.68 percentage point

(%)	30 June 2024	31 December 2023	Changes over 2023 year-end
Capital adequacy indicators under the Advanced Measurement Approach(4)			
Core Tier 1 capital adequacy ratio	**13.86**	13.73	Increased by 0.13 percentage point
Tier 1 capital adequacy ratio	**16.09**	16.01	Increased by 0.08 percentage point
Capital adequacy ratio	**17.95**	17.88	Increased by 0.07 percentage point
Equity to total assets	**9.65**	9.84	Decreased by 0.19 percentage point
Asset quality indicators			
Non-performing loan ratio	**0.94**	0.95	Decreased by 0.01 percentage point
Allowance coverage ratio(5)	**434.42**	437.70	Decreased by 3.28 percentage points
Allowance-to-loan ratio(6)	**4.08**	4.14	Decreased by 0.06 percentage point

	January to June 2024	January to June 2023	Changes
Credit cost ratio (annualised)(7)	**0.77**	0.88	Decreased by 0.11 percentage point

Notes:

(1) Net interest spread = average yield of the total interest-earning assets – average cost ratio of total interest-bearing liabilities.

(2) Net interest margin = net interest income/average balance of total interest-earning assets.

(3) Cost-to-income ratio = operating expenses/net operating income. The numerator does not include taxes and surcharges and the depreciation charges on fixed assets under operating lease and investment properties and others.

(4) As at the end of the reporting period, the Group's Core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio under the Weighted Approach were 11.64%, 13.51% and 14.60% respectively.

(5) Allowance coverage ratio = allowances for impairment losses/balance of non-performing loans.

(6) Allowance-to-loan ratio = allowances for impairment losses/total loans and advances to customers.

(7) Credit cost ratio = expected credit losses of loans and advances to customers/the average of total loans and advances to customers, the average of total loans and advances to customers = (total loans and advances to customers at the beginning of the period + total loans and advances to customers at the end of the period)/2.

Management Discussion and Analysis

3.1 Analysis of Overall Operation

During the reporting period, the Group adhered to the concept of dynamically balanced development of "Quality, Profitability and Scale", took the strategic target of building a value creation bank and carried out various businesses in a sound manner. Both the scale of assets and liabilities grew steadily. The operating profitability showed resilience, and the overall asset quality was stable.

During the reporting period, the Group realised the net operating income of RMB172.922 billion, representing a year-on-year decrease of 3.11%; realised the net profit attributable to shareholders of the Bank of RMB74.743 billion, representing a year-on-year decrease of 1.33%; realised the net interest income of RMB104.449 billion, representing a year-on-year decrease of 4.17%; and realised the net non-interest income of RMB68.473 billion, representing a year-on-year decrease of 1.43%. The annualised return on average asset (ROAA) attributable to shareholders of the Bank and the annualised return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.32% and 15.44%, down by 0.13 percentage point and 2.11 percentage points year-on-year, respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB11,574.783 billion, representing an increase of 4.95% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB6,747.804 billion, representing an increase of 3.67% as compared with the end of the previous year. Total liabilities amounted to RMB10,457.758 billion, representing an increase of 5.18% as compared with the end of the previous year. Total deposits from customers amounted to RMB8,662.886 billion, representing an increase of 6.22% as compared with the end of the previous year.

As at the end of the reporting period, the Group had a balance of non-performing loans of RMB63.427 billion, representing an increase of RMB1.848 billion as compared with the end of the previous year. The non-performing loan ratio was 0.94%, representing a decrease of 0.01 percentage point as compared with the end of the previous year. The allowance coverage ratio was 434.42%, representing a decrease of 3.28 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.08%, representing a decrease of 0.06 percentage point as compared with the end of the previous year.

3.2 Analysis of Income Statement

3.2.1 Financial highlights

During the reporting period, the Group realised a profit before tax of RMB89.641 billion, representing a year-on-year decrease of 1.37%. The effective income tax rate was 15.91%, representing a year-on-year increase of 0.01 percentage point. The following table sets out the major income/loss items of the Group during the reporting period.

(in millions of RMB)	**January to June 2024**	January to June 2023
Net interest income	**104,449**	108,996
Net fee and commission income	**38,328**	47,091
Other net income	**28,595**	20,822
Operating expenses	**(56,345)**	(56,372)
Expected credit losses	**(26,928)**	(31,059)
Impairment losses on other assets	**(8)**	(150)
Share of profits of joint ventures and associates	**1,550**	1,556
Profit before tax	**89,641**	90,884
Income tax	**(14,262)**	(14,447)
Net profit	**75,379**	76,437
Net profit attributable to shareholders of the Bank	**74,743**	75,752

3.2.2 Net operating income

During the reporting period, the Group realised the net operating income of RMB172.922 billion, representing a year-on-year decrease of 3.11%, of which net interest income accounted for 60.40% and net non-interest income accounted for 39.60% with a year-on-year increase of 0.67 percentage point.

3.2.3 Interest income

During the reporting period, the Group recorded an interest income of RMB187.997 billion, representing a year-on-year increase of 0.35%, mainly due to the increase in interest-earning assets. Interest income from loans and advances to customers continued to be the largest component of the interest income of the Group.

Interest income from loans and advances to customers

During the reporting period, the interest income from loans and advances to customers of the Group was RMB132.214 billion, representing a year-on-year decrease of 1.77%.

The following table sets forth the average balance (daily average balance, same as below), interest income and average yield of each component of loans and advances to customers of the Group for the periods indicated.

(in millions of RMB, except for percentages)	January to June 2024			2023			January to June 2023		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	2,728,631	47,396	3.49	2,523,210	94,526	3.75	2,512,173	47,346	3.80
Retail loans	3,489,495	81,771	4.71	3,308,043	166,104	5.02	3,235,999	82,804	5.16
Discounted bills	401,467	3,047	1.53	468,652	7,610	1.62	474,180	4,442	1.89
Loans and advances to customers	6,619,593	132,214	4.02	6,299,905	268,240	4.26	6,222,352	134,592	4.36

During the reporting period, from the perspective of the maturity structure of loans and advances to customers of the Group, the average balance of short-term loans was RMB2,456.999 billion with the interest income amounting to RMB55.826 billion, and the annualised average yield reached 4.57%; the average balance of medium- and long-term loans was RMB4,162.594 billion with the interest income amounting to RMB76.388 billion, and the annualised average yield reached 3.69%. The average yield of short-term loans was higher than that of medium- and long-term loans, which was mainly attributable to the higher yield of credit card loans and consumer loans (as short-term loans) and the higher proportion thereof.

Interest income from investments

During the reporting period, the interest income from investments of the Group was RMB41.585 billion, representing a year-on-year increase of 6.09%, which was mainly attributable to the increase in the scale of bond investments. The annualised average yield of investments was 3.14%, representing a year-on-year decrease of 11 basis points, which was mainly attributable to the impact of the falling market interest rates.

Interest income from balances and placements with banks and other financial institutions

During the reporting period, the interest income of the Group from balances and placements with banks and other financial institutions was RMB9.265 billion, representing a year-on-year increase of 5.46%, which was primarily attributable to a year-on-year increase in overall yield of balances and placements with banks resulting from the higher proportion of interbank assets denominated in foreign currencies.

3.2.4 Interest expense

During the reporting period, the interest expense of the Group was RMB83.548 billion, representing a year-on-year increase of 6.65%, mainly due to the increase in the scale of the interest-bearing liabilities.

Interest expense on deposits from customers

During the reporting period, the Group's interest expense on deposits from customers was RMB66.528 billion, representing a year-on-year increase of 6.52%, mainly due to the increase in the scale of the deposits from customers and the higher proportion of time deposits from customers.

The following table sets forth the average balances, interest expenses and average cost ratios of the deposits from corporate and retail customers of the Group for the periods indicated.

(in millions of RMB, except for percentages)	January to June 2024			2023			January to June 2023		
	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Deposits from corporate customers									
Demand	2,477,895	11,100	0.90	2,670,778	29,002	1.09	2,710,517	15,199	1.13
Time	2,230,190	28,240	2.55	1,989,200	53,186	2.67	1,918,951	25,675	2.70
Subtotal	4,708,085	39,340	1.68	4,659,978	82,188	1.76	4,629,468	40,874	1.78
Deposits from retail customers									
Demand	1,813,666	2,671	0.30	1,857,291	7,337	0.40	1,913,198	4,083	0.43
Time	1,816,056	24,517	2.71	1,415,757	39,284	2.77	1,286,133	17,498	2.74
Subtotal	3,629,722	27,188	1.51	3,273,048	46,621	1.42	3,199,331	21,581	1.36
Total	8,337,807	66,528	1.60	7,933,026	128,809	1.62	7,828,799	62,455	1.61

Interest expense on deposits and placements from banks and other financial institutions

During the reporting period, the interest expense on deposits and placements from banks and other financial institutions of the Group amounted to RMB10.404 billion, representing a year-on-year increase of 4.42%, which was primarily attributable to the higher proportion of deposits and placements from banks denominated in foreign currencies.

Interest expense on debt securities issued

During the reporting period, the interest expense on debt securities issued of the Group amounted to RMB3.880 billion, representing a year-on-year increase of 0.31%, mainly due to the slight increase in daily average scale of interbank certificates of deposits.

3.2.5 Net interest income

During the reporting period, the Group's net interest income amounted to RMB104.449 billion, representing a year-on-year decrease of 4.17%.

The following table sets out the average balances, interest income/interest expense and average yield/cost ratio of assets and liabilities items of the Group for the periods indicated.

	January to June 2024			2023			January to June 2023		
(in millions of RMB, except for percentages)	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets									
Loans and advances to customers	6,619,593	132,214	4.02	6,299,905	268,240	4.26	6,222,352	134,592	4.36
Investments	2,659,309	41,585	3.14	2,509,774	80,836	3.22	2,434,912	39,198	3.25
Balances with the central bank	588,947	4,933	1.68	586,797	9,977	1.70	577,741	4,759	1.66
Balances and placements with banks and other financial institutions	622,174	9,265	2.99	591,320	16,557	2.80	632,072	8,785	2.80
Total	10,490,023	187,997	3.60	9,987,796	375,610	3.76	9,867,077	187,334	3.83

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities									
Deposits from customers	8,337,807	66,528	1.60	7,933,026	128,809	1.62	7,828,799	62,455	1.61
Deposits and placements from banks and other financial institutions	948,680	10,404	2.21	950,595	19,866	2.09	972,899	9,964	2.07
Debt securities issued	258,043	3,880	3.02	240,163	7,781	3.24	252,057	3,868	3.09
Borrowings from the central bank	230,549	2,495	2.18	186,340	4,005	2.15	169,278	1,802	2.15
Lease liabilities	12,876	241	3.76	12,718	480	3.77	12,883	249	3.90
Total	9,787,955	83,548	1.72	9,322,842	160,941	1.73	9,235,916	78,338	1.71
Net interest income	/	104,449	/	/	214,669	/	/	108,996	/
Net interest spread	/	/	1.88	/	/	2.03	/	/	2.12
Net interest margin	/	/	2.00	/	/	2.15	/	/	2.23

During the reporting period, the annualised average yield of the interest-earning assets of the Group was 3.60%, representing a year-on-year decrease of 23 basis points; the annualised average cost ratio of the interest-bearing liabilities was 1.72%, representing a year-on-year increase of 1 basis point; the net interest spread was 1.88%, representing a year-on-year decrease of 24 basis points and the net interest margin was 2.00%, representing a year-on-year decrease of 23 basis points.

The following table sets forth the breakdown of changes in interest income and interest expense due to changes in volumes and interest rates of the Group for the periods indicated. Changes in volume were measured by changes in average balances, while changes in interest rates were measured by changes in the average interest rates; the changes in interest income and interest expense due to changes in both volumes and interest rates have been included in the amounts of changes in interest income and interest expense due to changes in volume.

(in millions of RMB)	January to June 2024 compared to January to June 2023		
	Increase (decrease) due to Volume	Increase (decrease) due to Interest rate	Net increase (decrease)
Interest-earning assets			
Loans and advances to customers	9,211	(11,589)	(2,378)
Investments	3,610	(1,223)	2,387
Balances with the central bank	103	71	174
Balances and placements with banks and other financial institutions	(142)	622	480
Changes in interest income	12,782	(12,119)	663
Interest-bearing liabilities			
Deposits from customers	9,859	(5,786)	4,073
Deposits and placements from banks and other financial institutions	(265)	705	440
Debt securities issued	89	(77)	12
Borrowings from the central bank	663	30	693
Lease liabilities	–	(8)	(8)
Changes in interest expense	10,346	(5,136)	5,210
Changes in net interest income	2,436	(6,983)	(4,547)

The following table sets out the average balances, interest income/interest expense and annualised average yield/cost ratio of assets and liabilities items of the Group for the periods indicated.

(in millions of RMB, except for percentages)	April to June 2024 Average balance	Interest income	Annualised average yield (%)	January to March 2024 Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	6,665,497	65,705	3.96	6,573,689	66,509	4.07
Investments	2,667,761	20,691	3.12	2,650,857	20,894	3.17
Balances with the central bank	592,450	2,453	1.67	585,444	2,480	1.70
Balances and placements with banks and other financial institutions	691,455	5,013	2.92	552,893	4,252	3.09
Total	10,617,163	93,862	3.56	10,362,883	94,135	3.65

(in millions of RMB, except for percentages)	April to June 2024 Average balance	Interest expense	Annualised average cost ratio (%)	January to March 2024 Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	8,453,266	33,141	1.58	8,222,348	33,387	1.63
Deposits and placements from banks and other financial institutions	928,534	4,957	2.15	968,826	5,447	2.26
Debt securities issued	295,824	2,134	2.90	220,262	1,746	3.19
Borrowings from the central bank	196,946	1,061	2.17	264,152	1,434	2.18
Lease liabilities	12,973	120	3.72	12,779	121	3.81
Total	9,887,543	41,413	1.68	9,688,367	42,135	1.75
Net interest income	/	52,449	/	/	52,000	/
Net interest spread	/	/	1.88	/	/	1.90
Net interest margin	/	/	1.99	/	/	2.02

In the second quarter of 2024, the net interest margin and the net interest spread of the Group were 1.99% and 1.88%, respectively, representing a quarter-to-quarter decrease of 3 and 2 basis points, respectively. For the analysis of the reasons behind the decrease in the net interest margin, please refer to 3.9.1 "Net interest margin" in this chapter.

3.2.6 Net non-interest income

During the reporting period, the Group recorded a net non-interest income of RMB68.473 billion, representing a year-on-year decrease of 1.43%. The components are as follows:

Net fee and commission income amounted to RMB38.328 billion, representing a year-on-year decrease of 18.61%. Among the fee and commission income, fee and commission income from wealth management amounted to RMB11.437 billion, representing a year-on-year decrease of 32.51%; fee and commission income from asset management amounted to RMB5.858 billion, representing a year-on-year decrease of 2.61%; income from bank card fees amounted to RMB8.634 billion, representing a year-on-year decrease of 14.10%; income from settlement and clearing fees amounted to RMB7.859 billion, representing a year-on-year increase of 0.74%; commission income from credit commitment and loan business amounted to RMB2.460 billion, representing a year-on-year decrease of 19.87%; commission income from custody businesses amounted to RMB2.484 billion, representing a year-on-year decrease of 13.90%; and income from others amounted to RMB3.820 billion, representing a year-on-year decrease of 16.41%. For analysis of the reasons for changes in fee and commission income, please refer to 3.9.2 "Net non-interest income" in this chapter.

Other net non-interest income amounted to RMB30.145 billion, representing a year-on-year increase of 34.71%, of which net profit from changes in fair value amounted to RMB2.286 billion, representing a year-on-year increase of 26.02%, mainly due to the increase in fair value of bond investment and non-money-market fund investment; net investment income amounted to RMB17.949 billion, representing a year-on-year increase of 65.47%, mainly due to the increase of bond investment income; the net exchange gain amounted to RMB1.949 billion, representing a year-on-year decrease of 21.41%, mainly due to a year-on-year decrease in the growth of the exchange rate of foreign currencies against RMB which resulted in a year-on-year decrease in the foreign exchange gains and losses arising from the foreign currency-denominated monetary items; and other net income amounted to RMB6.411 billion, representing a year-on-year increase of 12.85%, mainly due to the increase in income generated from operating leasing business of CMB Financial Leasing.

In terms of business segments, the net non-interest income from retail finance amounted to RMB25.611 billion, representing a year-on-year decrease of 20.61% and accounting for 37.40% of the Group's net non-interest income; the net non-interest income from wholesale finance amounted to RMB34.022 billion, representing a year-on-year increase of 19.14% and accounting for 49.69% of the Group's net non-interest income; the net non-interest income from other businesses[1] amounted to RMB8.840 billion, representing a year-on-year increase of 2.18% and accounting for 12.91% of the Group's net non-interest income.

(in millions of RMB, except for percentages)	January to June 2024	January to June 2023	Changes +/-%
Fee and commission income(note)	**42,552**	51,338	-17.11
Fees and commissions from wealth management	**11,437**	16,946	-32.51
Fees and commissions from asset management	**5,858**	6,015	-2.61
Bank card fees	**8,634**	10,051	-14.10
Settlement and clearing fees	**7,859**	7,801	0.74
Commissions from credit commitment and loan business	**2,460**	3,070	-19.87
Commissions from custody businesses	**2,484**	2,885	-13.90
Others	**3,820**	4,570	-16.41
Fee and commission expense	**(4,224)**	(4,247)	-0.54
Net fee and commission income	**38,328**	47,091	-18.61
Other net non-interest income	**30,145**	22,378	34.71
Other net income	**28,595**	20,822	37.33
Net profit from fair value change	**2,286**	1,814	26.02
Net investment income	**17,949**	10,847	65.47
Net exchange gain	**1,949**	2,480	-21.41
Other net income	**6,411**	5,681	12.85
Share of profits of joint ventures and associates	**1,550**	1,556	-0.39
Total net non-interest income	**68,473**	69,469	-1.43

Note: Fees and commissions from wealth management include income from agency distribution of funds, income from agency distribution of insurance policies, income from agency distribution of trust schemes, income from agency distribution of wealth management products, income from securities brokerage and income from agency distribution of precious metals. Fees and commissions from asset management mainly include the income from the issuance and management of various asset management products such as funds, wealth management and asset management plans of our subsidiaries, namely China Merchants Fund, CMB International Capital, CMB Wealth Management and CIGNA & CMAM. Commissions from custody businesses include income from basic asset custody services and value-added services. Others mainly include income from underwriting of bonds and equity, income from service fees from securitisation of credit assets, income from consultancy and advisory services and income from other intermediary businesses.

[1] Including investment properties and related businesses of subsidiaries, associates and joint ventures except for CMB WLB and CMBFL.

3.2.7 Operating expenses

During the reporting period, the Group's operating expenses amounted to RMB56.345 billion, representing a year-on-year decrease of 0.05%, among which staff costs amounted to RMB35.769 billion, representing a year-on-year decrease of 0.55%. Other operating expenses amounted to RMB20.576 billion, representing a year-on-year increase of 0.84%. During the reporting period, the cost-to-income ratio of the Group was 29.75%, representing an increase of 0.68 percentage point as compared with the corresponding period of the previous year. The Group adhered to lean management, retained necessary expenses and reduced those with lower priority, maintained its Fintech input, put more efforts in fields such as artificial intelligence and big data, continued to promote digital transformation and operation process refinement, so as to improve management efficiency and reduce operating costs.

The following table sets forth, for the periods indicated, the principal components of the operating expenses of the Group.

(in millions of RMB)	January to June 2024	January to June 2023
Staff costs	35,769	35,968
Other operating expenses	20,576	20,404
Of which: depreciation, amortisation and rental expenses	8,107	8,063
Other general and administrative expenses	10,962	10,831
Taxes and surcharges	1,507	1,510
Total operating expenses	56,345	56,372

3.2.8 Expected credit losses

During the reporting period, the expected credit losses of the Group were RMB26.928 billion, representing a year-on-year decrease of 13.30%.

The following table sets forth, for the periods indicated, the principal components of expected credit losses of the Group.

(in millions of RMB)	January to June 2024	January to June 2023
Loans and advances to customers	25,433	27,291
Financial investments	(1,058)	1,413
Amounts due from banks and other financial institutions	509	931
Expected credit losses relating to financial guarantees and loan commitments	2,370	1,328
Others	(326)	96
Total expected credit losses	26,928	31,059

According to the standards for financial instruments, the Group prudently made allowances for credit risk losses with a focus on enhancing the risk compensation capability of key areas by taking the expected credit loss model as the foundation and using the risk quantification parameters such as the probability of customer defaults and the loss given defaults, after taking into consideration the prospective adjustments in macro perceptiveness. During the reporting period, the expected credit losses of loans and advances to customers of the Group were RMB25.433 billion, representing a year-on-year decrease of RMB1.858 billion, mainly because the quality of loan assets remained stable resulting from the continuous enhancement on the grant of high-quality credit assets in the first half of this year; the expected credit losses relating to financial investment amounted to RMB-1.058 billion, representing a year-on-year decrease of RMB2.471 billion, mainly because the quality of financial investment assets was relatively stable, resulting in partial reversal of the allowances for credit risk losses based on the current actual credit risk status and the amount provided in the previous period.

3.3 Analysis of Balance Sheet

3.3.1 Assets

As at the end of the reporting period, the total assets of the Group amounted to RMB11,574.783 billion, representing an increase of 4.95% as compared with the end of the previous year, which was mainly attributable to the increase in loans and advances to customers, inter-bank transactions and financial investments of the Group.

The following table sets forth, as at the dates indicated, the components of the total assets of the Group.

	30 June 2024		31 December 2023	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Total loans and advances to customers	6,747,804	58.30	6,508,865	59.02
Allowances for impairment losses on loans(1)	(273,085)	(2.36)	(266,805)	(2.42)
Net loans and advances to customers	6,474,719	55.94	6,242,060	56.60
Investment securities and other financial assets	3,350,388	28.95	3,209,473	29.10
Cash, precious metals and balances with the central bank	610,615	5.28	684,821	6.21
Inter-bank transactions	797,274	6.89	558,381	5.06
Goodwill	9,954	0.09	9,954	0.09
Other assets(2)	331,833	2.85	323,794	2.94
Total assets	11,574,783	100.00	11,028,483	100.00

Notes:

(1) The allowances for impairment losses on loans represent the allowance for impairment losses on loans and advances to customers measured at amortised cost.

(2) "Other assets" include fixed assets, right-of-use assets, intangible assets, investment properties, deferred tax assets, accrued interest and other assets.

3.3.1.1 Loans and advances to customers

As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB6,747.804 billion, representing an increase of 3.67% as compared with the end of the previous year; total loans and advances to customers accounted for 58.30% of the total assets, representing a decrease of 0.72 percentage point as compared with the end of the previous year. For details of the loans and advances to customers of the Group, please refer to section 3.4 "Analysis of Loan Quality" in this chapter.

3.3.1.2 Investment securities and other financial assets

The Group's investment securities and other financial assets consist of listed and unlisted financial instruments denominated in RMB and foreign currencies.

The following table sets forth, as at the dates indicated, the components of investment securities and other financial assets of the Group by line items.

(in millions of RMB, except for percentages)	30 June 2024 Amount	30 June 2024 Percentage of the total amount (%)	31 December 2023 Amount	31 December 2023 Percentage of the total amount (%)
Derivative financial assets	20,028	0.60	18,733	0.58
Financial investments at fair value through profit or loss	579,230	17.29	526,145	16.40
– Bond investments	266,252	7.95	274,687	8.57
– Others(note)	312,978	9.34	251,458	7.83
Debt investments at amortised cost	1,754,997	52.38	1,728,620	53.86
– Bond investments	1,716,315	51.23	1,680,262	52.36
– Non-standardised asset investments	75,457	2.25	87,069	2.71
– Others	660	0.02	679	0.02
– Less: allowances for impairment losses	(37,435)	(1.12)	(39,390)	(1.23)
Debt investments at fair value through other comprehensive income	945,978	28.23	889,736	27.72
Equity investments designated at fair value through other comprehensive income	21,159	0.63	19,649	0.61
Investments in joint ventures and associates	28,996	0.87	26,590	0.83
Total investment securities and other financial assets	3,350,388	100.00	3,209,473	100.00

Note: Including equity investments, investments in funds, wealth management products, long position in precious metal contracts and others.

Derivative financial instruments

As at the end of the reporting period, the major categories and amount of derivative financial instruments held by the Group are indicated in the following table. For details, please refer to Note 41(f) to the financial statements.

(in millions of RMB)	30 June 2024 Notional amount	30 June 2024 Fair value Assets	30 June 2024 Fair value Liabilities	31 December 2023 Notional amount	31 December 2023 Fair value Assets	31 December 2023 Fair value Liabilities
Interest rate derivatives	1,979,379	7,303	(7,406)	1,819,231	5,433	(5,476)
Currency derivatives	1,831,189	11,993	(11,064)	1,431,262	11,815	(10,667)
Other derivatives	52,964	732	(595)	136,759	1,485	(1,300)
Total	3,863,532	20,028	(19,065)	3,387,252	18,733	(17,443)

The above table shows the notional amount and fair value of the Group's derivatives by their remaining maturity on each balance sheet date. The notional amount refers only to the transaction volumes that have not yet been due or completed on the balance sheet date, and does not represent the amount at risk.

During the reporting period, based on the fluctuations in the RMB foreign exchange market and interest rate market, as an integrated market maker in the interbank RMB foreign exchange market and a quote provider for derivatives in the local currency market, the Group was committed to providing liquidity to the market and maintaining the stability of the market. Meanwhile, by continuously leveraging its professional strengths in financial market derivative transactions, the Group kept up its effort in publicising the "exchange rate risk-neutral" concept, helping customers carry out hedging transactions to improve their risk resistance capabilities and reduce financial costs, and facilitating the high-quality development of the real economy.

Financial investments at fair value through profit or loss

As at the end of the reporting period, the balance of the financial investments at fair value through profit or loss of the Group amounted to RMB579.230 billion, with bond and fund investments etc. being the major categories. The investments were primarily made by the Group based on assessments of, among other factors, macro economy, monetary and fiscal policies, industrial policies and market supply and demand, so as to obtain investment income by capturing trading opportunities in the market. During the reporting period, funding was stable in general and bond yields trended downward amid fluctuations. The Group actively expanded its bond investments while strengthening market timing, achieving favorable returns. For details, please refer to Note 17(a) to the financial statements.

Debt investments at amortised cost

As at the end of the reporting period, the balance of the Group's debt investments at amortised cost amounted to RMB1,754.997 billion. Among them, the bond investments mainly involved bonds issued by government and policy banks. This type of investment was held on a long-term basis for the strategic allocation of assets and liabilities of the Group, based on the requirements of interest rate risk management of banking book and liquidity management, while taking into account returns and risks. For details, please refer to Note 17(b) to the financial statements.

Debt investments at fair value through other comprehensive income

As at the end of the reporting period, the balance of debt investments at fair value through other comprehensive income of the Group amounted to RMB945.978 billion, with interest rate bonds such as government bonds and policy bank bonds and medium-to-high rating quality credit bonds being the major categories. This type of investment was primarily based on the Group's research and analysis on the bond market, with the purpose of obtaining investment return by capturing investment and allocation opportunities in the market and constantly optimising asset allocation structure. For details, please refer to Note 17(c) to the financial statements.

Equity investments designated at fair value through other comprehensive income

As at the end of the reporting period, the balance of equity investments designated at fair value through other comprehensive income of the Group amounted to RMB21.159 billion. Such investments were mainly non-trading equity investments held by the Group in the investees over whom the Group had no control, joint control or significant influence. For details, please refer to Note 17(d) to the financial statements.

The composition of the Group's total bond investments classified by the issuing entities

(in millions of RMB)	30 June 2024	31 December 2023
Official authorities	1,968,018	1,944,820
Policy banks	493,822	503,459
Commercial banks and other financial institutions	306,878	252,828
Others	159,827	143,578
Total bond investments	2,928,545	2,844,685

Note: "Official authorities" include the Ministry of Finance of the PRC, local governments and the central bank, etc.; "Others" mainly refer to enterprises.

Investments in joint ventures and associates

As at the end of the reporting period, the Group's net investments in joint ventures and associates amounted to RMB28.996 billion, up by 9.05% as compared with the end of the previous year. For details, please refer to Note 18 and 19 to the financial statements.

3.3.1.3 Goodwill

As at the end of the reporting period, the Group had a balance of allowances for impairment losses on goodwill of RMB579 million and the carrying value of goodwill was RMB9.954 billion.

3.3.2 Liabilities

As at the end of the reporting period, the total liabilities of the Group amounted to RMB10,457.758 billion, representing an increase of 5.18% as compared with the end of the previous year, which was primarily attributable to the steady growth of customer deposits as compared with the end of the previous year.

The following table sets forth, as at the dates indicated, the components of the total liabilities of the Group.

(in millions of RMB, except for percentages)	30 June 2024 Amount	30 June 2024 Percentage of the total amount (%)	31 December 2023 Amount	31 December 2023 Percentage of the total amount (%)
Deposits from customers	8,662,886	82.84	8,155,438	82.02
Inter-bank transactions	860,961	8.23	888,408	8.94
Borrowings from the central bank	223,546	2.14	377,189	3.79
Financial liabilities at fair value through profit or loss and derivative financial liabilities	71,211	0.68	61,401	0.62
Debt securities issued	274,599	2.63	174,764	1.76
Others (note)	364,555	3.48	285,554	2.87
Total liabilities	10,457,758	100.00	9,942,754	100.00

Note: "Others" including salaries and welfare payable, taxes payable, contract liabilities, lease liabilities, expected liabilities, deferred income tax liabilities, accrued interest and other liabilities.

Deposits from customers

As at the end of the reporting period, total deposits from customers of the Group amounted to RMB8,662.886 billion, representing an increase of 6.22% as compared with the end of the previous year, accounting for 82.84% of the total liabilities of the Group, which was the major funding source of the Group.

The following table sets forth, as at the dates indicated, the deposits from customers of the Group by product type and customer type.

(in millions of RMB, except for percentages)	30 June 2024 Amount	30 June 2024 Percentage of the total amount (%)	31 December 2023 Amount	31 December 2023 Percentage of the total amount (%)
Deposits from corporate customers				
Demand	2,682,219	30.96	2,644,685	32.43
Time	2,175,946	25.12	2,015,837	24.72
Subtotal	4,858,165	56.08	4,660,522	57.15
Deposits from retail customers				
Demand	1,819,467	21.00	1,829,612	22.43
Time	1,985,254	22.92	1,665,304	20.42
Subtotal	3,804,721	43.92	3,494,916	42.85
Total deposits from customers	8,662,886	100.00	8,155,438	100.00

During the reporting period, the percentage of daily average balance of the demand deposits to that of the total deposits from customers of the Group was 51.47%, representing a decrease of 5.61 percentage points as compared with the previous year. Among these, the daily average balance of demand deposits from corporate customers accounted for 52.63% of that of the total deposits from corporate customers, representing a decrease of 4.68 percentage points as compared with the previous year; the daily average balance of demand deposits from retail customers accounted for 49.97% of that of the total deposits from retail customers, representing a decrease of 6.77 percentage points as compared with the previous year. The decrease in the proportion of demand deposits in total deposits was mainly due to the fact that during the reporting period, the level of liquidity activities of enterprises had not been significantly improved, with residents' savings demand remaining rigid, and the whole market showed a trend of shifting towards time deposits. Due to these factors, the Group's time deposits maintained rapid growth.

3.3.3 Shareholders' equity

As at the end of the reporting period, the Group's equity attributable to shareholders of the Bank was RMB1,110.213 billion, representing an increase of 3.14% as compared with the end of the previous year, among which retained profits amounted to RMB591.545 billion, representing an increase of 4.08% as compared with the end of the previous year; investment revaluation reserve amounted to RMB23.221 billion, representing an increase of 70.04% as compared with the end of the previous year, mainly due to the increase in fair value of the investments measured at fair value through other comprehensive income; exchange difference on translation of foreign currency statement amounted to RMB4.213 billion, representing an increase of 43.59% as compared with the end of the previous year, mainly due to the fluctuations in RMB exchange rate.

3.4 Analysis of Loan Quality

3.4.1 Distribution of loans by 5-tier loan classification

The following table sets forth the 5-tier loan classification of the Group as at the dates indicated.

	30 June 2024		31 December 2023	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Normal	6,601,040	97.82	6,375,958	97.95
Special mention	83,337	1.24	71,328	1.10
Substandard	15,200	0.23	16,576	0.26
Doubtful	24,436	0.36	21,554	0.33
Loss	23,791	0.35	23,449	0.36
Total loans and advances to customers	6,747,804	100.00	6,508,865	100.00
Non-performing loans	63,427	0.94	61,579	0.95

Note: Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans.

During the reporting period, the Group insisted on strict classification of asset risks to truely reflect the asset quality. As at the end of the reporting period, the balance of the Group's non-performing loans amounted to RMB63.427 billion, representing an increase of RMB1.848 billion as compared with the end of the previous year, with a non-performing loan ratio of 0.94%, representing a decrease of 0.01 percentage point as compared with the end of the previous year.

3.4.2 Distribution of loans and non-performing loans by product type

(in millions of RMB, except for percentages)	30 June 2024				31 December 2023			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio %[1]	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio %[1]
Corporate loans	2,771,833	41.08	31,385	1.13	2,599,855	39.94	30,992	1.19
Working capital loans	1,157,473	17.16	8,221	0.71	1,021,305	15.69	8,068	0.79
Fixed asset loans	849,742	12.59	15,524	1.83	838,449	12.88	14,915	1.78
Trade finance	342,298	5.07	50	0.01	334,150	5.13	119	0.04
Others[2]	422,320	6.26	7,590	1.80	405,951	6.24	7,890	1.94
Discounted bills[3]	434,817	6.44	–	–	471,127	7.24	–	–
Retail loans	3,541,154	52.48	32,042	0.90	3,437,883	52.82	30,587	0.89
Micro-finance loans	807,386	11.97	5,062	0.63	751,297	11.54	4,592	0.61
Residential mortgage loans	1,375,439	20.38	5,521	0.40	1,385,486	21.29	5,122	0.37
Credit card loans	919,460	13.63	16,394	1.78	935,910	14.38	16,383	1.75
Consumer loans	377,745	5.60	3,930	1.04	301,538	4.63	3,285	1.09
Others[4]	61,124	0.90	1,135	1.86	63,652	0.98	1,205	1.89
Total loans and advances to customers	6,747,804	100.00	63,427	0.94	6,508,865	100.00	61,579	0.95

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of other corporate loans such as financial leasing, M&A loans and corporate mortgage loans.

(3) The Company will transfer discounted bills to corporate loans for accounting purposes once overdue.

(4) Consists primarily of commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

With regard to corporate loans, the Group focused on the national macroeconomic policies, implemented the value creation bank strategy on a comprehensive scale, promoted optimisation of the structure of customers, continuously strengthened the origination and investment of high-quality assets, thereby maintaining stable asset quality. As at the end of the reporting period, the balance of the Group's corporate loans amounted to RMB2,771.833 billion, representing an increase of 6.61% as compared to the end of the previous year, with corporate loans accounting for 41.08% of the total. The amount of non-performing corporate loans reached RMB31.385 billion, representing an increase of RMB393 million as compared with the end of the previous year; and the non-performing loan ratio of corporate loans was 1.13%, down by 0.06 percentage point as compared with the end of the previous year.

With regard to retail loans, the Group actively carried forward the origination of high-quality assets, and continuously increased credit support for small- and micro-sized customers, proactively adapted to the major changes in the supply and demand relationship in the real estate market, and supported the demands of first-time home buyers and home upgraders. Furthermore, the Group adhered to its "stable and low-volatility" operational strategy by focusing on the acquisition of value customer groups, furthering its regional differentiation strategy, and steadily developing its credit card business. As at the end of the reporting period, the balance of the Group's retail loans amounted to RMB3,541.154 billion, representing an increase of 3.00% as compared to the end of the previous year, with retail loans accounting for 52.48% of the total, of which micro-finance loans amounted to RMB807.386 billion, representing an increase of 7.47% as compared with the end of the previous year. As at the end of the reporting period, the balance of non-performing retail loans amounted to RMB32.042 billion, representing an increase of RMB1.455 billion as compared with the end of the previous year. The non-performing ratio of retail loans was 0.90%, representing an increase of 0.01 percentage point as compared to the end of the previous year, of which the balance of non-performing credit card loans amounted to RMB16.394 billion, representing an increase of RMB11 million as compared with the end of the previous year; and the non-performing loan ratio of credit card loans was 1.78%, up by 0.03 percentage point as compared with the end of the previous year.

3.4.3 Distribution of loans and non-performing loans by industry

(in millions of RMB, except for percentages)	30 June 2024				31 December 2023			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]
Corporate loans	2,771,833	41.08	31,385	1.13	2,599,855	39.94	30,992	1.19
Manufacturing	609,662	9.03	2,920	0.48	577,026	8.87	3,063	0.53
Transportation, storage and postal services	527,699	7.82	1,400	0.27	513,264	7.89	1,739	0.34
Property development	339,938	5.04	17,396	5.12	326,667	5.02	17,183	5.26
Production and supply of electric power, heat, gas and water	307,383	4.56	417	0.14	272,223	4.18	443	0.16
Wholesale and retail	208,743	3.09	1,414	0.68	197,739	3.04	1,330	0.67
Leasing and commercial services	200,107	2.97	1,514	0.76	192,670	2.96	1,470	0.76
Construction	134,688	2.00	899	0.67	111,200	1.71	333	0.30
Finance	134,656	2.00	381	0.28	133,664	2.05	387	0.29
Information transmission, software and IT service	124,070	1.84	786	0.63	103,717	1.59	760	0.73
Mining	50,459	0.75	561	1.11	47,271	0.73	567	1.20
Water conservancy, environment and public utilities	42,101	0.62	372	0.88	43,232	0.66	101	0.23
Others[2]	92,327	1.36	3,325	3.60	81,182	1.24	3,616	4.45
Discounted bills	434,817	6.44	–	–	471,127	7.24	–	–
Retail loans	3,541,154	52.48	32,042	0.90	3,437,883	52.82	30,587	0.89
Total loans and advances to customers	6,747,804	100.00	63,427	0.94	6,508,865	100.00	61,579	0.95

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of industries such as scientific research and technical services, health and social work, accommodation and catering, culture, sports and entertainment, agriculture, forestry, animal husbandry, fishery.

The Group continued to improve the quality and efficiency of its services for the real economy, delivered solid achievements in the "five priorities" and focused on the development of key finance sectors, including sci-tech finance, green finance, inclusive finance, retirement finance and digital finance, etc., continued to boost its support for key areas and weak areas in the real economy. During the reporting period, the Group continued to optimise the industry-based credit policies, gave full play to the pulling effect of industrial clusters policies to focus on high-quality customers, strictly enforce customer onboarding and increase control over key risk areas. As at the end of the reporting period, the balance of the Group's loans extended to the manufacturing industry amounted to RMB609.662 billion, representing an increase of 5.66% as compared with the end of the previous year, and accounting for 9.03% of the total loans and advances to customers, with the proportion up by 0.16 percentage point as compared with the end of the previous year.

During the reporting period, the Group closely tracked changes in internal and external situations, and continuously prevented and defused risks in key areas such as real estate and local government financing platforms. During the reporting period, the Group continued to optimise its loan allocation by industries and steadily improved its asset quality. As at the end of the reporting period, the non-performing loan ratios of the Group in terms of construction, water conservancy, environment and public utilities, as well as wholesale and retail increased slightly as compared with the end of the previous year due to the risk exposure of certain customers, while the non-performing loan ratios of other major industries trended slightly downward amid stability as compared with the end of the previous year.

3.4.4 Distribution of loans and non-performing loans by region

(in millions of RMB, except for percentages)	30 June 2024 Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]	31 December 2023 Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]
Head Office[2]	1,015,006	15.04	17,874	1.76	973,646	14.96	18,011	1.85
Yangtze River Delta	1,505,078	22.30	12,886	0.86	1,441,147	22.14	10,489	0.73
Bohai Rim	936,935	13.89	5,838	0.62	930,205	14.29	5,745	0.62
Pearl River Delta and Western Taiwan Straits Economic Zone	1,233,058	18.27	8,462	0.69	1,186,286	18.23	7,941	0.67
North-eastern China	170,005	2.52	1,923	1.13	168,929	2.60	1,862	1.10
Central China	718,638	10.65	6,037	0.84	686,673	10.55	6,514	0.95
Western China	717,929	10.64	4,856	0.68	686,701	10.55	5,820	0.85
Overseas	85,460	1.27	872	1.02	80,336	1.23	851	1.06
Subsidiaries	365,695	5.42	4,679	1.28	354,942	5.45	4,346	1.22
Total loans and advances to customers	6,747,804	100.00	63,427	0.94	6,508,865	100.00	61,579	0.95

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) The Head Office includes Credit Card Centre.

The Group proactively responded to the national strategies of coordinated regional development and industrial cluster development trend, paid close attention to changes in the market, and continued to carry out research on regional credit policies to implement differentiated regional operation strategies, thus accelerating development of key branches in the Yangtze River Delta, the Pearl River Delta, the Western Taiwan Straits Economic Zone, Chengdu-Chongqing Region and other regions.

3.4.5 Distribution of loans and non-performing loans by type of guarantees

(in millions of RMB, except for percentages)	30 June 2024 Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[note]	31 December 2023 Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[note]
Credit loans	2,737,161	40.57	25,863	0.94	2,592,093	39.82	24,147	0.93
Guaranteed loans	851,170	12.61	18,894	2.22	822,059	12.63	18,728	2.28
Collateralised loans	2,301,008	34.10	14,768	0.64	2,244,129	34.48	14,091	0.63
Pledged loans	423,648	6.28	3,902	0.92	379,457	5.83	4,613	1.22
Discounted bills	434,817	6.44	–	–	471,127	7.24	–	–
Total loans and advances to customers	6,747,804	100.00	63,427	0.94	6,508,865	100.00	61,579	0.95

Note: Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

As at the end of the reporting period, the Group's collateralised and pledged loans, guaranteed loans and the credit loans increased by 3.85%, 3.54% and 5.60% respectively as compared with the end of the previous year. Among them, the non-performing loan ratio of collateralised and pledged loans, as well as that of guaranteed loans both decreased as compared with the end of the previous year, while the non-performing loan ratio of credit loans increased slightly as compared with the end of the previous year.

3.4.6 Loans to the top ten single borrowers

(in millions of RMB, except for percentages)

Top ten borrowers	Industry	Loan and advance balance as at 30 June 2024	Percentage of net capital (under the Advanced Measurement Approach) (%)	Percentage of total loans and advances (%)
A	Finance	21,480	1.77	0.32
B	Transportation, storage and postal services	18,442	1.52	0.27
C	Transportation, storage and postal services	18,417	1.52	0.27
D	Transportation, storage and postal services	12,390	1.02	0.19
E	Manufacturing	12,325	1.02	0.18
F	Property development	11,503	0.95	0.17
G	Transportation, storage and postal services	11,351	0.93	0.17
H	Telecommunications, software and IT services	10,940	0.90	0.16
I	Production and supply of electric power, heat, gas and water	10,330	0.85	0.16
J	Transportation, storage and postal services	9,515	0.78	0.14
Total		136,693	11.26	2.03

As at the end of the reporting period, the loan balance of the Group's largest single borrower amounted to RMB21.480 billion, representing 1.77% of the Group's net capital under the Advanced Measurement Approach. As at the end of the reporting period, the loan balance of the Group's top ten single borrowers totalled RMB136.693 billion, accounting for 11.26% of the Group's net capital under the Advanced Measurement Approach, 11.62% of the Group's net capital under the Weighted Approach, and 2.03% of the Group's total loans and advances, respectively.

3.4.7 Distribution of loans by overdue term

(in millions of RMB, except for percentages)	30 June 2024		31 December 2023	
	Loan and advance balance	Percentage of total loans and advances (%)	Loan and advance balance	Percentage of total loans and advances (%)
Overdue within 3 months	45,833	0.68	36,161	0.56
Overdue from 3 months up to 1 year	27,199	0.40	23,074	0.35
Overdue from 1 year up to 3 years	15,218	0.23	17,671	0.27
Overdue more than 3 years	7,327	0.11	5,077	0.08
Total overdue loans	95,577	1.42	81,983	1.26
Total loans and advances to customers	6,747,804	100.00	6,508,865	100.00

As at the end of the reporting period, overdue loans of the Group amounted to RMB95.577 billion, up by RMB13.594 billion from the end of the previous year and accounting for 1.42% of its total loans and advances, representing an increase of 0.16 percentage point as compared with the end of the previous year. Of the overdue loans, collateralised and pledged loans accounted for 29.83%; guaranteed loans accounted for 22.40%; and credit loans accounted for 47.77% (the majority of which were overdue loans of credit cards). The Group adopted prudent asset classification criteria for overdue loans, and the ratio of non-performing loans to the loans overdue for more than 90 days was 1.28, and the Company's ratio of non-performing loans to the loans overdue for more than 60 days was 1.14 as at the end of the reporting period.

3.4.8 Restructured loans

(in millions of RMB, except for percentages)	30 June 2024		31 December 2023	
	Loan balance	Percentage of total loans and advances (%)	Loan balance	Percentage of total loans and advances (%)
Restructured loans[note]	14,166	0.21	13,007	0.20
Of which: restructured loans overdue more than 90 days	8,851	0.13	6,673	0.10

Note: Represents the restructured non-performing loans.

The Group imposed strict and prudent management and control over loan restructuring. As at the end of the reporting period, the percentage of the Group's restructured non-performing loans to total loans and advances was 0.21%, up by 0.01 percentage point as compared with the end of the previous year.

3.4.9 Repossessed assets and impairment allowances

As at the end of the reporting period, the balance of repossessed assets (other than financial instruments) of the Group amounted to RMB558 million. After deducting the impairment allowances of RMB146 million, the net carrying value amounted to RMB412 million. The balance of repossessed financial instruments amounted to RMB5.553 billion.

3.4.10 Changes in the allowances for impairment losses on loans

The following table sets forth the changes in the allowances for impairment losses on loans of the Group.

(in millions of RMB)	January to June 2024	2023
Balance as at the end of the previous year	269,534	261,476
Charge for the period	25,433	46,635
Recovery of loans previously written off	4,984	8,819
Write-offs/ disposal for the period	(24,573)	(47,922)
Foreign exchange rate and other movements	161	526
Balance as at the end of the period	275,539	269,534

The Group continued to adopt a stable and prudent policy in respect of making allowances. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Group amounted to RMB275.539 billion, representing an increase of RMB6.005 billion as compared with the end of the previous year. The allowance coverage ratio was 434.42%, representing a decrease of 3.28 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.08%, representing a decrease of 0.06 percentage point as compared with the end of the previous year. For details of the changes in allowances for impairment losses on loans, please refer to Note 16(c) to the financial statements.

3.5 Analysis of Capital Adequacy

3.5.1 Capital regulatory requirements

In accordance with the capital requirements of the financial regulatory authorities and additional capital and leverage ratio requirements under the Additional Regulatory Rules on Systemically Important Banks (Provisional), the capital adequacy ratio, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio of the Group and the Company shall be no less than 11.25%, 9.25% and 8.25% respectively, and the leverage ratio shall be no less than 4.375%. During the reporting period, the Group and the Company have consistently met the regulatory requirements for capital and leverage ratio.

3.5.2 Scope for calculating capital adequacy ratio

The scope for calculating the Group's capital adequacy ratio includes China Merchants Bank and the financial institutions in which the Company has direct or indirect investments in compliance with the requirements under the Rules on Capital Management of Commercial Banks. The scope of entities for calculating the capital adequacy ratio of the Company includes all the domestic and overseas branches and sub-branches of China Merchants Bank. As at the end of the reporting period, the Group's subsidiaries that were within the scope of consolidated statements in respect of the capital adequacy ratio included: CMB Wing Lung Bank, CMB International Capital, CMB Financial Leasing, CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and CMB Europe S.A.

According to the regulatory requirements, the Group includes neither the industrial and commercial enterprises, nor the companies of the insurance type to the calculation of consolidated capital adequacy ratio. Different types of investees are given different treatments for the calculation of consolidated capital adequacy ratio.

No.	Type of investee	Treatment
1	Financial institutions with majority voting rights or controlling interests (excluding insurance companies)	Included in the calculation of consolidated capital adequacy ratio.
2	Insurance companies with majority voting rights or controlling interests	Excluded from the calculation of consolidated capital adequacy ratio, deducted corresponding capital investment from capital at all tiers; deducted the corresponding capital shortfall, if any.
3	Significant minority investments in capital instruments issued by financial institutions	Excluded from the calculation of consolidated capital adequacy ratio, deducted the part of core Tier 1 capital investments exceeding 10% of the Company's net core Tier 1 capital and deducted all of additional Tier 1 and Tier 2 capital investments from corresponding tiers of capital. The part failing to reach the deduction threshold shall be calculated as risk-weighted assets.
4	Non-significant minority investments in capital instruments issued by financial institutions	Excluded from the calculation of consolidated capital adequacy ratio and correspondingly deducted the part of total investments exceeding 10% of the Company's net core Tier 1 capital from regulatory capital at all tiers. The part failing to reach the deduction threshold shall be calculated as risk-weighted assets.
5	Investments in the equity of industrial and commercial enterprises	Excluded from the calculation of consolidated capital adequacy ratio and calculated as risk-weighted assets.

As at the end of the reporting period, there was no regulatory capital shortfall in the financial institutions in which the majority or controlling interests are held by the Company as measured in accordance with local regulatory requirements. During the reporting period, there was no major restriction on capital transfer within the Group.

3.5.3 Information on capital adequacy ratio

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach were 13.86%, 16.09% and 17.95% respectively, representing an increase of 0.13, 0.08 and 0.07 percentage point respectively, as compared with the end of the previous year. The increase in capital adequacy ratios at all levels was mainly attributable to changes in measurement rules as a result of the Rules on Capital Management of Commercial Banks which took effect on 1 January 2024, offsetting the impact of cash dividends.

The Group

(in millions of RMB, except for percentages)	30 June 2024	31 December 2023	Changes +/-%
Capital adequacy ratios under the Advanced Measurement Approach[(1)]			
Net core Tier 1 capital	937,812	907,308	3.36
Net Tier 1 capital	1,088,258	1,057,754	2.88
Net capital	1,214,258	1,181,487	2.77
Risk-weighted assets (without taking into consideration the capital floor requirements)	6,765,309	5,919,504	14.29
Of which: Credit risk-weighted assets	5,844,871	5,226,757	11.83
Market risk-weighted assets	207,045	86,751	138.67
Operational risk-weighted assets	713,393	605,996	17.72
Risk-weighted assets (taking into consideration the capital floor requirements)	6,765,309	6,608,021	2.38
Core Tier 1 capital adequacy ratio	13.86%	13.73%	Increased by 0.13 percentage point
Tier 1 capital adequacy ratio	16.09%	16.01%	Increased by 0.08 percentage point
Capital adequacy ratio	17.95%	17.88%	Increased by 0.07 percentage point
Information on leverage ratio[(2)]			
Balance of adjusted on- and off-balance sheet assets	13,804,762	12,806,260	7.80
Leverage ratio	7.88%	8.26%	Decreased by 0.38 percentage point

Notes:

(1) The "Advanced Measurement Approach" refers to the Internal Ratings-Based (IRB) Approach for credit risk, the Standardised Approach for market risk and the Standardised Approach for operational risk set out in the "Rules on Capital Management of Commercial Banks" issued by the National Financial Regulatory Administration (NFRA) on 1 November 2023 (same as below). A commercial bank shall use both the Advanced Measurement Approach for capital measurement and other approaches to calculate capital adequacy ratios, and comply with the capital floor requirements.

(2) Starting from 2024, the leverage ratio shall be calculated based on the "Rules on Capital Management of Commercial Banks" issued by the NFRA on 1 November 2023; and prior to 2024, it is still calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated on 12 February 2015. The leverage ratios of the Group were 8.11%, 8.26% and 7.93% respectively as at the end of the first quarter of 2024, the end of 2023 and the end of the third quarter of 2023.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Advanced Measurement Approach were 13.78%, 16.12% and 18.02% respectively, representing an increase of 0.46, 0.42 and 0.40 percentage point respectively, as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	30 June 2024	31 December 2023	Changes +/-%
Capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	**832,788**	801,565	3.90
Net Tier 1 capital	**974,136**	944,349	3.15
Net capital	**1,089,239**	1,059,697	2.79
Risk-weighted assets (without taking into consideration the capital floor requirements)	**6,044,633**	5,295,085	14.16
Of which: Credit risk-weighted assets	**5,202,572**	4,673,703	11.32
Market risk-weighted assets	**198,169**	67,143	195.14
Operational risk-weighted assets	**643,892**	554,239	16.18
Risk-weighted assets (taking into consideration the capital floor requirements)	**6,044,633**	6,015,774	0.48
Core Tier 1 capital adequacy ratio	**13.78%**	13.32%	Increased by 0.46 percentage point
Tier 1 capital adequacy ratio	**16.12%**	15.70%	Increased by 0.42 percentage point
Capital adequacy ratio	**18.02%**	17.62%	Increased by 0.40 percentage point

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Weighted Approach were 11.64%, 13.51% and 14.60% respectively, representing a decrease of 0.22, 0.31 and 0.36 percentage point respectively as compared with the end of the previous year. The decrease in capital adequacy ratios at all levels was mainly attributable to the effect of cash dividends.

The Group

(in millions of RMB, except for percentages)	30 June 2024	31 December 2023	Changes +/-%
Capital adequacy ratios under the Weighted Approach(note)			
Net core Tier 1 capital	**937,812**	907,308	3.36
Net Tier 1 capital	**1,088,258**	1,057,754	2.88
Net capital	**1,176,354**	1,144,901	2.75
Risk-weighted assets	**8,056,196**	7,652,723	5.27
Core Tier 1 capital adequacy ratio	**11.64%**	11.86%	Decreased by 0.22 percentage point
Tier 1 capital adequacy ratio	**13.51%**	13.82%	Decreased by 0.31 percentage point
Capital adequacy ratio	**14.60%**	14.96%	Decreased by 0.36 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Approach for market risk and the Standardised Approach for operational risk in accordance with the relevant provisions of the "Rules on Capital Management of Commercial Banks" issued by the NFRA on 1 November 2023. Same as below.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Weighted Approach were 11.35%, 13.28% and 14.37% respectively, representing a decrease of 0.03, 0.12 and 0.15 percentage point respectively as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	30 June 2024	31 December 2023	Changes +/-%
Capital adequacy ratios under the Weighted Approach			
Net core Tier 1 capital	**832,788**	801,565	3.90
Net Tier 1 capital	**974,136**	944,349	3.15
Net capital	**1,054,313**	1,023,111	3.05
Risk-weighted assets	**7,336,355**	7,046,274	4.12
Core Tier 1 capital adequacy ratio	**11.35%**	11.38%	Decreased by 0.03 percentage point
Tier 1 capital adequacy ratio	**13.28%**	13.40%	Decreased by 0.12 percentage point
Capital adequacy ratio	**14.37%**	14.52%	Decreased by 0.15 percentage point

3.5.4 Measurement of credit risk capital

Balance of credit risk exposures

During the reporting period, the credit risk of the Company under the IRB Approach was classified into six types of risk exposures: sovereign, financial institution, corporate, retail, shareholding and others. As at the end of the reporting period, the balances of various risk exposures were as follows.

(in millions of RMB)	Type of risk exposure	30 June 2024 The Company	30 June 2024 The Group
Portion covered by the IRB Approach	Financial institution	1,395,704	1,395,704
	Corporate	2,619,371	2,619,371
	Retail	4,566,262	4,566,262
	Of which: Residential mortgage	1,354,090	1,354,090
	Qualified revolving retail	2,463,596	2,463,596
	Other retail	748,576	748,576
Portion not covered by the IRB Approach	On-balance sheet	5,080,663	5,870,125
	Off-balance sheet	260,126	304,119
	Counterparty	22,528	23,673

Balance of asset securitisation risk exposures

The Group uses the Standardised Approach to calculate its capital requirements of asset securitisation risk exposures. Risk weight is determined according to the credit ratings of eligible external rating institutions and the type of asset securitisation. As at the end of the reporting period, the capital requirement of asset securitisation risk exposure of the Group was RMB3.634 billion and the risk-weighted assets were RMB45.419 billion. As at the end of the reporting period, the balance of the asset securitisation risk exposures of the Group was as follows.

Item (in millions of RMB)	30 June 2024 Traditional	30 June 2024 Synthetic
Balance of on-balance sheet asset securitisation risk exposures	8,679	–
Balance of off-balance sheet asset securitisation risk exposures	434	–

Information on credit risk mitigation

The Group generally transfers or lowers credit risk through collaterals and guarantees. As at the end of the reporting period, the risk exposures covered by eligible risk mitigation instruments were as follows.

Type of risk exposure	30 June 2024			
(in millions of RMB)	Eligible financial collaterals	Other eligible collaterals	Eligible guarantees and credit derivative instruments	Others
On-balance sheet credit risk	188,374	2,654,667	717,011	–
Off-balance sheet credit risk	361,912	9,417	123,852	–
Counterparty credit risk	25,493	–	–	–

3.5.5 Measurement of market risk capital

The Group uses the Standardised Approach to calculate its market risk capital requirement. As at the end of the reporting period, the market risk-weighted assets of the Group were RMB207.045 billion, and the market risk capital requirement was RMB16.564 billion.

3.5.6 Measurement of operational risk capital

The Group uses the Standardised Approach to calculate its operational risk capital requirement. As at the end of the reporting period, the operational risk-weighted assets of the Group were RMB713.393 billion and the operational risk capital requirement was RMB57.071 billion.

3.6 Results of Operating Segments

The principal business segments of the Group include retail finance and wholesale finance. The following table summarises the operating results of each business segment of the Group for the periods indicated.

Items	January to June 2024		January to June 2023	
(in millions of RMB)	Profit before tax by business segments	Net operating income	Profit before tax by business segments	Net operating income
Retail finance	51,198	95,939	51,780	98,959
Wholesale finance	36,433	72,022	35,007	72,645
Other businesses	2,010	4,961	4,097	6,861
Total	89,641	172,922	90,884	178,465

During the reporting period, profit before tax of retail finance business of the Group amounted to RMB51.198 billion, down by 1.12% year-on-year, and accounting for 57.11% of the profit before tax of the Group, representing a year-on-year increase of 0.14 percentage point; net operating income amounted to RMB95.939 billion, down by 3.05% year-on-year, and accounting for 55.48% of the net operating income of the Group, representing a year-on-year increase of 0.03 percentage point. At the same time, during the reporting period, the cost-to-income ratio of retail finance business of the Group was 30.51%, representing a year-on-year increase of 2.04 percentage points.

For the detailed figures of the Group's business and geographical segments, please refer to Note 38 to the financial statements.

3.7 Other Financial Disclosures under the Regulatory Requirements

3.7.1 Balance of off-balance sheet items that may have a material effect on the financial position and operating results and the related information

The Group's off-balance sheet items include derivative financial instruments, commitments and contingent liabilities. Commitments and contingent liabilities include credit commitments, leasing commitments, capital commitments, securities underwriting commitments, bonds redemption commitments, outstanding litigations and disputes and other contingent liabilities, among which the credit commitments are the primary component. As at the end of the reporting period, the balance of credit commitments of the Group was RMB2,954.737 billion. For details of the contingent liabilities and commitments, please refer to Note 39 to the financial statements.

3.7.2 Outstanding overdue debts

As at the end of the reporting period, the Group did not have any outstanding overdue debts.

3.8 Implementation of Development Strategies

During the reporting period, the Company adhered to the operation philosophy which "takes quality as the foundation and profitability as priority, while maintaining moderate scale and reasonable structure", and insisted on the value creation logic of "volume growth – revenue growth – profit growth – value growth". Focusing on the strategic objective of building a value creation bank, the Company strived to create a new high-quality development model driven by "adopting strict management and upholding fundamental principles and breaking new ground (守正創新)", built up distinctive and differentiated advantages, thereby further enhancing its market competitiveness.

3.8.1 Maintaining dynamically balanced development of "Quality, Profitability and Scale"

During the reporting period, the Company maintained stable asset quality, strong risk compensation capacity, resilient operating efficiency, and a relatively high level of ROAA and ROAE. The business scale grew steadily, and the customer base, assets and liabilities increased in quantity and maintained in good quality. In light of the constantly consolidated advantages in structure, indicators such as the proportion of retail business contributed to net operating income and profit, the proportion of demand deposits in total deposits, the proportion of net non-interest income in net operating income and others maintained a relatively good level.

3.8.2 Balanced and coordinated development of the four major sectors

During the reporting period, the Company continued to promote the four major sectors, namely "retail finance, corporate finance, investment banking and financial markets, wealth management and asset management", to form a balanced and coordinated development pattern with distinctive features, strengthened and enhanced the capital-heavy business, and optimised and expanded the capital-light business.

The systematic advantages of the Company's retail finance sector were further highlighted. The Company adhered to the positioning of retail finance as the "comprehensive platform of the wealth management ecosystem, ballast stone of asset business, driving force of the flywheel effect and pilot of value creation", and improved the customer service system by focusing on the original needs of customers in "deposit, loan, and remittance". During the reporting period, retail finance business contributed to more than 55% in terms of both net operating income and profit. As of the end of the reporting period, the Company's retail customers reached 202 million in total, representing an increase of 2.54% as compared with the end of the previous year. As of the end of the reporting period, the balance of total assets under management (AUM) from retail customers amounted to RMB14.20 trillion, representing an increase of 6.62% as compared with the end of the previous year. The balance of deposits from retail customers amounted to RMB3,596.594 billion, representing an increase of 8.52% as compared with the end of the previous year. The balance of retail loans amounted to RMB3,474.212 billion, representing an increase of 2.98% as compared with the end of the previous year.

The distinctive advantages of the Company's corporate finance sector were continuously strengthened. By actively embracing the construction of modern industrial system, the Company accelerated the development of featured finance services, including sci-tech finance, green finance, inclusive finance, retirement finance and digital finance, and promoted the optimisation and adjustment of customer structure and business structure in the process of enhancing the quality and efficiency of serving the real economy. As of the end of the reporting period, the total number of corporate customers served by the Company reached 2,974,500, representing an increase of 5.46% as compared with the end of the previous year. The balance of deposits from corporate customers amounted to RMB4,739.839 billion, representing an increase of 4.01% as compared with the end of the previous year; and the balance of loans to corporate customers amounted to RMB2,486.604 billion, representing an increase of 7.11% as compared with the end of the previous year. The growth rate of loans in key areas such as sci-tech finance, green finance and inclusive finance was higher than the growth rate of the overall loans granted by the Company. As of the end of the reporting period, the balance of loans extended to sci-tech enterprises[2] was RMB582.997 billion, representing an increase of 8.35% as compared with the beginning of the year; the balance of green loans amounted to RMB492.350 billion, representing an increase of 9.96% as compared with the end of the previous year; the balance of loans granted to inclusive small- and micro-sized enterprises was RMB856.525 billion, representing an increase of 6.50% as compared with the end of the previous year. The number of enterprise annuity accounts under management reached 2,214,600.

The leading advantages of the Company's investment banking and financial markets sector were continuously consolidated. The Company accelerated the transformation of its investment banking business to become a "fund originator", and continuously improved its business capabilities in terms of bond underwriting and M&A financing. As of the end of the reporting period, the balance of the financing products aggregate to corporate customers (FPA) contributed by the investment banking business increased by 12.60% as compared with the beginning of the year. The exploration of the "product + customer base" scenario-based business model for financial markets business was accelerated, and the advantages of client flow tradings were further consolidated. During the reporting period, the Company's transaction volume of client flow tradings of wholesale customers was USD127.180 billion, representing a year-on-year increase of 11.66%. The comprehensive customer service in respect of bill business was continuously deepened, which constantly enhanced the customer experience and asset operation capabilities. During the reporting period, the number of customers of bill business of the Company was 144,000 with a year-on-year increase of 24.01%.

The Company's capabilities of wealth management and asset management were constantly enhanced. The Company continued to promote the development of extensive wealth management business, and deepen the construction of the service system of all customer bases, all products and all channels to better serve the needs of residents and enterprises for wealth preservation and appreciation. As of the end of the reporting period, the number of retail customers holding wealth management products distributed by the Company reached 54,728,800, representing an increase of 6.52% as compared with the end of the previous year; the number of retail customers[3] who conducted asset allocation under the "CMB TREE Asset Allocation Service System" reached 9,983,500, representing an increase of 9.53% as compared with the end of the previous year. A wealth management ecosystem was established with partners. 157 asset management institutions with industrial representativeness have been introduced to the "Zhao Cai Hao (招財號)", an open platform of wealth management business of the Company. The product and service system for corporate wealth management was improved, with the average daily balance of corporate wealth management products reaching RMB351.501 billion, representing an increase of 14.59% as compared with the previous year. The Group's asset management subsidiaries continued to strengthen the six major capabilities of investment research, asset origination, risk management, technology support, business innovation and talent team. As of the end of the reporting period, the total asset management business amounted to RMB4.46 trillion. The Company continuously improved the service model and built the service brand of "China Merchants Bank Custody+ (招商銀行託管+)". As of the end of the reporting period, the total assets under custody of the Company reached RMB22.06 trillion, ranking among the top in the industry.

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2 Starting from the current period, the statistical calibre of loans extended to sci-tech enterprises is based on that of the National Financial Regulatory Administration.

3 Refers to the Golden card and Golden Sunflower card holders who have two or more types of wealth management products out of the four types of wealth management products, namely, trade-ready management, protection-based management, conservative investment and aggressive investment.

3.8.3 Deepening technological innovation and highlighting priority of digital finance

With adherence to "upholding fundamental principles and breaking new ground (守正創新)", the Company implemented the strategy of developing the Bank with technology, strengthened the exploration of cutting-edge technology application, enhanced employees' digital capabilities, and promoted innovation in products, models and businesses by technological innovation. The Company promoted the construction of digital finance following the direction of "online, data-based, intelligent, platform-based and ecological operation", with "AI +finance" as the key focus, thereby shifting from "Online CMB" towards "Smart CMB". During the reporting period, the Company's information technology input amounted to RMB4.586 billion, with the ratio of information technology input to the Company's net operating income reaching 2.91%. The Company attached great importance to the construction of digital talent pool. As of the end of reporting period, the number of R&D personnel of the Group reached 10,653, accounting for 9.23% of the total number of employees of the Group. Leveraging the Fintech Innovation Project Fund which focused on the five major directions, namely digital operation and management, cutting-edge technology capabilities, bank-to-business ecosystem, bank-to-consumer ecosystem, innovation and incubation, the Company comprehensively promoted its construction of digital capabilities. During the reporting period, 398 new projects were launched, and 499 new projects were put into operation. As of the end of reporting period, the number of the Bank's Fintech innovation projects launched and put into operation reached an aggregate of 4,198 and 3,561, respectively.

In terms of digital service for retail customers, the Company accelerated the transformation and upgrading from "online retail" to "digital and intelligent retail", creating smarter and more considerate services. As of the end of reporting period, the monthly active users (MAU) of the CMB APP and the CMB Life APP totalled 117 million. The Company continued to deepen the intelligent service of the CMB APP, and enabled "Xiao Zhao (小招)" to gradually evolve from a wealth management assistant with "pre-set service routine" to a "listening and responding" banking assistant by adopting large model technology. It provided tailored one-stop solutions in various scenarios such as business processing and consultation for difficult and complicated cases, and strived to improve problem-solving capabilities with more flexible conversational interaction method. The Company expedited the digital transformation of retail credit business. During the reporting period, customer acquisition for the retail credit business through digital channel accounted for more than 50% of the overall customer acquisition for the retail credit business. The Company conducted the agile and iterative development of the visualised system of private banking asset allocation, optimised the allocation method, constantly upgraded the investment and research framework and product selection system, and digitally empowered asset allocation services.

In terms of digital services for wholesale customers, the Company comprehensively accelerated the construction of digital channels, built the service model featuring "people + digitalisation", and achieved comprehensive upgrades in customer service and business model, thus better serving the real economy. As of the end of the reporting period, 93.32% of financing business were conducted online, and 77.32% of foreign exchange business were conducted online, representing an increase of 1.04 percentage points and 1.98 percentage points as compared with the end of the previous year respectively. The Company promoted the construction of digital channels such as CMB Corporate U-Bank, CMB Corporate APP and Enterprise WeChat, and enhanced the ability of digital channel platforms to become more intelligent, mobile-based and international. As of the end of the reporting period, the number of monthly active customers of wholesale online channels reached 1,891,900, representing a year-on-year increase of 17.96%. Catering to the digital transformation needs of enterprises with technology, the Company provided digital treasury management services to enterprises at different development stages. As of the end of the reporting period, Treasury Management Cloud (財資管理雲) served 540,700 corporate customers, representing an increase of 13.21% as compared with the end of the previous year. By integrating internal and external data, the Company actively applied intelligent technologies and modeling approach to drive product innovation and risk management. As of the end of the reporting period, the Company provided credit support to 32,600 corporate customers in aggregate through digital credit products such as "Zhao Qi Dai (招企貸)", "CMB Chain Easy Loan (招鏈易貸)" and "Distribution Easy Loan (經銷易貸)", representing an increase of 60% as compared with the end of the previous year.

In terms of risk management, the Company comprehensively utilised internal and external data, and accelerated the building of a "fortress-style" risk and compliance management system driven by digitalisation and intelligence to promote high-quality business development. The Company accelerated the construction of the Group Risk-management System (GRS), and built a leading, convenient and effective full-process risk management platform for corporate asset business. During the reporting period, the intelligent pre-warning coverage rate of "all businesses"[4] both on- and off-balance sheet reached 100%. The corporate loans newly granted through the online risk control platform amounted to RMB188.634 billion, representing a year-on-year increase of 22.66%. While improving the efficiency of credit services, the Company kept the asset quality at a good level. The Company realised the rapid generation of customer risk insight reports and industry analysis AI reports based on the large language model technology, assisting relationship managers and credit officers in improving the efficiency of customer due diligence and credit review.

In terms of operation management, the Company strengthened the application of intelligent tools, and improved its refined management capabilities across the Bank, underpinning the business development of the Bank. The Bank's retail finance sector focused on operation analysis and business strategies, accelerated the digital and intelligent empowerment to middle office and front-line employees with intelligent assistant as the vehicle, improving the synergy and management efficiency of the sector. "Insight" reporting platform ("火眼"報表平台) for the Bank's wholesale finance sector helped operational units within the Bank quickly generate various reports and conduct multi-dimensional analysis of data, achieving data application in an independent and agile manner across the Bank. As of the end of the reporting period, the number of users of the "Insight" reporting platform ("火眼"報表平台) reached 14,900. The Company intensified comprehensive operation monitoring and intelligent reasoning analysis for the Head Office, branches and sub-branches via "Zi Zhai Tong (資債通)" portal, which improved the efficiency of resource allocation and motivated frontline operations through digital tools. Leveraging the integration of the capital management system and the large language model, the Company entered a new stage of intelligent management, which facilitated the full implementation of the New Capital Rules. The Company built a solid digital base for the human resources business line, innovated the digital service model, and launched a new generation of core human resource system and intelligent salary system, developing the "digital beauty (數字美眉)" robot based on the large model technology to provide employees with intelligent response and other services.

In terms of internal operation, the Company relieved its staff from repetitive, time-consuming work by leveraging technology, consolidated experience with data, promoted green paperless operation management, achieving a high-quality balance of experience, efficiency, risk and cost. As of the end of the reporting period, "Kaiyang Portal (開陽門戶)", an open operation service platform, completed the intelligent transformation and application of over 500 operation processes, and the processing efficiency of key businesses increased by 56% as compared with the end of the previous year. During the reporting period, in scenarios such as the intelligent customer service, intelligent process, quality inspection and the Conch RPA+ (Robot Process Automation), the workload equivalent to 16.3259 million working hours was completed by intelligent application in replace of manual labour, representing a year-on-year increase of 36.72%. In response to the national promotion of electronic invoicing, the Company fully implemented electronic invoice issuing services. The Company conducted pilot application of the large language model in the AI review of financial reimbursement, increasing the efficiency by 70% as compared with the traditional paper-based manual review.

In terms of digital infrastructure, the Company continuously advanced cloud architecture transformation, fully unleashing the benefits brought by cloud infrastructure. The Company established a tiered and classified management system for resource pools based on the importance of application systems, and continued to improve CMB Cloud (招行雲), consolidated availability and improved resource efficacy. During the reporting period, the overall availability[5] of the cloud services exceeded 99.999%. The technology middle office strengthened component[6] quality management and continued to propel the construction and promotion of low-code development platforms. As of the end of the reporting period, the technology middle office accumulatively released 5,178 components, and 2,831 new applications were launched in the low-code development system, of which 59.40% of all developers were business personnel. The system effectively lowered the threshold of application development and stimulated business agility with technological agility. The data middle office pushed forward the import of external data and enterprise-level data governance and application. As of the end of the reporting period, the big data services covered 60% of the employees in the Bank, making data the core basis of operational analysis for employees.

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4 Covering on- and off-balance sheet businesses such as proprietary credit business, asset management business, agency distribution business and other cooperative businesses.

5 Availability refers to the proportion of normal working conditions in a given period of time. The overall availability of the cloud services is the arithmetic average of the availability of each important system running on the cloud platform.

6 Component refers to reusable common module of the system provided in the form of API (application programming interfaces).

The Company continued to promote the implementation of the "AI+finance" strategy, increased the resource input, and actively explored the scenario-based application of large model. The Company increased its special input in AI in terms of "human resources, financial resources and material resources" to ensure resource matching. Strengthening the systematic construction of large language model, the Company put forth full efforts in the fields of infrastructure, inference and training platforms, algorithms and models, application development frameworks and scenario-based applications. Continuously improving the construction of the internal large model experience platform, the Company intensified in-depth communication with more than 100 large model ecological chain enterprises, promoted the construction of internal and external large model ecosystems, and accelerated the application of cutting-edge technologies such as AI large model in the Company.

3.8.4 Further consolidating a fortress-style risk and compliance management system

The Company continuously enhanced its risk and compliance management capabilities and firmly adhered to the fundamental stability of asset quality. The Company strengthened the prevention and mitigation of risks in key areas such as real estate and local debts, and continued to promote the disposal of non-performing assets. The Company furthered the construction of a comprehensive risk management system, implemented different measures based on different categories for domestic and overseas branches and subsidiaries, optimised the "one branch, one policy" list-based operation for the asset business, improved the centralised credit facility management and limit management of customers granted with large credit facility, intensified centralised customer management, and enhanced the management of risks such as off-balance sheet business risks, sanctions and money laundering risks, and information technology risks.

3.8.5 Improving the quality and efficiency of the development in key regions

The Company proactively responded to the national strategies of coordinated regional development and industrial cluster development trend, and promoted the branches among the Yangtze River Delta, the Pearl River Delta, Chengdu-Chongqing Region, the Western Taiwan Straits Economic Zone, and other key regions to improve the quality and efficiency of serving the local economy and society. As of the end of the reporting period, the growth rates of value customers, core deposits, AUM and net operating income of 16 branches of the Company in key regions were higher than the average level of the Bank. As of the end of the reporting period, the balance of core deposits[7] and loans[8] of the above 16 branches in the key regions amounted to RMB1,884.280 billion and RMB1,921.927 billion respectively, with the proportion of 28.99% and 39.35% respectively, among the domestic branches. The balance of core deposits and loans increased by RMB86.923 billion and RMB108.860 billion respectively as compared with the end of the previous year. The increment of core deposits and loans accounted for 33.17% and 38.89% of the total incremental core deposits and loans of the domestic branches respectively.

3.8.6 Further improving the level of refined management

During the reporting period, the Company sped up building a standardised, refined, empowering, systematic and scientific management system to improve the quality and efficiency of management in a steady manner. **Strengthening all cost management,** the Company continued to improve systems, mechanisms and processes, implemented special projects to reduce costs and increase efficiency, and intensified the evaluation of major expenditure items and carried out input-output analysis. **Strengthening the management of asset and liability,** the Company actively analysed the government policies and grasped market opportunities, dynamically optimised the resource allocation, adhered to the combined emphasis on volume, price and quality, consolidated the industry-leading position in terms of net interest margin, and fully implemented the New Capital Rules. **Strengthening the management of organisations,** the Company further advanced the reform of branch operational systems, optimised the Head Office's organisational structure, improved the efficiency and effectiveness of customer service, and continuously strengthened the differentiated management of organisations. **Strengthening talent team management,** the Company constantly selected and appointed competent management teams at all levels of organisations, and continued to improve the systems of training and cultivation for management staff and employees, performance appraisal and professional qualification certification to enhance the professional capabilities of the talent team. **Strengthening consumer rights protection,** with the theme of the "Year for Deepening Management of Consumer Rights Protection", the Company implemented a special campaign for service improvement, and actively carried out financial knowledge promotion activities at different levels, through multiple channels, and of multiple types, covering more than 200 million consumers.

7 The "core deposits" represents the internal management indicator for the Company's deposits, excluding large-denomination certificates of deposit, structured deposits and other high-cost deposits.

8 Including retail loans (excluding credit cards) and corporate loans.

3.9 Key Business Concerns in Operation

3.9.1 Net interest margin

During the reporting period, the Group's net interest margin was 2.00%, representing a decrease of 23 basis points year-on-year; the Company's net interest margin was 2.07%, representing a decrease of 20 basis points year-on-year. The net interest margin of the Group and the Company recorded a decrease of 15 basis points and 13 basis points over the previous year respectively. In the second quarter of 2024, the Group's net interest margin was 1.99%, representing a decrease of 3 basis points as compared with the first quarter of 2024; and the Company's net interest margin was 2.05%, representing a decrease of 4 basis points as compared with the first quarter of 2024. Such decrease in net interest margin was mainly due to the reasons below. On the asset side, firstly, due to the decreased interest rate for existing residential mortgage loans in the previous year, the downturn of the LPR (Loan Prime Rate) and the insufficient effective credit demand, the pricing of newly granted loans had continued to decline, and average loan yields had been going down; secondly, market interest rates had been running at low levels, driving a continuous decline in yields of market-oriented assets such as bond investments and bill discounting. On the liability side, with insufficient liquidity in corporate and household funds, the growth of low-cost demand deposits was under pressure. The trend of shifting towards time deposits continued, and the cost ratio of deposits remained relatively rigid. In order to maintain a relatively stable net interest margin, the Group strengthened the management of its asset and liability portfolio during the reporting period. On the asset side, the Group persisted in increasing effective asset origination and strengthened the collaborative management of category asset. On the liability side, the Group focused on driving growth in low-cost core deposits. The Group flexibly arranged acquiring of market-oriented funds to maintain its strengths in cost of liabilities.

Currently, the market interest rates have experienced continuous decline, and the low interest rate environment has brought greater pressure on the operation of the banking industry. The overall net interest margin of the banking industry was at a historically low level and still facing certain downward pressure in the near term. Looking forward to the second half of the year, the Group's net interest margin will remain under pressure, while there are also favourable factors. In terms of pressure, on the asset side, it will still take time for digestion of the existing policy factors affecting the return on assets, with effective demand for assets remaining insufficient. It is expected that the return on assets will continue the downward trend in the second half of the year. On the liability side, the trend of shifting towards time deposits will continue unabatedly, leading to the pressure to control cost of liabilities. In terms of favourable factors, firstly, as a series of coordinated macroeconomic policies bear fruit constantly, the positive trend in domestic economic recovery will continue to be consolidated, which is conducive to improving the confidence and expectations of market entities and driving the restoration of the fundamentals of the banking industry. Secondly, driven by marketisation factors, interest rates of deposits will steadily decline. In addition, the self-discipline mechanism for setting interest rates has strengthened the restraint for irrational competition in the market, creating a favourable external environment to control the cost of deposits.

The Group will take various measures to promote the reasonable and stable operation of net interest margin. On the asset side, the Group will continue to increase effective asset origination. On the basis of promoting the stable growth of credit scale, the Group will constantly optimise its business structure and customer base structure. Furthermore, the Group will focus on optimising the structure of category asset, strengthen the allocation of bills, bonds and interbank assets in asset portfolio, and maintain a reasonable level of return on assets. On the liability side, the Group will insist on focusing on the growth of low-cost core deposits and expand the sources of low-cost and high-quality deposits, seize the opportunities brought by the policies on the deepening marketisation of interest rates of deposits, and promote the decline of deposit cost amid stability, while looking ahead to study the trend of the market interest rates, intensifying the portfolio management of liabilities and consolidating its advantage in terms of the overall cost of liabilities.

3.9.2 Net non-interest income

During the reporting period, the Group implemented high-quality development requirements, focused on customer needs, improved customer services, made efforts to support the real economy, and continuously improved the quality and efficiency of intermediary business services. During the reporting period, the Group realised net non-interest income of RMB68.473 billion, representing a decrease of 1.43% year-on-year, accounting for 39.60% of net operating income and representing an increase of 0.67 percentage point year-on-year. Among the Group's net non-interest income, net fee and commission income was RMB38.328 billion, representing a decrease of 18.61% year-on-year, accounting for 55.98% of the net non-interest income; other net non-interest income was RMB30.145 billion, representing an increase of 34.71% year-on-year. For reasons for the changes in other net non-interest income, please refer to 3.2.6 "Net non-interest income" in this chapter. During the reporting period, the Group's income contributed by extensive wealth management was RMB19.779 billion[9], representing a decrease of 23.47% year-on-year.

9 The income from extensive wealth management includes the fee and commission income from wealth management, asset management and custody business.

The major items under the Group's net fee and commission income during the reporting period are analysed as follows. **Fee and commission income from wealth management** amounted to RMB11.437 billion, representing a year-on-year decrease of 32.51%, of which income from agency distribution of insurance policies amounted to RMB3.950 billion, representing a year-on-year decrease of 57.34%, which was mainly due to the continuing effect of declined bancassurance commission fee. Income from agency distribution of wealth management products was RMB3.636 billion, representing a year-on-year increase of 40.39%, which was driven by the growth of the volume of agency distribution and the optimisation of product structure. Income from agency distribution of funds amounted to RMB2.132 billion, representing a year-on-year decrease of 25.35%, which was mainly due to the reduction in fund fees and the decline in the holding and sales volume of equity funds. Income from agency distribution of trust schemes amounted to RMB1.064 billion, representing a year-on-year decrease of 37.52%, which was mainly due to the decline in the volume of agency distribution of trust schemes. Income from securities brokerage was RMB493 million, representing a year-on-year increase of 31.82%, which was mainly due to the increasing demand for securities transactions from customers in Hong Kong capital market. **Fee and commission income from asset management** amounted to RMB5.858 billion, representing a year-on-year decrease of 2.61%, which was mainly due to the decrease in management fee income of CMB Wealth Management and China Merchants Fund, both subsidiaries of the Company. **Commission income from custody business** was RMB2.484 billion, representing a year-on-year decrease of 13.90%, mainly due to the decline in the volume and fee rate of equity fund custody business. **Income from bank card fees** amounted to RMB8.634 billion, representing a year-on-year decrease of 14.10%, mainly due to the decrease in fee income from offline transaction of credit cards. **Income from settlement and clearing fees** amounted to RMB7.859 billion, representing a year-on-year increase of 0.74%, mainly due to the increase in e-payment income.

Looking forward to the second half of the year, focusing on the strategic objective of building a value creation bank, the Group will continue to actively promote the high-quality development of the intermediary business. The first is to consolidate the systematic advantages of the retail finance sector, focus on customer needs, continue to optimise the structure of wealth management products, deepen asset allocation services, strengthen the construction of payment and settlement scenarios and online operation, and tap the potential of advantageous retail finance business thoroughly. The second is to strengthen the operation capabilities of the featured services of the corporate finance sector, focus on "five priorities" and new quality productive forces, reinforce product innovation, deepen scenario-based customer operation, accelerate the exploration and application of cutting-edge fields, and create new growth poles for net non-interest income. The third is to build up the professional advantages of investment banking and financial markets sector, strengthen market research and professional capacity building, closely keep up with the needs of enterprises, make forward-looking arrangements and improve the comprehensive service system, so as to increase net non-interest income contributed by investment banking and financial markets sector.

3.9.3 Risk management and control in the real estate sector

During the reporting period, the Company followed the national policy guidance and regulatory requirements, and adhered to the overall strategy with "clear positioning, selected regions, focused projects, serious management". Under the premise of controllable risks, the Company further explored high-quality regional markets, carefully selected customers and focused on high-quality projects to carry out business. Meanwhile, the Company conscientiously implemented the important decisions and plans of the Central Government and regulatory authorities, actively participated in the coordination mechanism of urban real estate financing, and promoted the efficient implementation of qualified projects in accordance with the principles of marketisation and rule of law, thereby facilitating the stable and healthy development of the real estate market.

As of the end of the reporting period, the Group's total balance of real estate related businesses which were subject to credit risks, such as the actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets, amounted to RMB404.123 billion, representing an increase of 1.29% as compared with the end of the previous year. The Group's total balance of businesses which were not subject to credit risks, such as wealth management fund financing, entrusted loans, agency distribution of trust schemes under the active management by cooperative institutions, and debt financing instruments with the Group as the lead underwriter, amounted to RMB241.786 billion, representing a decrease of 3.07% as compared with the end of the previous year. As of the end of the reporting period, the Company's balance of loans granted to the real estate industry was RMB303.906 billion, representing an increase of RMB13.164 billion as compared with the end of the previous year. It accounted for 4.75% of the Company's total loans and advances to customers, representing an increase of 0.04 percentage point as compared with the end of the previous year. Over 85% of the Company's balance of loans for real estate development was located in the urban areas of first-tier and second-tier cities and the regional structure remained sound. As of the end of the reporting period, the Company's non-performing loan ratio of real estate loans was 4.78%, representing a decrease of 0.23 percentage point as compared with the end of the previous year.

At present, the real estate market is still in the process of adjustment and transformation. In the future, the Company will continue to focus on the construction of the "market-oriented + government-subsidised" housing supply system, support the new model of real estate development, and fully cooperate in the implementation of the long-term mechanism for the development of the real estate industry. At the same time, the Company will continue to firmly implement the requirements of the coordination mechanism, reasonably distinguish the debt risks of real estate enterprises from the development and operation risks of project companies, support the compliance projects of real estate enterprises of different ownerships on an equal footing, so as to satisfy the reasonable financing needs of real estate projects, and continue to enhance the effectiveness of guaranteed housing delivery. The Company will further strengthen centralised risk management and post-investment and post-loan management, resolutely implement the requirements for closed management of real estate loans. In accordance with the principles of compliance with laws and regulations, controllable risks and business sustainability, the Company will promote the risk mitigation and disposal of real estate enterprises, so as to maintain an overall stable quality of real estate assets.

3.9.4 Deposits from customers

As of the end of the reporting period, the balance of deposits from customers of the Company was RMB8,336.433 billion, representing an increase of 5.91% as compared with the end of the previous year, with a steady increase on the basis of achieving relatively rapid growth in 2023. In the first half of 2024, despite the gradual recovery of the macro-economy, the improvement in the liquidity of enterprises' funds remained insignificant. The residents' willingness to deposit remained strong, and trend of shifting towards time deposits in the whole market continued, as a result of which the Company's time deposits maintained a rapid growth. The Company maintained a relatively outstanding level of deposit structure by taking various measures such as strengthening customer-oriented operation, expanding the source of customers, reinforcing the management and control of deposit cost and increasing capital retention. During the reporting period, the Company's average daily balance of core deposits[10] was RMB6,908.364 billion, representing an increase of 4.42% as compared with the previous year; it accounted for 86.20% of the average daily balance of customer deposits, representing a decrease of 0.43 percentage point as compared with the previous year, with the proportion remaining basically stable. The average daily balance of demand deposits was RMB4,192.779 billion, representing a decrease of 5.37% as compared with the previous year; it accounted for 52.32% of the average daily balance of customer deposits, representing a decrease of 5.70 percentage points as compared with the previous year. As of the end of the reporting period, the balance of structured deposits of the Company amounted to RMB269.062 billion, representing an increase of 2.33% as compared with the end of the previous year, accounting for 3.23% of the balance of customer deposits and representing a decrease of 0.11 percentage point as compared with the end of the previous year.

Looking forward to the future, the competition for deposits acquisition among banks is expected to intensify. The trend of shifting towards time deposits is likely to continue. In order to promote high-quality growth of deposits, the Company will take the following measures. Firstly, the Company will return to the origin of customers, strengthen customer base expansion and consolidate the foundation for deposit growth. Secondly, the Company will strengthen internal management, adhere to the priority of growth in core deposits, and optimise deposit structure. Thirdly, the Company will improve comprehensive service level, expand low-cost deposits through settlement services, wealth management, product innovation and other means. Fourthly, the Company will strengthen the management and control of high-cost deposits to maintain the deposit cost ratio at a desirable level.

10 The core deposits represent the internal management indicator for the Company's deposits, excluding large-denomination certificates of deposit, structured deposits and other high-cost deposits.

3.9.5 Assets allocation

During the reporting period, the Company closely followed policies and market changes and took multiple measures to strengthen the asset origination. As of the end of the reporting period, the Company's total loans and advances to customers amounted to RMB6,395.633 billion, representing an increase of 3.72% as compared with the end of the previous year, accounting for 59.19% of the total assets of the Company, and representing a decrease of 0.58 percentage point as compared with the end of the previous year. Among them, retail loans were RMB3,474.212 billion, representing an increase of 2.98% as compared with the end of the previous year, accounting for 54.32% of the loans and advances to customers of the Company, representing a decrease of 0.39 percentage point as compared with the end of the previous year, mainly because the scale of credit card loans and residential mortgage loans declined as a result of the slowdown in consumption growth and the downturn in the real estate market in the first half of the year. The Company proactively responded to the changes in the market and made efforts to promote the growth of micro-finance loan and consumer loan businesses. Corporate loans amounted to RMB2,486.604 billion, representing an increase of 7.11% as compared with the end of the previous year, accounting for 38.88% of the loans and advances to customers of the Company, representing an increase of 1.23 percentage points as compared with the end of the previous year, mainly due to the increasing demand for corporate financing driven by moderate recovery of domestic economy in the first half of the year and continuingly strengthening support for key areas of the real economy by the Company. During the reporting period, the corporate loans newly granted were concentrated in key areas such as manufacturing, inclusive economy for small- and micro-sized enterprises, green economy and technology. As of the end of the reporting period, the bond investments of the Company amounted to RMB2,660.138 billion, representing an increase of 2.79% as compared with the end of the previous year, accounting for 24.62% of the total assets of the Company, and representing a decrease of 0.46 percentage point as compared with the end of the previous year.

In the second half of the year, the Company will continuously pay attention to changes in internal and external operating environment and relentlessly strengthen effective asset origination. In terms of retail loans, on the premise of enhancing risk control and management, the Company will continue to promote the growth of micro-finance loans, consumer loans, while maintaining the scale of residential mortgage loans and credit card loans at a relatively stable level. In terms of corporate loans, the Company will closely follow the national industrial policies and continue to enhance the origination of corporate credit assets, constantly push forward the structural adjustment of corporate customers, and focus on inclusive economy for small- and micro-sized enterprises, green, sci-tech, manufacturing, private enterprises, agricultural and other fields, so as to release its credit resources to the key areas of the real economy. In terms of bond investment, the Company will, taking into account both risks and returns, follow the trend of interest rates in the domestic and foreign currency markets in a forward-looking manner, seize the market investment opportunities, reasonably allocate investment assets to further improve the efficiency of the use of funds.

3.9.6 The formation and disposal of non-performing assets

During the reporting period, the Company formed new non-performing loans of RMB31.972 billion, representing a year-on-year increase of RMB1.463 billion; the formation ratio of non-performing loans was 1.02% (annualised), representing a year-on-year decrease of 0.02 percentage point. From the perspective of major business categories, the amount of newly formed non-performing corporate loans was RMB5.514 billion, representing a year-on-year decrease of RMB179 million. The amount of newly formed non-performing retail loans (excluding credit cards) was RMB6.429 billion, representing a year-on-year increase of RMB2.060 billion. The amount of newly formed non-performing credit card loans was RMB20.029 billion, representing a year-on-year decrease of RMB418 million. From the perspective of regions, the formation of the Company's non-performing loans was mainly distributed in the Yangtze River Delta, Bohai Rim and Head Office (credit card loans). From the perspective of industries, the formation of the non-performing corporate loans was mainly concentrated in the real estate industry. From the perspective of customer base, most of the formation of the non-performing corporate loans originated from national-standard small- and medium-sized enterprises.

The Company continued to consolidate the basis for implementation of the expected credit loss method, always adhered to value customer selection, optimised the asset portfolio allocation, and focused on strengthening risk compensation capability in key areas. As of the end of the reporting period, the balance of the Company's allowances for impairment losses on loans was RMB265.100 billion, representing an increase of RMB3.698 billion as compared with the end of the previous year. The allowance coverage ratio was 451.25%, representing a decrease of 5.48 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.15%, representing a decrease of 0.09 percentage point as compared with the end of the previous year. During the reporting period, the credit cost ratio was 0.74% (annualised), representing a year-on-year decrease of 0.16 percentage point.

During the reporting period, the Company played an active role in the disposal of non-performing assets, taking various approaches to reduce and dispose of risk assets. During the reporting period, the disposal of non-performing loans by the Company amounted to RMB30.563 billion, of which RMB14.715 billion was written off, RMB10.148 billion was securitised, RMB3.973 billion was recovered by collection, and RMB1.727 billion was disposed of by other means such as repossession, transfer, restructuring, upward migration and remission.

In the second half of 2024, the Company will keep a close eye on the changes in the macro situation, improve credit and investment policies and policy adaptability, implement "one branch, one policy" list-based operation for asset business, fully push forward the optimisation of customer base structure and investment in quality assets; the Company will focus on risk monitoring in key areas, strengthen the monitoring and management of early overdue loans, strictly classify assets, make adequate allowances, and effectively prevent and dispose of potential risks; the Company will actively dispose of non-performing assets in multiple ways to maintain overall stability of asset quality.

3.9.7 Asset quality in key areas

During the reporting period, the Company strengthened risk control over residential mortgage loans, consumer credit business, micro-finance loans, industries under list-based management and other key areas, and the asset quality was generally stable. In the second half of the year, the Company will actively respond to the changes in the external macro-economic situation and continue to strengthen the investigation, research and judgement on the risk situation in the key areas for better risk prevention and control. For details of the quality of real estate assets, please refer to 3.9.3 "Risk management and control in the real estate sector" in this chapter.

The following table sets out the asset quality of the Company's loans and advances by product type as of the date indicated.

	30 June 2024						
(In millions of RMB, except for percentages)	Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	2,486,604	26,823	1.08	20,868	0.84	29,578	1.19
Discounted bills	434,817	–	–	1	–	–	–
Retail loans	3,474,212	31,925	0.92	54,730	1.58	55,779	1.61
Micro-finance loans	806,112	5,062	0.63	3,433	0.43	6,313	0.78
Residential mortgage loans	1,363,243	5,448	0.40	15,754	1.16	9,443	0.69
Consumer credit business	1,297,083	20,321	1.57	35,495	2.74	38,915	3.00
Credit card loans	919,338	16,391	1.78	33,459	3.64	33,893	3.69
Consumer loans	377,745	3,930	1.04	2,036	0.54	5,022	1.33
Others(Note)	7,774	1,094	14.07	48	0.62	1,108	14.25
Total loans and advances to customers	6,395,633	58,748	0.92	75,599	1.18	85,357	1.33

(In millions of RMB, except for percentages)	31 December 2023 Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	2,321,585	26,694	1.15	18,071	0.78	25,862	1.11
Discounted bills	471,127	–	–	12	–	–	–
Retail loans	3,373,633	30,539	0.91	48,739	1.44	47,706	1.41
Micro-finance loans	749,773	4,592	0.61	2,648	0.35	5,211	0.70
Residential mortgage loans	1,376,814	5,113	0.37	13,107	0.95	7,466	0.54
Consumer credit business	1,237,315	19,666	1.59	32,912	2.66	33,851	2.74
Credit card loans	935,777	16,381	1.75	31,373	3.35	29,905	3.20
Consumer loans	301,538	3,285	1.09	1,539	0.51	3,946	1.31
Others(Note)	9,731	1,168	12.00	72	0.74	1,178	12.11
Total loans and advances to customers	6,166,345	57,233	0.93	66,822	1.08	73,568	1.19

Note: Primarily consists of commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

Risk control over residential mortgage loans

The Company actively implemented the national and regional policy requirements, adhered to the implementation of city-specific policy, actively responded to the new situation where the supply-demand relationship in the real estate market changed significantly, and supported the demands of customers who are first-time homebuyers and home upgraders, so as to steadily conduct residential mortgage loan business. During the reporting period, the amount of residential mortgage loans newly granted by the Company in the first-tier and second-tier cities accounted for 90.97% of the total amount of residential mortgage loans newly granted by the Company, representing an increase of 2.80 percentage points year-on-year. The balance of residential mortgage loans in the first-tier and second-tier cities accounted for 87.26% of the balance of the Company's residential mortgage loans, representing an increase of 0.22 percentage point as compared with the end of the previous year.

As of the end of the reporting period, the non-performing loan ratio of the Company's residential mortgage loans was 0.40%, representing an increase of 0.03 percentage point as compared with the end of the previous year. The special-mentioned loan ratio was 1.16%, representing an increase of 0.21 percentage point as compared with the end of the previous year. The overdue loan ratio was 0.69%, representing an increase of 0.15 percentage point as compared with the end of the previous year. The Company had always been regularly monitoring and revaluating the value of the existing collaterals. As of the end of the reporting period, the weighted average loan-to-value ratio of the Company's residential mortgage loans was 33.05%, representing an increase of 0.12 percentage point as compared with the end of the previous year, and the collaterals were sufficient and stable. Therefore, the overall risk of residential mortgage loans was controllable.

In terms of front-end business onboarding, the Company adhered to the "three selections" strategy of "selected customer groups, selected collaterals, and selected regions". At the same time, the Company resolutely implemented the national policy and adhered to the implementation of city-specific policy, paid attention to risk prevention and control, and strived to improve the risk resistance capabilities of residential mortgage loan business.

Risk control over consumer credit business

The Company insisted on focusing on the acquisition of value customers, further exploring the upgraded consumption scenarios and the comprehensive consumption scenarios of individuals or households encouraged by national policies, and developing the consumer credit business in a steady and healthy manner. Thanks to the continuous optimisation of the Company's customer base and the asset structure, as well as the application of various risk management strategies, the consumer credit business maintained stable growth while the risk level was generally stable.

As of the end of the reporting period, the non-performing loan amount of the Company's consumer credit business (including credit cards) was RMB20.321 billion, representing an increase of RMB655 million as compared with the end of the previous year; the non-performing loan ratio was 1.57%, representing a decrease of 0.02 percentage point as compared with the end of the previous year. The special-mentioned loan ratio was 2.74%, representing an increase of 0.08 percentage point as compared with the end of the previous year and the overdue loan ratio was 3.00%, representing an increase of 0.26 percentage point as compared with the end of the previous year.

In the future, in the face of changes in the risk situation, the Company will continue to improve the refined risk management and control strategy for consumer credit business. In terms of customer selection, the Company will insist on selecting high-quality customer groups, continuously adjust and optimise the model based on the risk performance of customer groups under the changing risk situation, and carried out differentiated allocation of models according to the risk performance of different regions, and strive to improve the accuracy of risk identification. In terms of post-loan disposal, the Company will improve and consolidate the disposal capacity system for credit loans, manage and control by stages, and comprehensively use diversified disposal methods to improve collection efficiency. The Company will take various measures to maintain a relatively outstanding level of asset quality of consumer credit business in the industry.

Control over the risks relating to micro-finance loan business

The Company adhered to the implementation of the national strategy of vigorously supporting the development of small- and micro-sized enterprises, accelerated the pace of retail micro-finance asset origination and loan extension, promoted the high-quality development of micro-finance loan business, while leveraging Fintech to explore product and service innovation, so as to further improve the quality and efficiency of financial services for small- and micro-sized customers.

As of the end of the reporting period, the balance of retail micro-finance loans of the Company amounted to RMB806.112 billion, representing an increase of 7.51% as compared with the end of the previous year, accounting for 12.60% of the Company's total loans and advances and representing an increase of 0.44 percentage point as compared with the end of the previous year. As of the end of the reporting period, the non-performing loan ratio of the Company's retail micro-finance loans was 0.63%, representing an increase of 0.02 percentage point as compared with the end of the previous year. The special-mentioned loan ratio was 0.43%, representing an increase of 0.08 percentage point as compared with the end of the previous year. The overdue loan ratio was 0.78%, representing an increase of 0.08 percentage point as compared with the end of the previous year.

In the future, the Company will pay close attention to changes in the market situation and improve the capabilities to analyse and judge the risk situation. In terms of front-end business onboarding, the Company will insist on selection of high-quality customer groups and regions. Meanwhile, the Company will enrich the risk monitoring data dimensions, carry out proactive risk management, identify risks earlier, give warnings earlier, expose risks earlier and dispose of risks earlier, so as to maintain a relatively outstanding level of quality of micro-finance loan assets in the industry.

Control over the risks relating to industries under list-based management

During the reporting period, the Company implemented differentiated management for customers in the 13 industries under list-based management[11] which have leading enterprises enjoying high market share and are significantly affected by supply-side structural reforms or the "carbon peak and carbon neutrality" policies.

As of the end of the reporting period, the Company's full-calibre business financing exposure in industries under list-based management was RMB194.581 billion[12], representing an increase of RMB20.694 billion as compared with the beginning of the year, mainly extended to strategic customers of the Head Office level and branch level and whitelist customers. The non-performing loan ratio of the industries under list-based management was 0.60%, remaining at the same level as the beginning of the year. Affected by the continuous decline in the business scale of segmented industries and the risk exposure of individual customers with existing risks, the non-performing loan ratio of the industries such as metal ore mining and processing, steel industries increased as compared with the beginning of the year, while the non-performing loan ratios of other industries remained at the same level or decreased as compared with the beginning of the year.

In view of the fact that the Company's basic customer groups of the industries under list-based management are mainly "whitelist" customers and strategic customers of the Head Office level and branch level, which have certain industry competitive advantages and relatively strong capabilities to resist external risks, it is expected that the risks in this field are generally controllable. In the future, the Company will dynamically adjust credit policies in relevant fields according to national industrial policies, financial regulatory policies and market condition.

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11 In 2024, the industries under list-based management include 13 industries such as coal, coal trade, steel, steel trade, non-ferrous metals, metal ore mining and processing, flat glass, basic chemical, coal chemical, synthetic material manufacturing, chemical fiber, financial leasing and commercial leasing.

12 In 2024, the statistical calibre of the industries under list-based management has been changed, and the figures at the beginning of the year have been retrospectively adjusted in accordance with the same statistical calibre.

3.9.8 Capital management

The Rules on Capital Management of Commercial Banks (hereinafter referred to as the "New Capital Rules") took effect on 1 January 2024. Under the New Capital Rules, the capital occupation of the credit business will decrease in general, and the capital occupation of the financial markets business will increase slightly. As for the Company, the New Capital Rules will lead to increase and decrease in the capital occupation for different businesses. During the reporting period, the Company comprehensively upgraded its internal capital management system, continuously optimised and adjusted its business structure and operating strategies, and strengthened capital management under the guidance of the New Capital Rules. The Company's capital adequacy ratio at all levels, leverage ratio and other operating indicators were maintained at a relatively high level, which met various capital requirements and additional regulatory requirements of the regulatory authorities of the finance industry during the reporting period with sufficient capital buffer. As of the end of the reporting period, the ratio of risk-weighted assets to total assets of the Company under the Advanced Measurement Approach was 55.94%. During the reporting period, the risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach of the Company was 26.43%, significantly higher than the cost of capital.

The Company adheres to the development strategy of marketisation, branding and internationalisation, continuously advances the innovation and development of asset securitisation business and continuously enriches capital management tools. During the reporting period, the Company issued four asset securitisation projects through the inter-bank market with a total scale of RMB958 million. The underlying assets were non-performing loans.

In the future, the Company will continue to optimise the capital allocation strategies, strengthen the asset-liability portfolio management, continue to enhance the concept of refined capital management, improve the capital return management mechanism, improve the efficiency of capital use, promote the dynamically balanced development of "Quality, Profitability and Scale", constantly enhance the capability of endogenous growth of capital and make comprehensive plan of the use of various capital instruments and raise capital in numerous channels and methods to ensure the steady operation of the capital adequacy ratio.

3.10 Business Operation

3.10.1 Retail finance business

Business overview

During the reporting period, the profit before tax from the retail finance business of the Company amounted to RMB49.969 billion, representing a year-on-year decrease of 0.59%. The net operating income from the retail finance business amounted to RMB93.925 billion, representing a year-on-year decrease of 2.88% and accounting for 59.58% of the net operating income of the Company. The net interest income from the retail finance business amounted to RMB68.908 billion, representing a year-on-year increase of 5.67% and accounting for 73.36% of the net operating income from retail finance. The net non-interest income from the retail finance business amounted to RMB25.017 billion, representing a year-on-year decrease of 20.59% while accounting for 26.64% of the net operating income from retail finance and 44.77% of the net non-interest income of the Company. During the reporting period, the fee and commission income from retail wealth management business of the Company was RMB10.634 billion, representing a year-on-year decrease of 34.06% and accounting for 43.55% of the net fee and commission income from retail finance; the Company recorded a fee income of RMB8.572 billion from retail bank card business, representing a year-on-year decrease of 14.16%.

During the reporting period, by adhering to its core value of "being customer-centric and creating value for customers", the Company returned to the origin of customers, focused on needs of customers in "deposit, loan, and remittance", improved the customer service system, enhanced experience of products and functionalities, strengthened coordinated operation of different channels, and made full use of Fintech and other tools to provide customers with convenient, preferential and safe comprehensive retail finance services.

Retail customers and total assets under management for retail customers

During the reporting period, the Company always started from the needs of customers, focused on value creation and seized market opportunities, so as to further consolidate the systematic and refined advantages of its retail business. On one hand, the Company strengthened customer expansion. The Company proactively promoted the strategic deployment in key regions to strengthen its ability to expand group finance service. On the other hand, the Company deepened customer service. The Company improved its service system and iterated its service model to provide customers with comprehensive financial service solutions to meet their diversified needs. At the same time, the Company promoted product innovation, expanded the offerings of products and made full use of Fintech to improve asset allocation efficiency. During the reporting period, the number of retail customers and the balance of the total assets under management (AUM) from retail customers of the Company maintained stable growth.

As of the end of the reporting period, the Company had 202 million retail customers (including debit and credit card customers), representing an increase of 2.54% as compared with the end of the previous year, among which the number of customers in the level of Golden Sunflower and above (those with minimum daily average total assets of RMB500,000 for each month) reached 4,996,400, representing an increase of 7.67% as compared with the end of the previous year.

As of the end of the reporting period, the balance of total assets under management (AUM) for retail customers of the Company amounted to RMB14,203.083 billion, representing an increase of 6.62% as compared with the end of the previous year. Among them, the balance of total assets under management for the customers in the level of Golden Sunflower and above amounted to RMB11,580.370 billion, representing an increase of 7.03% as compared with the end of the previous year. As of the end of the reporting period, the balance of deposits from retail customers of the Company amounted to RMB3,596.594 billion, representing an increase of 8.52% as compared with the end of the previous year. During the reporting period, 51.38% of the daily average balance of deposits from retail customers of the Company was demand deposits.

Wealth management

As of the end of the reporting period, the Company's balance of retail wealth management products amounted to RMB3,755.119 billion, representing an increase of 7.30% as compared with the end of the previous year. The increase was mainly due to the fact that the Company further increased the allocation of stable products based on customers' wealth management needs, and the scale of wealth management products continued to grow. During the reporting period, the agency distribution of non-money-market mutual funds of the Company totalled RMB289.028 billion, representing an increase of 89.39% year-on-year. The increase was mainly due to changes in customer risk appetite and the sales of more stable bond fund increased year-on-year. During the reporting period, the Company achieved the agency distribution of insurance premiums of RMB64.141 billion, representing an increase of 11.76% year-on-year. The increase was mainly due to the fact that the Company further grasped the long-term stable asset allocation needs of customers under the background of continuous decline in risk-free interest rates in the first half of the year. During the reporting period, the Company recorded RMB33.366 billion in agency distribution of trust schemes, representing a decrease of 32.54% as compared with the corresponding period of the previous year, which was mainly due to the fact that the capital market was volatile and the customers' demand for allocation to equity products weakened.

During the reporting period, the Company recorded a fee and commission income from retail wealth management business of RMB10.634 billion, among which income from agency distribution of insurance policies amounted to RMB3.683 billion, income from agency distribution of wealth management products amounted to RMB3.494 billion, income from agency distribution of funds amounted to RMB2.239 billion, income from agency distribution of trust schemes amounted to RMB1.056 billion, and other income amounted to RMB162 million. For details of the reasons of changes in fee and commission income from wealth management business, please refer to 3.9.2 "Net non-interest income" in this chapter.

During the reporting period, starting from customers' demands, the Company strengthened its capability of offering professional services, intensified its efforts in innovation, improved management levels, and continued to iterate the omni-channel service system based on "people + digitalisation", to help customers achieve asset preservation and appreciation.

First, the Company built a five-in-one service network of "channel + scenario + operation + product + customer base" and stepped up efforts in converting customers with payment and settlement demands towards wealth management demands. The Company continued to expand the number of customers holding our wealth management products by continuously improving customer service experience in omni-channel, all journeys and all products. As of the end of the reporting period, the Company had 54,728,800 customers holding our wealth management products, representing an increase of 6.52% as compared with the end of the previous year.

Second, the Company adjusted and optimised its product strategy in response to changes in customer demand. In terms of fund products, the Company further strengthened the exploration of market opportunities, flexibly matched business strategies, and improved the comprehensive yields of customers. In terms of wealth management products, the Company continued to introduce and innovate conservative investment products to expand the scale of wealth management products in close collaboration with its partners based on the customers' asset allocation needs. In terms of insurance products, focusing on customer needs such as health, elderly care and inheritance, the Company enhanced customers' sense of gain through the system of "financial products + rights and interests in service". At the same time, the Company strengthened the construction of online operation capacity, and promoted the growth of business scale through the segmentation and classification-based refined operation and improved customer coverage.

Third, the Company constantly promoted the "CMB TREE Asset Allocation Service System" and upgraded the customer's whole-process accompanying service system, to guide customers in making scientific and reasonable asset allocation. In terms of professional empowerment, the Company focused on strengthening the asset inspection and position risk monitoring of customer accounts at key points in time, and continued to guide customers to optimise their allocation. In terms of system empowerment, the TREE asset allocation and customer companionship service platform were upgraded to form a closed loop of online and offline omni-channel and whole-process services. As of the end of the reporting period, the Company had 9,983,500 customers who conducted asset allocation under such system, representing an increase of 9.53% as compared with the end of the previous year.

Fourth, the Company worked with partners to build a wealth management ecosystem to enhance comprehensive wealth management service capabilities. The Company constantly optimised the service capabilities of "Zhao Cai Hao (招財號)", an open platform of wealth management business on CMB APP. Focusing on the customer journey, using "data" as the core production factor and "technology" as the core production tool, the Company will deepen operational cooperation and better leverage the multiplier effect of value creation. As of the end of the reporting period, "Zhao Cai Hao (招財號)" on CMB APP has onboarded in total 157 asset management institutions with industrial representativeness.

Private banking

As of the end of the reporting period, the Company had 158,434 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 6.44% as compared with the end of the previous year.

During the reporting period, the Company continuously improved and upgraded the comprehensive service system of "individual, family, enterprise and society"[13] to improve the quality and efficiency of customer service.

Firstly, the Company strengthened asset allocation in response to changes in trends. By gauging customers' core demands for stable and safe products and responding to market changes, the Company enhanced the utilisation of all products and strengthened the allocation of stable and conservative products. Focusing on satisfying customers' demand for wealth inheritance, the Company enriched types of the family trust business and innovated service methods to provide full-life cycle accompanying wealth management services for customers during the changing environment and to improve customer experience.

Secondly, the Company deepened the application of technology and upgraded online services. The Company introduced Premium Version of CMB App to provide more friendly user experience of customer journey and improve the allocation efficiency of wealth products. Through building a one-stop smart service platform with information aggregation and demands gathering, the Company could identify, analyse and understand customer demands in an all-round manner and empower advisory asset allocation services.

Thirdly, the Company fulfilled its social responsibility and contributed to common good. Adhering to the original aspiration and mission of serving the real economy and the needs of the people, the Company provided comprehensive services to customers and the enterprises with them. By innovating the service model of family trust and building corporate charitable trusts, the Company helped other corporates to perform its social responsibility. The Company actively spread the concept of charity and advocated wealth for common good.

Fourthly, the Company adhered to sound operation and strengthened compliance management. The Company focused on investor suitability management, continuously improved system construction and whole-process compliance sales, and enhanced risk matching between customers and products, and enhanced consumer rights protection to ensure the stable operation of the business.

Credit cards

As of the end of the reporting period, the Company had issued an aggregate of 96.6642 million active credit cards, representing a decrease of 0.47% as compared with the end of the previous year, and there were 69.3485 million active credit card users, representing a decrease of 0.56% as compared with the end of the previous year, mainly due to the decrease in newly-acquired customers as the Company placed more emphasis on high-quality customer acquisition. During the reporting period, the credit card transactions of the Company amounted to RMB2,209.742 billion, representing a decrease of 6.84% as compared with the corresponding period of the previous year. Interest income from credit cards amounted to RMB32.209 billion, representing an increase of 2.82% as compared with the corresponding period of the previous year. Non-interest income from credit cards amounted to RMB12.499 billion, representing a decrease of 10.14% as compared with the corresponding period of the previous year. For details of the scale and quality of the credit card loans of the Company, please refer to 3.9.7 "Asset quality in key areas" in this chapter.

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13 The term "individual, family, enterprise and society" specifically refers to the needs of individuals, families, enterprises and the society.

In terms of risk management, the Company further deepened its operation strategy focusing on "stability and low volatility", continued to optimise its customer structure and build a reasonable asset portfolio. Meanwhile, the Company continuously strengthened the post-loan digital operation capability to improve operational quality and operational efficiency. During the reporting period, the quality of credit card assets remained stable. As of the end of the reporting period, the balance of non-performing credit card loans was RMB16.391 billion, representing a non-performing loan ratio of 1.78% with an increase of 0.03 percentage point from the end of the previous year. In view of the current complicated external environment, the Company will continuously strengthen value customer acquisition, focus on supporting the growth of high-quality assets with medium and low risks, improve the disposal efficiency of non-performing assets, build a solid foundation for asset quality, and promote high quality development of its credit card business.

In terms of business development, the Company adhered to the value-oriented approach, continued to optimise credit card products and services. Firstly, the Company continued to promote the transformation of customer acquisition strategies to facilitate the acquisition of high-quality customers. Additionally, the Company upgraded its credit card product offerings by launching one chip with dual applications credit card of MasterCard for domestic and overseas purchases. Secondly, the Company applied a combination of measures to boost consumption, including seizing opportunities arising from the travel peaks during the Spring Festival and Labour Day to launch the themed marketing campaign of "Extraordinary Overseas Tours (非常境外遊)", and carrying out activities such as "Cashback (筆筆返現)" and "Instant Discount (收銀台立減)" in accordance with the timing of e-commerce promotions to stimulate consumption vitality. Thirdly, the Company continued to strengthen its asset origination capabilities and focus on the operation of instalment assets such as automobile instalments and bill instalments. The Company closely followed the consumption trends of the market, strengthened the operation of instalment transactions of new energy automobile brands, optimised the handling process, with an aim to provide customers with high-quality and efficient automobile finance services. Fourthly, the Company deepened its financial innovation based on the "people + digitalisation" mechanism. With continuous efforts on customer service and post-loan management, the Company strengthened coordination of human and machine, improved operational efficiency and customer experience, and empowered high-quality business development. In addition, the Company has further deepened the operation of the CMB Life APP. For details of the CMB Life APP, please refer to 3.10.3 "Distribution channel" in this chapter.

Retail loans

As of the end of the reporting period, the balance of retail loans of the Company amounted to RMB3,474.212 billion, representing an increase of 2.98% as compared with the end of the previous year and accounting for 54.32% of the Company's total loans and advances to customers, down by 0.39 percentage point as compared with the end of the previous year. Among them, the balance of the Company's retail loans (excluding credit card loans) reached RMB2,554.874 billion, representing an increase of 4.80% as compared with the end of the previous year, accounting for 39.95% of total loans and advances to customers of the Company and representing an increase of 0.42 percentage point as compared with the end of the previous year.

As to business development, the Company proactively adapted to the changes in the supply and demand relationship in the real estate market, implemented various policies to promote the stable and healthy development of the real estate market, continued to focus on meeting demands of first-time home buyers and diversified housing demands for improvement of housebuyers, accelerated the promotion of second-hand housing business, thus achieving stable and healthy development of the residential mortgage loan business. Furthermore, while maintaining proper risk control management and stable asset quality, the Company proactively adjusted its business structure and increased its efforts in the granting of micro-finance loans and consumer loans. With respect to micro-finance loans, the Company strictly implemented various regulatory requirements, enriched its product portfolio and strengthened its product innovation to meet the diversified needs of micro-finance loan customers and reduce financing costs of micro-finance loan customers, so as to constantly improve the quality and efficiency of micro-finance services. With respect to the consumer loan business, the Company insisted on selecting value customers and high-quality customers with good credit standing, and continued to improve its big data risk control capabilities. While strictly reviewing customers' joint debts, the Company carried out segmented management of customer groups with different needs, and reduced operating costs. As of the end of the reporting period, the Company recorded a balance of residential mortgage loans of RMB1,363.243 billion, representing a decrease of 0.99% as compared with the end of the previous year. The balance of retail micro-finance loans amounted to RMB806.112 billion, representing an increase of 7.51% as compared with the end of the previous year. The balance of consumer loans amounted to RMB377.745 billion, up by 25.27% as compared with the end of the previous year. During the reporting period, the number of retail loan (excluding credit card loans) customers of the Company increased by 4.4830 million, representing a year-on-year increase of 12.38%. The expansion of customer base was mainly attributable to the light model of customer acquisition through online platform.

In terms of risk management, the Company will continuously adhere to its risk strategy of "selected customers, selected collaterals, and selected regions" and continue to strengthen its risk management system with quantitative risk control as the core. On this basis, firstly, the Company enhanced the forward-looking nature of risk management, strengthened the monitoring and prediction of market risks, and adjusted its risk management and control strategies in a timely manner in line with changes in market conditions; secondly, the Company improved the level of refinement of risk management and set differentiated models and strategies based on the risk performance of different regions; thirdly, the Company established prepositive procedures for risk management and control, and implemented appropriate policies according to the characteristics of different customer groups. As of the end of the reporting period, the balance of the Company's retail special-mentioned loans (excluding credit card loans) amounted to RMB21.271 billion, with the special-mentioned loan ratio being 0.83%, representing an increase of 0.12 percentage point as compared with the end of the previous year. As of the end of the reporting period, the balance of the Company's non-performing retail loans (excluding credit card loans) amounted to RMB15.534 billion, with the non-performing loan ratio of 0.61%, representing an increase of 0.03 percentage point as compared with the end of the previous year. Excluding credit card loans, the collateralised and pledged loans accounted for 46.20% of the Company's newly-formed non-performing retail loans during the reporting period, and the loan-to-value ratio of the above-mentioned collateralised and pledged loans at the end of the reporting period was 41.90%. The Company will actively expand diversified risk mitigation channels to further improve the disposal efficiency of non-performing assets.

3.10.2 Wholesale finance

Business overview

During the reporting period, the Company achieved profit before tax from wholesale finance business of RMB35.150 billion, representing an increase of 7.92% as compared with the corresponding period of the previous year. The net operating income from wholesale finance business of the Company was RMB64.669 billion, representing a decrease of 1.11% as compared with the corresponding period of the previous year, and accounting for 41.02% of the net operating income of the Company. Among them, net interest income of wholesale finance business amounted to RMB37.030 billion, representing a decrease of 12.65% as compared with the corresponding period of the previous year, and accounting for 57.26% of the net operating income of wholesale finance business; the net non-interest income of wholesale finance business amounted to RMB27.639 billion, representing an increase of 20.17% as compared with the corresponding period of the previous year, and accounting for 42.74% of the net operating income of wholesale finance business, and 49.46% of the net non-interest income of the Company.

During the reporting period, the Company proactively integrated into the construction of national modern industrial system. The Company focused on the development of key sectors, including sci-tech finance, green finance, inclusive finance, retirement finance and digital finance, etc., and continued to promote the optimisation and adjustment of the wholesale customer structure and business structure, so as to accelerate the development of its advantages of featured finance and enhance the quality and efficiency of serving the real economy.

With the service philosophy of the integrated operation of investment and commercial banking business, the Company promoted the development of the real economy, accelerated the transformation of corporate customer services, and provided three-dimensional, all-round and multi-level financing support to corporate clients by focusing on the direct and indirect financing markets. As of the end of the reporting period, the Company's balance of the financing products aggregate to corporate customers (FPA) was RMB5,994.738 billion[14], representing an increase of RMB424.064 billion over the beginning of the year. Among them, the balance of traditional financing[15] was RMB3,385.911 billion, representing an increase of RMB183.017 billion over the beginning of the year; the balance of non-traditional financing[16] was RMB2,608.827 billion, representing an increase of RMB241.047 billion over the beginning of the year. The balance of non-traditional financing accounted for 43.52% of the balance of FPA, representing an increase of 1.02 percentage points over the beginning of the year.

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14 Since the scope of general corporate loans included in FPA was adjusted in this period, the same-calibre adjustment was made to the data at the beginning of the period, with the opening balance of the adjusted FPA of RMB5,570.674 billion, of which the amount of traditional financing totalled RMB3,202.894 billion and the amount of non-traditional financing totalled RMB2,367.780 billion.

15 Traditional financing comprises general corporate loans and commercial bills discounting (including transfer-out of outstanding bills), acceptance, letters of credit, financial guarantees and non-financial guarantees.

16 The eight compositions of non-traditional financing include: asset operation, proprietary non-standardised corporate investments, financing wealth management, debt financing instruments with the Company as the lead underwriter, matching transactions, financial leasing, cross-border coordination financing and leading syndicated loans.

Wholesale customers

The Company has established a corporate customer service system with segmentation and classification-based management for strategic customers, institutional customers, financial institution customers, cross-border customers and basic customers. During the reporting period, the Company adhered to its original aspiration of serving the real economy, continued to deepen the segmentation and classification-based management for customers, and optimised high-quality corporate customer acquisition model by focusing on the direction of industry upgrading. Accordingly, both the quantity and quality of wholesale customers have been improved. As of the end of the reporting period, the total number of corporate customers of the Company was 2,974,500, representing an increase of 5.46% as compared with the end of the previous year. The number of newly acquired corporate customers during the reporting period was 255,300.

In terms of strategic customers, the Company continued to optimise and upgrade its strategic customer service model by enhancing industry understanding, improving capability of the industry-specialised service for strategic customers, integrating resources, deepening industry chain and investment chain operations for strategic customers and upgrading the industrial service model through innovation. As of the end of the reporting period, the Company had 321 strategic customers of the Head Office level[17], with a daily average balance of deposits of RMB1,050.333 billion, representing a decrease of 1.94% as compared with the previous year, and the balance of loans was RMB1,176.434 billion, representing an increase of 5.18% as compared with the end of the previous year. As of the end of the reporting period, the number of strategic customers of the Company of the branch level[18] was 7,013. The daily average balance of deposits was RMB795.108 billion, representing an increase of 2.68% as compared with the previous year, and the balance of loans was RMB459.840 billion, representing an increase of 12.91% as compared with the end of the previous year.

With regard to its institutional customers, the Company continued to diversify customer services and improve customer service experience focusing on scenarios including industry funds, local government special-purpose bonds, taxation, "three medical services" (medical insurance, medical care, medicines), government services and other areas, provided differentiated services for governments at all levels and institutional customers of all types, and facilitated systematic platform operation and all-round value creation for institutional business through the service chain. In terms of serving national government institutions, the Company continued to leverage on its advantages in professional, featured and digital services, and strengthened the multi-dimensional cooperation with national government institutions in terms of policies, qualifications, systems, data and other aspects. In terms of serving local government institutions, the Company provided customers with a package of solutions encompassing intellectual, financing and technology supports, focusing on serving the society and people's livelihood, serving the real economy and serving the national strategy, so as to accelerate the development of new quality productive forces. As of the end of the reporting period, the Company had 60,900 institutional customers[19], representing an increase of 4.28% as compared with the beginning of the year, with an average daily deposit balance of RMB882.341 billion, representing an increase of 7.69% on the same calibre as compared with the previous year.

With regard to its financial institution customers, the Company returned to its original aspiration for customer operation and constantly improved its segmentation and classification-based operation system for financial institution customers. The Company focused on serving the group of top-tiered financial institution customers and enhancing its capabilities of the industry-specialised operation by promoting the operation of top-tiered customers and industries. At the same time, the Company cooperated with policy banks to carry out sub-loans services and implemented the decisions and arrangements related to the national inclusive finance development.

With regard to cross-border customers, the Company seized the historical opportunities of further opening up at a high level in China and the global operation of Chinese enterprises, and regarded cross-border finance as an important channel for acquiring and operating high-quality customers of corporate finance, aiming to establish itself as the "principal bank for settlement" of cross-border business for customers and the "global principal bank" for core customers. During the reporting period, the Company had 67,254 corporate customers in respect of international balance of payments.

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17 The number of strategic customers of the Head Office level is that of the group number as the strategic customers of the Head Office level served by the Company.

18 The number of strategic customers of the branch level is the corporate legal entity number of strategic customers of the branch level served by the Company.

19 The number of institutional customers is the total number of institutional customers served by the Company. The institutional customer classification list for 2024 has been adjusted.

With regard to basic customers, the Company gradually established and deepened the "people + digitalisation" service model, which improved the efficiency of empowering the service and operation for the basic customer groups. The Company used intelligent technologies to build big data customer profiles and customer potential identification models, and allocated appropriate channels and human resources based on customers' potential, aiming to consolidate the foundation of customer base and form a virtuous cycle of upward transfer and tiered growth of the corporate customers. During the reporting period, the Company served 41.5585 million times for corporate customers through various online channels, representing a year-on-year increase of 269.97%. During the reporting period, the Company had 1,188,400 corporate customers[20] for withholding transactions, representing an increase of 13.19% on the same calibre as compared with the corresponding period of the previous year. The transaction amount was RMB1.16 trillion, representing an increase of 8.76% on the same calibre as compared with the corresponding period of the previous year.

Corporate customer deposits

During the reporting period, the Company enhanced the fund origination from transaction and settlement based on the enterprise's operation scenarios, seized market opportunities and focused on key business scenarios, proactively expanded low-cost deposits. As of the end of the reporting period, corporate customer deposit balance was RMB4,739.839 billion, representing an increase of 4.01% as compared with the end of the previous year. The daily average balance was RMB4,580.466 billion, representing an increase of 1.05% as compared with the previous year. Demand deposits accounted for 53.02% of the average daily balance of corporate customers' deposits, representing a decrease of 4.90 percentage points as compared with the previous year. During the reporting period, the average cost rate of corporate customer deposits was 1.65%, representing a decrease of 10 basis points as compared with the previous year.

Corporate loans

As of the end of the reporting period, the Company's total corporate loans amounted to RMB2,486.604 billion, representing an increase of 7.11% as compared with the end of the previous year, accounting for 38.88% of the Company's total loans and advances and representing an increase of 1.23 percentage points as compared with the end of the previous year. Among them, the balance of medium- and long-term domestic corporate loans amounted to RMB1,503.917 billion, representing an increase of 5.49% as compared with the end of the previous year, accounting for 62.78% of the total domestic corporate loans and representing a decrease of 0.98 percentage point as compared with the end of the previous year. The non-performing loan ratio of the corporate loans was 1.08%, representing a decrease of 0.07 percentage point as compared with the end of the previous year.

As of the end of the reporting period, the balance of loans to domestic national-standard large enterprises was RMB1,098.162 billion, representing an increase of 7.45% as compared with the end of the previous year, accounting for 45.84% of the domestic corporate loans and representing an increase of 0.14 percentage point as compared with the end of the previous year; and the non-performing loan ratio was 0.75%, representing a decrease of 0.09 percentage point as compared with the end of the previous year. The balance of loans to domestic national-standard medium-sized enterprises was RMB581.996 billion, representing an increase of 0.50% as compared with the end of the previous year, accounting for 24.30% of the domestic corporate loans and representing a decrease of 1.60 percentage points as compared with the end of the previous year; and the non-performing loan ratio was 1.91%, which remained at the same level as compared with the end of the previous year. The balance of domestic national-standard small- and micro-sized enterprise loans was RMB533.889 billion, representing an increase of 10.16% as compared with the end of the previous year, accounting for 22.29% of the domestic corporate loans and representing an increase of 0.62 percentage point as compared with the end of the previous year, and the non-performing loan ratio was 0.67%, representing a decrease of 0.07 percentage point as compared with the end of the previous year. The balance of other domestic loans to enterprises[21] was RMB181.280 billion, representing an increase of 20.50% as compared with the end of the previous year, accounting for 7.57% of the domestic corporate loans and representing an increase of 0.84 percentage point as compared with the end of the previous year, and the non-performing loan ratio was 1.65%, representing a decrease of 0.10 percentage point as compared with the end of the previous year.

[20] The statistical calibre of the number and transaction amount of corporate customers for withholding transactions has been adjusted, so as to exclude the data for financial institution customers from the current period.

[21] Such loans include loans made by domestic institutions to overseas and offshore customers, domestic non-enterprise customers and self-employed businesses.

During the reporting period, the Company steadily promoted the structural adjustment of asset business, and focused on the development of key sectors such as sci-tech finance, green finance, inclusive finance, retirement finance, digital finance and other financial sectors in response to national policy guidance, so as to support the high-quality development of the real economy. As of the end of the reporting period, the balance of the corporate loans extended to the manufacturing industry was RMB579.528 billion, representing an increase of RMB24.426 billion as compared with the end of the previous year, accounting for 23.31% of the total corporate loans. The balance of green loans was RMB492.350 billion, representing an increase of RMB44.585 billion as compared with the end of the previous year, accounting for 19.80% of the total corporate loans. The balance of loans to strategic emerging industries was RMB382.693 billion, representing an increase of RMB7.596 billion as compared with the end of the previous year, accounting for 15.39% of the total corporate loans. For loans in key areas such as real estate, please refer to Chapter 3.9.3. For the details of green finance business, please refer to Chapter 4.2.3.

Sci-tech finance business

The Company continued to strengthen its financial services for technology-based enterprises, improved the organisational structure of sci-tech finance, and further expanded the layout of key branches for sci-tech finance, thereby increasing the number of key branches to 20. The Company continued to deepen the construction of "six specialised" working mechanism to serve sci-tech finance covering specialised teams, products, policies, institutions, assessments and processes, and increased policy support and resource input for sci-tech finance. The Company has upgraded and iterated "Sci-Tech Loan (科創貸)", optimised the product process and approval model, and carried out the bulk customer acquisition and service for sci-tech enterprises through major channels. As of the end of the reporting period, the number of sci-tech enterprise[22] customers of the Company reached 144,900, representing an increase of 5.80% as compared with the beginning of the year; and the balance of loans extended to sci-tech enterprises amounted to RMB582.997 billion, representing an increase of 8.35% as compared with the beginning of the year.

Inclusive finance business

During the reporting period, the Company focused on inclusive finance, and emphasised on promoting the innovation of standardised products and business models based on the overall idea of creating a new model for the development of inclusive finance with characteristics, so as to continuously improve the overall quality and efficiency of serving the real economy. As of the end of the reporting period, the balance of loans granted by the Company to inclusive small- and micro-sized enterprises amounted to RMB856.525 billion, representing an increase of 6.50% as compared with the end of the previous year, which was 2.78 percentage points higher than the overall loan growth rate of the Company. The number of inclusive small- and micro-sized enterprises with loan balance was 1,095,300, representing an increase of 90,800 as compared with the end of the previous year. During the reporting period, the Company has newly issued inclusive loans of RMB324.519 billion for inclusive small- and micro-sized enterprises, with an average interest rate of 4.37%, down by 11 basis points as compared with the end of the previous year.

With regard to its supply chain and scenario-based finance, the Company, relying on the national modernisation system and the policy for industries with regional advantages, further enhanced its supply chain product system in accordance with the requirements of the policy of "strengthening financial services for supply chain industry chain" advocated by the country. The Company provided integrated and localised supply chain finance and comprehensive financial services to core enterprises in the supply chain and their upstream and downstream enterprises through the innovative service model of "One Entire Bank for One Customer". During the reporting period, the business volume of the Company's supply chain financing amounted to RMB452.950 billion, representing a year-on-year increase of 23.95%.

Retirement finance business

During the reporting period, following the national development strategy of accelerating the formation of a multi-level and multi-pillar pension insurance system, the Company regarded the retirement finance business as a strategic business of the Bank with continuously increased input of resources. Leveraging its competitive advantages as a fully licenced financial institution for retirement finance, the Company provided customers with all-round, one-stop, personalised and comprehensive solutions for retirement finance, and promoted its retirement finance business into a new stage of high-quality development.

In terms of the first pillar, the Company offered convenient online services for insured persons such as social security inquiry, qualification certification, annual report review and other services. As of the end of the reporting period, the Company has issued a total of 68,886,700 electronic social security cards, representing an increase of 10.07% as compared with the end of the previous year.

22 Starting from the current period, the statistics of sci-tech enterprise customers and loans are based on the standards of the National Financial Regulatory Administration.

In terms of the second pillar, the Company strengthened the construction of core capability with distinctive services and formed its differentiated competitive advantages. As of the end of the reporting period, the Company provided entrusted enterprise annuity operation services to 29 co-ordination areas across the country, and provided entrusted annuity and account management services to more than 9,000 enterprises. As of the end of the reporting period, the number of enterprise annuity accounts under management reached 2,214,600.

In terms of the third pillar, a total of 6,680,000 individual pension fund accounts had been opened as of the end of the reporting period, representing an increase of 24.72% as compared with the end of the previous year.

At the same time, the custody service has covered in depth the three-pillar pension insurance system. As of the end of the reporting period, the pension funds under custody amounted to RMB1.17 trillion, representing an increase of 11.43% as compared with the end of the previous year.

Bill business

During the reporting period, the Company further deepened the transformation of comprehensive services for bill customers, continuously improved the experience of bill customers and its asset operation capabilities, and actively responded to the changes in the external markets. During the reporting period, the number of customers of bill business of the Company was 143,963 with a year-on-year increase of 24.01%, of which 78.59% were micro-, small- and medium-sized customers. The volume of direct bill discounting business of the Company was RMB1,300.396 billion during the reporting period, representing a year-on-year increase of 85.39%, mainly due to the shortening of the maximum term of bills and the increase in the overall business volume of the market during the reporting period. The volume of direct bill discounting business of the Company ranked second in the market (data from the China Banking Association), of which the volume of commercial acceptance bill discounting business of the Company was RMB152.231 billion. As of the end of the reporting period, the Company’s bill discounting balance was RMB434.817 billion, representing a decrease of 7.71% as compared with the end of the previous year, mainly due to the active adjustment and optimisation of the Company’s category asset allocation affected by the decrease in interest rate in the bill market.

During the reporting period, the Company has kept on implementing the rediscounting policy of the People’s Bank of China, supports enterprise financing through rediscounting. During the reporting period, the business volume of bill rediscounting amounted to RMB118.470 billion, representing a year-on-year decrease of 4.94%. As of the end of the reporting period, the Company’s rediscounting balance was RMB67.854 billion, representing a decrease of 32.92% as compared with the end of the previous year, mainly affected by the decrease in the funding interest rate in the market.

Transaction banking business

During the reporting period, the Company seized the strategic opportunities for the construction of “Digital China” and “Digital Finance”, continuously upgraded the services of “Enterprise Digital Intelligent Finance (企業數智金融)”, and enhanced its product innovation capability, operation capability and ecological linking capability. The Company focused on building an integrated product service system of “Collection, Payment, Treasury Management, Financing and Connection” for enterprise production and operation. By actively integrating with the digital transformation of enterprises that empower the bidirectional circulation of enterprise operation and capital operation, the Company realized the acquisition and operation of high-quality customers and explored new growth points for the corporate banking business.

Relying on Fintech, the Company accelerated the online migration of whole-process of corporate banking business and enhanced the convenience and efficiency of “Online Finance” services. During the reporting period, the online operation of the financing business of the Company was further enhanced. Based on digital risk control technology, the Company continued to upgrade its “Flash Series (閃電系列)” of domestic trade finance products to improve the handling efficiency of short-term financing for enterprises. Furthermore, the Company continued to upgrade the “people + digitalisation” whole-process companion model and deepened the application of artificial intelligence technology, which assisted customers in handling complicated operations of corporate financial products, forming a comprehensive service system of instant response to customer needs. During the reporting period, the letters and certificates issuance business transactions of the Company amounted to RMB258.827 billion, representing a year-on-year increase of 3.34%; the domestic trade finance business volume amounted to RMB656.992 billion, representing a year-on-year increase of 12.37%.

Based on the demand for upgrading treasury management, the Company took the Treasury Management Cloud as the digital service platform for enterprises to assist different types of enterprises in improving their efficiency in allocating financial resources. At the same time, the Company actively responded to the needs of large enterprises to accelerate the construction of treasury systems to provide professional digital services for the construction of the treasury systems of central state-owned enterprises, provincial and municipal state-owned enterprises and the treasury management of listed companies. During the reporting period, the Company won the bids for treasury management projects of numerous large enterprises. As of the end of the reporting period, the number of customers of Treasury Management Cloud services reached 540,700, representing an increase of 13.21% as compared with the end of the previous year.

The Company also actively explored the comprehensive digital services for enterprises under the scenario of "integration of business and finance". The Company innovated the payment service under characteristic scenarios for procurement scenarios based on the whole procurement process of enterprises, and facilitated the digital upgrade of the industry chain. As for the corporate sales scenarios, the Company relied on the "Corporate Cashier (企業收銀台)" to offer an omni-channel and whole-process unified sales collection service, assisting enterprises with digital upgrade of sales management. During the reporting period, the customers of corporate collection products reached 93,100, representing a year-on-year increase of 54.39%. The transaction amount of corporate collection products was RMB2.98 trillion.

Also, the Company continued to innovate the "Cloud-based H2H Connection" model to expand the connection between its digital platforms such as the Treasury Management Cloud with digital systems of government agencies, the Internet platform and the enterprises, which facilitated rapid access to the financial services of the Company by customers of mainstream SaaS vendors. The role of the Cloud-based H2H Connection as a connector in the integration of business and finance has been further highlighted. As of the end of the reporting period, the number of customers of the Cloud-based H2H Connection service of the Company reached 193,600, representing an increase of 14.02% as compared with the end of the previous year.

Cross-border finance business

During the reporting period, the Company seized market opportunities such as structural adjustment of import and export, global operation of Chinese enterprises and periodic recovery of cross-border capital market, focused on the operation of characteristic cross-border customer groups, strengthened product and service innovation, and strictly conducted risk and compliance management, strengthening the construction of team and fundamental capabilities. Leveraging the differentiated advantages of "domestic branches + offshore finance + overseas branches/subsidiaries + CMBIC", the Company provided integrated solutions for global operations of enterprises and promoted the high-quality development of cross-border finance. During the reporting period, the Company recorded USD258.110 billion of international balance of payments for corporate customers.

The Company centred on acquisition and operation of high-quality customers. Focusing on the target customer groups, the Company consolidated the basic customer groups of trade in goods, solidified its leading edge in serving customers of trade in services and enhanced its strengths in terms of capital account. By fully integrating with the high-quality customer acquisition system of wholesale finance and deepening the operation and management modal of "people + digitalisation", the Company continued to improve the number of cross-border business customers and its market coverage rate.

A featured brand of the "Global Operation of Chinese Enterprises" was built innovatively to improve the level of comprehensive cross-border services. The Company continued to expand the online service of "deposit, loan, remittance and currency exchange (存貸匯兑)", which was the basis of cross-border business, and improved its digitalisation level and user experience. The Company built a one-stop cross-border online service platform for online banking of enterprises to enhance customer base expansion, and leveraged the advantages of centralised operation of international documents to create accompanying professional services. As the first batch of pilot banks, the Company launched account service for multi-functional free trade accounts (EF accounts) in Hengqin and Hainan, expanding non-resident account system from three types of accounts to four types, further enriching the non-resident service solutions and innovative non-resident service models and providing customers with more choices.

The Company improved the risk compliance management system for cross-border business. The Company implemented reform of foreign exchange policy and facilitation measures in an efficient and high-quality manner, steadily promoted the pilot projects of foreign exchange business development, continued to optimise the anti-money laundering process of cross-border business and strengthened the construction of cross-border digital risk control capabilities.

Investment banking business

During the reporting period, the Company continued to build its unique advantages in investment banking business by improving efficiency through management and improving quality through innovation, thereby strengthening its ability to serve the real economy.

With respect to its bond underwriting business, the Company, with the original aspiration of serving the real economy, provided whole-process and systematic services to issuers and investors, supporting the development of key areas such as technological innovation, green industry and rural revitalisation. During the reporting period, the debt financing instruments with the Company as the lead underwriter amounted to RMB358.035 billion, ranking third among its industry peers (based on the data from the National Association of Financial Market Institutional Investors) and representing a year-on-year increase of 11.38%. It was mainly due to the continued ease of market liquidity in the first half of the year, with interest rates remaining relatively low and a window period for the issuance of long-term bonds. Among them, the Company ranked first by the size of perpetual bonds and sci-tech innovation notes underwritten by the Company among its industry peers.

With respect to its M&A financing business, under the key business scenarios such as the strategic emerging industry layout of state-owned enterprises and central state-owned enterprises, transformation and upgrading of domestic industry chains, mergers and acquisitions and restructuring of listed companies, the Company provided comprehensive financial services throughout the full-life cycle of M&A transactions by improving the product system and extending the service radius. During the reporting period, the Company's M&A financing business volume amounted to RMB108.681 billion, representing a year-on-year decrease of 18.52%, mainly affected by the decline in the size of domestic and overseas M&A markets.

With respect to its corporate wealth management business, the Company actively expanded cooperating institutions, and continued to improve the product system, thereby continuously enhancing customer service experience. During the reporting period, the Company's average daily balance of corporate wealth management products was RMB351.501 billion, representing an increase of 14.59% as compared with the previous year, mainly due to the gradual improvement of the Company's corporate wealth management service system and the continuous enhancement of its market competitiveness.

With respect to its market transactions (matching services) business, the Company sped up its role change from a loan provider to a fund originator, and continuously improved its capabilities in providing ecological service to corporate customers through the combination of funds and products in collaboration with different types of financial institutions. During the reporting period, the Company's market transaction (matching services) amounted to RMB176.874 billion, representing a year-on-year decrease of 11.32%, mainly due to the adjustment in its business structure.

CMB International Capital, a subsidiary of the Company, closely aligned with the Bank's strategic goal of building a value creation bank by making active business coordination with the Bank and strengthening the linkage mechanism of investment banking and commercial banking to jointly propel high-quality development. Notwithstanding the weak capital market in Hong Kong, CMB International Capital completed a total of 17 Hong Kong IPO projects during the reporting period, maintaining its leading position in terms of Hong Kong IPO underwriting business. According to the statistics of Bloomberg, CMB International Capital ranked first among all the investment banks in respect of the number of IPO underwriting in Hong Kong and second among the investment banks in respect of the market share of IPO underwriting in Hong Kong in the first half of the year.

Financial institution business

With respect to financial institution liability business, during the reporting period, the daily average balance of financial institution deposits of the Company amounted to RMB537.042 billion, representing a decrease of 5.02% as compared with the previous year, among which, financial institution demand deposits accounted for 93.29%, representing an increase of 1.69 percentage points as compared with the previous year. During the reporting period, the Company strengthened the structure management of financial institution deposits and proactively reduced the absorption of time deposits with a focus on high-value interbank clearing and settlement business scenarios to vigorously expanded the sources of low-cost liabilities, which partially relieved the pressure on the rising cost ratio of financial institution liabilities.

With respect to its depository service, the Company's security and future margin depository services were in stable operation. The Company partnered with 107 securities companies in third-party depository services and 17,137,700 customers were secured at the end of the reporting period, representing an increase of 3.13% as compared with the end of the previous year. Also, the Company entered into cooperation with 144 futures companies on fund transfer, securing 461,100 customers at the end of the reporting period, representing an increase of 8.96% as compared with the end of the previous year.

Asset Management Business

As of the end of the reporting period, the total asset management business of CMB Wealth Management, China Merchants Fund, CIGNA & CMAM, and CMB International Capital, all being subsidiaries of the Company, amounted to RMB4.46 trillion[23], representing a decrease of 0.52% as compared with the end of the previous year. Among them, the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.44 trillion, representing a decrease of 4.31% as compared with the end of the previous year; the scale of asset management business of China Merchants Fund amounted to RMB1.61 trillion, representing an increase of 3.87% as compared with the end of the previous year; the scale of asset management business of CIGNA & CMAM amounted to RMB285.967 billion, representing an increase of 6.87% as compared with the end of the previous year; the scale of asset management business of CMB International Capital amounted to RMB121.652 billion, representing an increase of 7.21% as compared with the end of the previous year.

CMB Wealth Management insisted on leveraging management and innovation as two pivotal drivers for the continuous consolidation of its development foundation. The balance of wealth management products under management as at the end of reporting period increased by RMB42.055 billion as compared with the end of the first quarter. **In terms of product layout**, CMB Wealth Management closely integrated the needs of market and wealth management customers, intensified the layout of products such as cash short-term debt and fixed income products. Additionally, it innovatively increased the business hours for short-term debt products to 24 hours, continuously enhancing the investor experience. **In terms of investment and research capabilities building**, it adhered to a prudent investment direction and continued to develop corresponding investment and research capabilities. By actively seizing market opportunities and conducting in-depth research on the industry and other aspects, it carefully selected individual stocks and achieved favorable investment returns in a stock market environment characterised by structural differentiation. **In terms of risk management**, adhering to a cautious and sound risk management philosophy, CMB Wealth Management formulated and implemented annual risk strategies for industries under key management and businesses with major support during the reporting period, while strengthening credit risk management and control. It optimised risk quantification assessment models to enhance the timeliness for pre-warning and monitoring of market risk and liquidity risk. Moreover, internal control manuals were developed for key areas and high-risk business segments, further reinforcing the internal control mechanism.

Adhering to the inclusive finance positioning of mutual funds and following its "high-quality development" requirements, China Merchants Fund continued to improve the quality and efficiency of mutual funds and consolidated its foundation, while upholding fundamental principles and breaking new ground (守正創新) and insisting on strict management, thus maintaining a momentum of quality and efficiency improvement and seeking progress while maintaining stability in general. **In terms of investment and research capabilities building**, China Merchants Fund deeply practiced the investment and research values of "duty, focus and openness (本分、專注、開放)" and continued to strengthen the integration mechanism of investment and research so as to promote the construction of investment and research platform. **In terms of customer service**, it continued to provide thorough and detailed accompanying services to its investors, actively promoted fee reduction and profit sharing, steadily carried out the fund investment advisory business and implemented the philosophy of serving the people with finance to enhance the sense of achievement of customers. **In terms of product layout**, it continued to optimise the product structure, obtained the first approval of the public REITs business and accelerated the international layout of products. **In terms of risk management**, it improved its comprehensive risk management system and steadily promoted risk control and compliance and operational assurance, keeping business risks under great control. No major compliance risk incidents occurred during the reporting period.

CIGNA & CMAM was positioned as a professional and stable long-term capital management institution. It proactively integrated with overall strategic objectives of building a value creation bank by leveraging its long-term capital management capabilities and advantages of differentiated product creation. **With regard to the insurance fund fiduciary business**, it regarded enhancement of fiduciary investment returns as the core objective and survival foundation and focused on improving its investment and research capabilities to continuously enhance the synergy and linkage with principals. As of the end of the reporting period, the scale of insurance funds under entrusted management was RMB171.538 billion, representing an increase of 18.33% as compared with the end of the previous year. **In terms of product creation**, CIGNA & CMAM improved the capability of asset origination, further refined the requirements for target customers and projects' access, and accelerated the exploration of business directions such as asset securitisation and equity investment in strategic emerging industries. Based on the life insurance allocation and market demand, it seized opportunities in the wealth market to create portfolio asset management products with distinctive strategies. **In terms of operation and risk management**, it proceeded with high-quality ground work, established an efficient operation and management system, continued to improve the comprehensive risk management system, and accelerated the construction of digital infrastructure, with steady progress achieved.

[23] The total volume of asset management business of China Merchants Fund and CMB International Capital both included the data of their respective subsidiaries.

CMB International Capital consolidated and enhanced its business advantages and continuously expanded its service boundaries. **In respect of domestic asset management business,** CMB International Capital has maintained its position in the first echelon in the industry with its specialisation in private equity investment business. The investment efficiency, attractiveness for talents and industry influence of its domestic equity investment funds business continued to improve. During the reporting period, two IPO projects were successfully completed. **In respect of overseas asset management business**, it completed full exit after the IPO of a total of three investment projects with respect to CMB International Capital's private equity products during the reporting period. Meanwhile, CMB International Capital has made great efforts to develop money-market mutual funds business and maintained the leading position among its industry peers in terms of fund performance.

Assets custody business

As of the end of the reporting period, the balance of assets under custody of the Company was RMB22.06 trillion, representing an increase of 4.45% as compared with the end of the previous year. The total scale of custody ranked among the top of the industry.

The Company was committed to becoming the first choice of customers in respect of global custody banks with better services, stronger technology and better coordination. With the "China Merchants Bank Custody+ (招商銀行託管+)" service brand as its guide, the Company provided standardised products, personalised portfolios, intelligent tools and differentiated services to continuously help customers reduce costs and increase efficiency and achieve high-quality development.

Firstly, both the quantity and quality of custody business have been improved, the scale of custody has grown, and the structure has been continuously optimised. As of the end of the reporting period, the Company's asset management products[24] accounted for 89.24% of its incremental custody size, surpassing the average proportion of the industry by 4.60 percentage points (data from the Custody Business Professional Committee under China Banking Association). Among them, the scales of custody of four key businesses, including mutual funds, pension, insurance and cross-border business accounted for 29.64%, 1.68 percentage points higher as compared with the end of the previous year. The structure of custody business was optimised continuously. Secondly, the Company seized opportunities of market innovation to continuously enhance its business competitiveness and maintain the innovation advantages of the Company's public REITs. Thirdly, the Company made active efforts in propelling digitalisation, aiming to upgrade its service through technology empowerment. The Company actively explored the commercialisation mechanism of services, and developed a series of products under "Custody+" brand to improve business processing efficiency and customer experience, leading the upgrade of the custody service system.

Financial markets business

During the reporting period, the Company fully leveraged its strengths and features in fixed income, foreign exchange and other businesses. It continued to enhance its four major capabilities in investment research, customer service, risk management and Fintech, aiming to build differentiated competitive advantages in the financial market. In addition, the Company devoted its full support to the development of the real economy and remained committed to fulfilling its original mission of providing financial services.

In terms of investment transactions, the Company adhered to prudent operation, continued to strengthen macro policy research, market analysis and judgement, improved proprietary investments research and analysis framework, strengthened indicator tracking and monitoring, optimised the portfolio structure, and enhanced investments returns. Furthermore, the Company continued to actively provide liquidity to the market in the capacity as a market maker, closely followed the guidance of national economic strategies, and continued to enhance its quotation and trading services. During the reporting period, the transaction volume of RMB bond investments amounted to RMB1.62 trillion[25], representing a year-on-year increase of 17.39%.

In terms of client flow trading business, the Company continued to advocate the concept of neutral management of exchange rate risk to corporate customers. Under the "product + customer base" scenario-based business model, the Company provided tailored solutions against financial market risks such as exchange rate and interest rate risks faced by enterprises based on customers' main business scenarios and market changes. Meanwhile, the Company promoted the construction of the platform for client flow trading of financial market business in the free trade zone and overseas branches to serve the global operation of Chinese enterprise customers. During the reporting period, the number of wholesale customers of the Company involved in client flow tradings was 57,927, representing a year-on-year increase of 12.88%, and the transaction volume of client flow tradings of wholesale customers amounted to USD127.180 billion, representing a year-on-year increase of 11.66%.

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24 According to the statistical calibre of the Custody Business Professional Committee under China Banking Association, the custody of asset management products includes custody of securities investments funds, customer asset management of fund companies, customer asset management of securities companies, bank wealth management, trust property, private equity investment funds, insurance assets, pension funds, QDII products, QFI products, futures, etc.

25 Refers to transaction volume of RMB bond investment of the Company's Global Markets Centre.

In terms of digital transformation, the Company continued to expand the in-depth application of digital technology in various scenarios of its financial markets business. The Company actively explored the application of AI, large model and other technologies to continuously enhance the digitalisation and intelligence in investment and research, strengthened digital risk control in key areas, enriched online products for client flow tradings and enhanced the convenience of corporate business processing.

During the reporting period, the Company continued to actively perform its duties as a market maker, and continuously participated in "Swap Connect" trading through National Interbank Funding Centre to promote interconnection between Hong Kong and the Chinese Mainland's finance markets. It facilitated trades for foreign investors and once again received the "Northbound Top Market Maker" award from Bond Connect Company Limited.

3.10.3 Distribution channel

The Company provides products and services via multiple distribution channels, which mainly consist of offline distribution channels and online banking channels.

Offline channels

The Company's business is mainly in the market of China, and its distribution network is mainly distributed in major central cities in the Chinese mainland and some international financial centres such as China's Hong Kong, New York, London, Singapore, Luxembourg and Sydney. As of the end of the reporting period, the Company has 143 branches and 1,794 sub-branches in China, two branch-level specialised institutions (a Credit Card Centre and a Global Markets Centre), 2,206 self-service banks, 5,259 cash self-service devices and 5,619 visual counters. The Company has a Hong Kong branch in Hong Kong, China, a representative office in Chinese Taipei, a New York branch and a representative office in the United States, a London branch in the UK, a Singapore branch in Singapore, a Luxembourg branch in Luxembourg and a Sydney branch in Australia. The Company intends to establish a branch in Dubai, which is currently subject to approval by the relevant regulatory authorities.

Online channels

Major online channels for retail

CMB APP

During the reporting period, the Company continuously improved the user experience of its APP in response to changes in customer demand, national economic development needs and the advancement of artificial intelligence technology. Firstly, the Company continued to improve the retirement finance service system, enabled unified demonstration of the total assets from the three pillars of pension system for customers, launched the pension gap measurement tool, and upgraded the scenario-based product shelf based on usage, making retirement planning simpler; secondly, the Company broadened the level of automation and intelligence of accompany services offered to customers holding wealth management products, and rendered one-stop accompany services featuring "dynamic monitoring – real-time reminder – in-depth interpretation", enhancing experience of customers holding wealth management products; thirdly, the Company launched a gold investment section to facilitate users to match their investment objectives with investment products, and help customers rationally evaluate the potential risks and returns of investment; fourthly, the Company improved credit and investment services, rolled out digital RMB-denominated flash loan product, and created an online property viewing function, enabling customers to enjoy the one-stop service of "assessment-view-buy" without leaving home. During the reporting period, the monthly active users of CMB APP reached 77,834,600.

CMB Life APP for Credit Card

During the reporting period, the Company continued to enhance the customer organisation and mobilisation capabilities of the CMB Life APP. By connecting with quality partners, the Company continued to build scenarios for high-frequency credit cards consumption to diversify its online service ecosystem. Also, the Company enhanced interaction efficiency and customer experience with upgraded search, recommendation, live streaming and other platform service capabilities. Furthermore, in coordination with critical consumption periods such as May Day and 618, a series of marketing campaigns such as "May Day Outing Daily Consumption Coupon (五一出遊天天消費券)" and "Spend in this way on 618(618 就要這麼花)" were launched, with a view to building up and continuously improving the ability to mobilise large-scale online and offline customers. During the reporting period, the number of monthly active users of CMB Life APP for credit card was 39,075,300. In terms of user engagement, CMB Life APP was in the front rank among other credit card APPs in the banking industry.

Remote Operation Service

The Company provides real-time, comprehensive, prompt, and professional services to its customers via telephone, network, video, etc. Bridging the gap between traditional telephone and APP services, the Company provides customers with a variety of service options, while allowing services to quickly reach the corresponding points of business handling. By identifying and anticipating customer service demand, the Company can provide customers with customised services with personal touch. At the same time, it undertakes the "one-click call forwarding" function of digital RMB 956196 customer service hotline and the 12378 dedicated line to perform its primary responsibilities of financial consumer rights protection and ensure an unhindered service channel. During the reporting period, the remote online omni-channel manual service connection rate was 97.81%, the remote online omni-channel manual service response rate within 20 seconds was 93.42%, and the remote online omni-channel customer satisfaction rate was 99.62%.

Smart Service System

In terms of debit card intelligent service system, during the reporting period, the Company explored its APP intelligent services based on innovative technologies. On the one hand, the Company enabled "Xiao Zhao (小招)" to gradually evolve from a wealth management assistant with "pre-set service routine" to a "listening and responding" banking assistant, which is committed to improving problem-solving ability through more flexible conversational interaction method. On the other hand, the Company launched some services such as AI Finance Buzzwords and AI Insights to further enhance the ability to generate AI content and help users quickly grasp the dynamics and hotspots of the wealth market.

In terms of credit card intelligent service system, during the reporting period, the Company continued to push forward the digital and intelligent transformation of customer service for credit card business and improve the intelligent service management system, so as to enhance comprehensive customer service capabilities. On the one hand, the Company optimised the human-robot collaboration model of "Xiao Zhao (小招)" assistant of CMB Life APP, used AI "digital" capabilities to predict user service needs in real time, refined service processes, and gave full play to the advantages of "human" in emotional communication and handling complex issues, so as to provide customers with warm-hearted services. On the other hand, through the one-to-one service on Enterprise WeChat, the Company provided customers with one-stop services such as credit card business consultation, service reminder and customer care, and explored the establishment of a higher-quality service operation model.

Major wholesale online channels

The Company focuses on the digital transformation needs of corporate treasury management and continues to optimise the two major service channels of CMB Corporate U-Bank and CMB Corporate APP. During the reporting period, the "intelligent, mobile and international" service abilities of corporate digital channel platform of the Company was constantly improved. The English version of CMB Corporate U-Bank was fully launched and a mobile revenue and expenditure ledger was created at CMB Corporate APP catering to core concerns of legal persons, executives and other key personnel of enterprises to provide convenient treasury services via the mobile terminals. As of the end of the reporting period, the Company had 2,871,200 wholesale customers on the online channels, representing an increase of 5.80% as compared with the end of the previous year. The coverage rate of wholesale customers on the online channels was 96.53%, representing an increase of 0.32 percentage point as compared with the end of the previous year. During the reporting period, the Company had 1,891,900 monthly active customers of wholesale online channels, representing a year-on-year increase of 17.96%; the total number of wholesale online channel transactions handled by the Company reached 224 million, representing a year-on-year increase of 17.28%; and the total value of wholesale online channel transactions amounted to RMB109.33 trillion, representing a year-on-year increase of 12.66%.

3.10.4 Overseas branches

Hong Kong Branch

Established in 2002, the Hong Kong Branch of the Company is the first branch duly established overseas by the Company, which can engage in comprehensive commercial banking businesses. With regard to corporate banking business, the Hong Kong Branch provides diversified corporate banking products and services, such as deposit-taking, settlement, trade financing, bilateral loans, syndicated loans, cross-border M&A comprehensive solutions and asset custody, and engages in transaction of funds, bond trading and foreign exchange trading with financial institutions, and conducts funds clearing and asset transfer with financial institution customers. With respect to retail banking business, the Hong Kong Branch can provide personal banking services and private wealth management services for customers. Featured products include "Hong Kong All-in-one Card" and "Hong Kong Bank-Securities Express".

During the reporting period, the Hong Kong Branch continued to improve its comprehensive operating capabilities for corporate customers, promoted the steady growth of the scale of assets and liabilities from settlement, and achieved growth in both AUM and customer base in respect of its retail banking business. During the reporting period, the Hong Kong Branch achieved the net operating income of HKD1.589 billion.

New York Branch

Established in 2008, the New York Branch of the Company is the first branch of Chinese banks approved in the U.S. since the implementation of U.S. Foreign Bank Supervision Enhancement Act in 1991. The New York Branch is located in the global financial centre and is committed to establishing a cross-border finance platform characterised by coordination between China and the U.S., so as to offer diversified and all-round banking services for the companies in China and the U.S. Such services and products mainly include: deposit-taking, settlement, foreign exchange transactions, trade financing, bilateral loans, syndicated loans, working capital financing, M&A financing, privatisation financing, fund financing, etc. At the same time, the New York Branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net-worth private banking customers.

During the reporting period, the New York Branch actively implemented a sustainable and high-quality development strategy and achieved progress in customer base expansion, high-quality asset origination, digital transformation and improvement of internal management. During the reporting period, the New York Branch achieved the net operating income of USD44.2451 million.

Singapore Branch

Established in 2013, the Singapore Branch of the Company is positioned as a significant cross-border finance platform in Southeast Asia. Based in Singapore and expanding to Southeast Asia, the Singapore Branch takes cross-border finance and wealth management as its core businesses. In terms of cross-border finance business, the Singapore Branch strives to provide all-round one-stop solutions to the Chinese companies "going global" and the foreign companies "brought in" located in Singapore and other Southeast Asian countries. The main services and products of the Singapore Branch include: deposit-taking, settlement, foreign exchange transactions, trade financing, syndicated loans, M&A financing and delisting financing, etc. In terms of wealth management business, the Private Banking (Singapore) Centre provided private banking products and value-added services with integrated investment and financing services, such as cash management, asset allocation and wealth inheritance to high-net-worth customers.

During the reporting period, the Singapore Branch captured the opportunity, focused on high-quality customers in respect of asset business, expanded new service scenarios in respect of liability business, and refined basic products in respect of settlement business, while promoting the branch's characteristic operation with regional advantages, to create value in diversified businesses. During the reporting period, the Singapore Branch achieved the net operating income of USD12.3286 million.

Luxembourg Branch

The Luxembourg Branch of the Company, established in 2015, is positioned as an important cross-border finance platform in the continental Europe, providing comprehensive cross-border one-stop financial solutions to Chinese companies "going global" and the companies "brought in" located in Europe. Its main services and products include: deposit-taking, lending, project financing, trade financing, M&A financing, M&A consulting and bond underwriting, etc. The branch is also committed to building a business platform for the Company in Europe by combining the advantages of the Bank and European characteristics. In addition, the branch actively built a global service network for private banking customers and provided high-quality non-financial value-added services to high-net-worth private banking customers.

During the reporting period, the Luxembourg Branch consolidated its operating foundation and made progress in optimising customer structure, expanding independent financing capabilities and digital transformation. During the reporting period, the Luxembourg Branch achieved the net operating income of EUR14.9270 million.

London Branch

Established in 2016, the London Branch of the Company was the first branch approved to be established in the United Kingdom among all Chinese joint-stock commercial banks, providing comprehensive cross-border one-stop financial solutions to Chinese companies "going global" and leading companies "brought in" located in the UK. The main services and products of the London Branch include: deposit-taking, settlement, foreign exchange transactions, trade financing, bilateral loans, syndicated loans and M&A financing, etc. At the same time, the London Branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net-worth private banking customers.

During the reporting period, the London Branch focused on comprehensive and refined management, and promoted business and customer structure transformation in an in-depth manner, therefore achieving steady progress in its overall business operations. During the reporting period, the London Branch achieved the net operating income of USD15.2947 million.

Sydney Branch

The Sydney Branch of the Company was established in 2017 and was the first branch approved to be established in Australia among all Chinese joint-stock commercial banks. The Sydney Branch managed to get a foothold in businesses derived from China-Australia economic, trade and investment exchanges. The Sydney Branch focuses on the needs of the "going global" strategic customers and top-tiered customers of Australia and New Zealand, creating value for customers through providing two-way cross-border financial services. The main services and products of the Sydney Branch include: settlement, foreign exchange transactions, trade financing, M&A financing and commitment business, project financing, syndicated loans and fund financing, etc. At the same time, the branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net-worth private banking customers.

During the reporting period, the Sydney Branch promoted the balanced business development with high-quality asset origination, continued to optimise the business model and customer base structure, consolidated the basic management of risk and compliance, and steadily improved the quality and efficiency of its operation. During the reporting period, the Sydney Branch achieved the net operating income of AUD39.1191 million.

3.10.5 Major subsidiaries

The Company exercises the rights of shareholders in compliance with the law, keeps on strengthening the comprehensive management over the corporate governance, capital management, risk management, financial management and other aspects of its subsidiaries, and capitalises on the synergy of comprehensive operation to enhance the Group's capabilities of providing comprehensive financial services to customers while achieving their own high-quality growth.

CMB Wing Lung Bank

Founded in 1933, CMB Wing Lung Bank has a registered capital of HKD1.161 billion, and it is a wholly-owned subsidiary of the Company in Hong Kong. CMB Wing Lung Bank provides customers with diversified banking products and services, including retail and private banking, corporate banking and other banking businesses. CMB Wing Lung Bank also provides asset management and insurance brokerage services through its subsidiaries.

As of the end of the reporting period, the total assets of CMB Wing Lung Group amounted to HKD447.028 billion. Total equity attributable to shareholders amounted to HKD46.840 billion. During the reporting period, CMB Wing Lung Group realised a net profit attributable to shareholders of HKD703 million.

CMB Financial Leasing

CMB Financial Leasing was established in 2008 with a registered capital of RMB12 billion. It is a wholly-owned subsidiary of the Company. CMB Financial Leasing has established three major business segments, namely aviation, shipping and equipment, aiming to build a financial leasing service system based on the "six new" industries of new energy, new infrastructure, new technology, new mobility, new intelligent manufacturing and new materials, so as to meet the needs of lessees to purchase equipment, promote sales, revitalise assets, balance tax burden and improve financial structure.

As of the end of the reporting period, the total assets of CMB Financial Leasing were RMB316.384 billion and the net assets were RMB34.666 billion. During the reporting period, the net profit was RMB1.530 billion.

CMB International Capital

Established in 1993, CMB International Capital is a wholly-owned subsidiary of the Company in Hong Kong with a registered capital of HKD4.129 billion. At present, the business scope of CMB International Capital and its subsidiaries mainly covers corporate financing, asset management, wealth management, global market business and structured financing.

As of the end of the reporting period, the total assets of CMB International Capital amounted to HKD77.995 billion, and its net assets amounted to HKD15.554 billion. During the reporting period, it realised a net profit of HKD871 million.

CMB Wealth Management

CMB Wealth Management was established in 2019 with a registered capital of approximately RMB5.556 billion. As of the end of the reporting period, the Company and JPMorgan Asset Management (Asia Pacific) Limited hold 90% and 10% of CMB Wealth Management's shares respectively. The business scope of CMB Wealth Management includes the issuance of wealth management products, the provision of wealth management consultancy and advisory services, and other businesses approved by regulatory authorities.

As of the end of the reporting period, CMB Wealth Management had total assets of RMB22.585 billion and net assets of RMB21.595 billion. During the reporting period, the net profit was RMB1.447 billion.

China Merchants Fund

Established in 2002, China Merchants Fund had a registered capital of RMB1.31 billion. As of the end of the reporting period, the Company and China Merchants Securities Co., Ltd. held 55% and 45% of China Merchants Fund's shares, respectively. The business scope of China Merchants Fund covers fund establishment, fund management and other operations approved by the CSRC.

As of the end of the reporting period, the total assets of China Merchants Fund amounted to RMB14.783 billion, and its net assets amounted to RMB9.605 billion. It realised a net profit of RMB847 million during the reporting period.

CIGNA & CMAM

CIGNA & CMAM was established in 2020 with a registered capital of RMB500 million, and it is an indirectly owned subsidiary of the Company, which is owned as to 87.3458% and 12.6542% by CIGNA & CMB Life Insurance, a joint venture of the Company, and CMB International Capital, a subsidiary of the Company, respectively. The business scope of CIGNA & CMAM includes entrusted management of client's funds, issuance of insurance asset management products and asset management related consultation business.

As of the end of the reporting period, CIGNA & CMAM had total assets of RMB979 million, with net assets of RMB785 million and achieved a net profit of RMB70 million during the reporting period.

CMB Europe S.A.

CMB Europe S.A. was established in 2021 with a registered capital of EUR100 million. It is a wholly-owned subsidiary of the Company in Europe and the regional headquarter of the Company in the European Union and European Economic Area. CMB Europe S.A. provides its customers with diversified financial products and services such as cross-border financing, M&A finance, private banking, investment management, financial markets, bond underwriting, trade financing, and operates and allocates the global assets of enterprises and individuals.

As of the end of the reporting period, CMB Europe S.A. had total assets of EUR204 million and net assets of EUR92 million, and achieved a net profit of EUR-350,600 during the reporting period.

3.10.6 Major joint ventures[26]

CIGNA & CMB Life Insurance

CIGNA & CMB Life Insurance, a joint venture of the Company, was established in 2003 with a registered capital of RMB2.8 billion. As of the end of the reporting period, the Company held 50% shares in CIGNA & CMB Life Insurance and Cigna Health and Life Insurance Company held the other 50% shares. CIGNA & CMB Life Insurance is mainly engaged in insurance businesses such as life insurance, health insurance, accident injury insurance and the reinsurance of the above insurances.

As of the end of the reporting period, the total assets of CIGNA & CMB Life Insurance amounted to RMB197.904 billion, and its net assets amounted to RMB11.916 billion. During the reporting period, CIGNA & CMB Life Insurance realised a net profit of RMB236 million.

Merchants Union Consumer Finance

Merchants Union Consumer Finance, a joint venture of the Company, was established in 2015 with a registered capital of RMB10.0 billion. As of the end of the reporting period, the Company held 50% shares in Merchants Union Consumer Finance and China United Network Communications Limited held the other 50% shares. Merchants Union Consumer Finance is mainly engaged in the granting of personal consumer loans.

As of the end of the reporting period, the total assets of Merchants Union Consumer Finance amounted to RMB157.801 billion and the net assets were RMB22.091 billion. It realised a net profit of RMB1.724 billion during the reporting period.

[26] The major joint ventures of the Company include CIGNA & CMB Life Insurance and Merchants Union Consumer Finance, and their financial data have been adjusted in accordance with the accounting policies of the Group, where necessary.

3.11 Risk Management

Closely focusing on the strategy of building a value creation bank, the Company adhered to a solid and prudent risk culture and risk appetite, upheld two pivotal drivers for "adopting strict management and upholding fundamental principles and breaking new ground (守正創新)" and constantly improved a fortress-style overall risk and compliance management system. The Risk and Compliance Management Committee of the Head Office is responsible for reviewing and determining the most significant bank-wide risk management policies under the framework of risk appetite, strategies, policies and authorisations approved by the Board of Directors.

During the reporting period, the Company continued to increase its support to the real economy based on the strategy of building a value creation bank, emphasised on top-level design for risk management, prevented and mitigated risks in key areas, tamped risk management foundation, improved digital risk control capabilities, and continued to promote the construction of a fortress-style risk and compliance management system.

3.11.1 Credit risk management

Credit risk refers to the risk arising from a bank's borrowers or counterparties failing to perform their obligations as agreed. The Company adhered to the concept of balanced returns and risks and the prudent business strategy in which risks can be ultimately covered by capital, pursued the dynamically balanced development of "Quality, Profitability and Scale", implemented a unified credit risk preference, optimised the full-life cycle credit risk management process, continuously upgraded credit risk management tools, reinforced the construction of three lines of defence and strengthened risk management capability, so as to prevent and reduce credit risk loss.

During the reporting period, the Company closely kept up with the changes of macro situation, upheld the bottom line and took a number of initiatives to ensure stable asset quality on the whole. Firstly, the Company strengthened the construction of the mechanism and improved the effectiveness of the system construction, continued to optimise credit and investment and financing policies across the Bank, improved unified credit management, and optimised the approval and authorisation and risk monitoring and evaluation system for extensive wealth management business. Secondly, the Company reinforced institutional management and maintained the unity of management within the Group, iterated the "domestic branch-based risk profile and classification system", further enhanced the management of overseas branches, and optimised risk appetite and approval and authorisation for subsidiaries. Thirdly, the Company strengthened the construction of customer base and optimised the structure of credit assets. The Company optimised the "dynamic rebalancing" strategy by taking into account of the differences in localities, and improved the tier-based customer base construction through "one branch, one policy" and list-based operation of asset business to fuel the formation of a reasonable asset structure. Fourthly, the Company carried out strict management in key risk areas, and continued to strengthen risk prevention and mitigation, while carrying out dynamic monitoring for risks in relation to industries, conducting risk screening for customers granted with large credit facility, and improving the effectiveness of risk management capabilities. Also, the Company rigorously implemented the coordination mechanism of urban real estate financing business to promote the stable and healthy development of the real estate market, while securely resolving risks brought by existing debts by virtue of a package of debt resolution proposals and strictly controlling new debts. Fifthly, keeping an eye on key projects, the Company stepped up efforts in disposal of non-performing loans, implemented different measures based on different categories, actively used various methods to dispose of non-performing assets, improved the quality and efficiency of collection and disposal, and persisted in reducing and disposing of risk assets. Sixthly, the Company optimised the risk management system and enhanced the application of Fintech, while vigorously promoting the construction of a new generation of risk management system, improving the digital risk control infrastructure, boosting risk measurement capabilities, and continuing to push forward the digital transformation in risk management.

For more information about the Company's credit risk management, please refer to Note 41(a) to the financial statements.

3.11.2 Management of large risk exposure

In accordance with provisions of the Rules on Large Exposure of Commercial Banks (《商業銀行大額風險暴露管理辦法》), large exposure refers to the risk exposure (including risk exposures in the banking book and trading book) to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net Tier 1 capital. During the reporting period, the Company has incorporated large risk exposure management into its overall risk management system, continued to improve customer credit management requirements, continued to optimise risk exposure measurement rules, and reported regularly on large risk exposure indicators and related management to regulatory authorities, so as to effectively control customer concentration risks. As of the end of the reporting period, other than customers with regulatory exemption, single non-financial institution customers, group non-financial institution customers, single financial institution customers and group financial institution customers of the Company that reached the standards of large risk exposure were all in compliance with the regulatory requirements.

3.11.3 Country risk management

Country risks represent the risks of political, economic, social changes and incidents in a country or region that may cause debtors in that country or region to be unable or unwilling to fulfill their obligations to banks, or incur losses to commercial presences of the Company in that country or region, or other losses to the Company in that country or region.

The Company strictly implemented relevant regulatory requirements and followed the principles of soundness and prudence, established a country risk management system compatible with strategic objectives, risk profile and complexity, and incorporated country risk management into its overall risk management system so as to promptly identify, measure, evaluate, monitor, report, control and mitigate country risks, assess the country risk ratings in a regular manner and implement limit management, while guiding business to tilt in favour of relatively-low-risk countries or regions. Major matters involving country risk management strategies and policies were submitted to the Board of Directors for consideration and approval.

During the reporting period, in the face of the complex and severe international political and economic situation, the Company continued to pay attention to the changes in the situation of the Middle East, Russia and Ukraine and other key countries or regions in the world, dynamically updated the country risk ratings according to the global risk changes, tightened the monitoring and limit control of country risk and strictly restricted the growth of business in high-risk countries. At the end of the reporting period, the Company's country risk exposure was mainly concentrated in relatively-low-risk countries or regions. The country risk would not have a significant impact on the Company's business operation.

3.11.4 Market risk management

The Company's market risk arises from trading book and banking book, and the interest rate risk and exchange rate risk are the major market risks faced by the Company.

Interest rate risk management

Trading book

The Company uses volume indicators, market risk value indicators (VaR, covering interest rate risk factors of various currencies and durations relating to trading book business), interest rate stress testing loss indicators, interest rate sensitive indicators and accumulative loss indicators and other risk indicators, to measure, monitor and manage the interest rate risk of trading book. The interest rate risk factors used for risk measurement cover all businesses under the trading book, and are comprised of around 200 interest rate indicators or bond yield curves. VaR includes general VaR and stressed VaR, which are both calculated using the historical simulation method and adopt a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. The interest rate stress testing scenarios include the parallel move, steep move and twisted change of interest rates at various degrees and various unfavourable market scenarios designed based on the characteristics of investment portfolios. Among them, the extreme interest rate scenario may move up by 300 basis points and cover the extremely unfavourable conditions of the market. Major interest rate sensibility indicator reflects the duration of bonds and PV01 of bonds and interest rate derivatives (the change in the market value when an interest rate fluctuates unfavourably by 1 basis point). As for routine risk management, the annual scope of authorisation and the market risk limits for the interest rate risk businesses under the trading book are set in accordance with the risk appetite, operation plan and risk prediction of the Board of Directors at the beginning of the year for which the Market Risk Management Department is responsible for routine monitoring and continuous reporting.

During the reporting period, the domestic interest rate saw an overall decline, and the yield of China 10-year treasury bonds decreased from 2.55% to 2.21%. In view of the differentiated global economic recovery, some uncertainties brought by monetary policy adjustments in developed economies such as Europe and the United States and geopolitical conflicts have been lingering. The scope of investment in the Company's trading books mainly covered RMB bonds. The Company generally adopted a prudent trading strategy and prudent risk control measures to ensure that all interest rate risk indicators of the trading book remained within the target range.

Banking book

In accordance with external regulatory requirements and internal banking book interest rate risk management policies, the Company has established and continuously improved the banking book interest rate risk management system, clarified the interest rate risk governance structure and established the management process of interest rate risk identification, measurement, monitoring, control and reporting. The Company mainly adopts the re-pricing gap analysis, duration analysis, benchmark-correlated analysis, scenario simulation and other methods to measure and analyse the interest rate risk of banking book on a monthly basis. The re-pricing gap analysis mainly monitors the distribution of re-pricing duration and mismatch of assets and liabilities; the duration analysis monitors the duration of major product types and the change in the duration gap of assets and liabilities of the Bank as a whole; the benchmark-correlated analysis assesses the benchmark risk existing between different pricing benchmark interest rate curves, as well as between the different duration points on each of such curves based on the benchmark-correlated coefficients calculated using our internal models; the scenario simulation is the major approach for the Company to conduct interest rate risk analysis and measurement, which comprises a number of ordinary scenarios and stress scenarios, including the interest rate benchmark impact, the parallel move and the change in the shape of yield curves, the extreme changes in interest rates in history, and the most possible changes in interest rates in the future as judged by experts and other scenarios. The net interest income (NII) and the changes in economic value of equity (EVE) are calculated through simulation of the scenario of changes in interest rates. The NII changes and the EVE changes of certain scenarios are included into the interest rate risk limit system of the Bank. In addition, the internal limit indicator system is included into the standardised measurement indicators set out in the Guidelines on the Management of Interest Rate Risk of Banking Book of Commercial Banks (Revised).

During the reporting period, with adherence to a sound and prudent interest rate risk preference, the Company paid close attention to changes in the external environment and internal interest rate risk exposure structure, continued to monitor and analyse various interest rate risks, especially the gap risk as a result of asset and liability re-pricing under the background of interest rate decline, benchmark risk arising from inconsistent changes in the pricing benchmarks of deposits and loans, and optionality risk due to the prepayment of customer loans triggered by changes in external interest rates. The Company predicted and analysed interest rate trends based on macro-quantitative models and experts' research and judgement, prospectively deployed active interest rate risk management strategies and adjusted them flexibly considering the trend of risk exposure changes. The Company adjusted the structure of assets and liabilities on the balance sheet and hedged interest rate derivatives off the balance sheet to manage risks. As of the end of the reporting period, the Company's on- and off-balance-sheet management measures were carried out as planned, the interest rate risk level was controlled within the annual interest rate risk control target range, and various indicators including the stress test results were kept within the limits and warning values. The banking book interest rate risk was generally controllable.

Exchange rate risk management

Trading book

The Company uses risk exposure indicator, market risk value indicator (VaR, covering foreign exchange rate risk factors of various currencies related to transactions on the trading book), the exchange loss indicator under stress test, option-sensitive indicator and accumulated loss indicator and other risk indicators to conduct risk measurement and monitoring management. As for risk measurement, the selected exchange rate risk factor is applied on spot prices, forward prices and volatilities in all transaction currencies under the trading book. Market risk value indicators comprise general market value at risk and stress market value at risk, and are calculated using historical simulation based on a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. Exchange rate stress test scenarios cover 5%, 10%, 15% or more adverse changes in every transaction currency against RMB, and changed volatility of foreign exchange options. Major option-sensitive indicators include Delta, Gamma, Vega and other indicators. For routine management, we set annual limits on authority associated with exchange rate risks under the trading book and relevant market exposure at the beginning of the year according to the risk appetite, business planning and risk forecast of the Board of Directors, and delegated the Market Risk Management Department to perform routine monitoring and on-going reporting.

During the reporting period, although factors affecting the RMB exchange rate interwinded with each other, the RMB exchange rate remained basically stable under the complex global situation. Since the beginning of this year, the US Federal Reserve has repeatedly postponed its first interest rate cut, leading to a strong U.S. dollar and increased volatility of foreign exchange market. With the recovery of the domestic economy and the opening up of policy headroom, the RMB exchange rate had been supported to a certain extent. At the same time, increasing business entities used exchange rate hedging tools to avoid and hedge exchange rate risks. The Company's trading book mainly obtained the spread income through the foreign exchange business on behalf of customers, and implemented rigorous internal control and management through a well-established and efficient management system, and closely monitored changes of limit indicators such as sensitivity index and stop-loss indicator. All exchange rate risk indicators of the Company's trading book were within the target range as of the end of the reporting period.

Banking book

The Company mainly uses foreign exchange exposure analysis, scenario simulation analysis, stress test, and other methods for measurement and analysis of exchange rate risk of its banking book. The foreign exchange exposure measurement uses the short-sided method, the correlation approach and the aggregation approach; scenario simulation and stress test analysis are two important exchange rate risk management tools of the Company for managing foreign exchange rate risk, covering the standard scenario, historical scenario, forward scenario and stress scenario, which include scenarios such as spot and forward exchange rate fluctuations and historical extreme exchange rate fluctuations of various currencies. Each scenario could simulate the impact on the Company's profit or loss. The effects of certain scenario simulation on the profit and loss as a share of net capital are taken as reference in the routine management as a limit indicator. The Company conducts back-testing and assessment on relevant model parameters on a regular basis to verify the effectiveness of measurement models.

The Company regularly measures and analyses foreign exchange exposure of banking book and scenario simulation results, monitors and reports exchange rate risk on a monthly basis under its quota limit framework, and adjusts its foreign exchange exposure accordingly based on the trend of foreign exchange movements, so as to avoid the relevant foreign exchange risk of banking book. The Audit Department of the Company is responsible for auditing of the exchange rate risk of the Company.

During the reporting period, the Company paid close attention to exchange rate movements, studied and analysed the impact of exchange rate changes in light of the macroeconomic conditions at home and abroad, and proposed a balance sheet optimisation program as a scientific reference for the management's decision-making. During the reporting period, the Company increased its efforts to monitor and analyse foreign exchange exposure and imposed a stringent control over the scale of foreign exchange risk exposure. The Company was prudent about the exchange rate risk. As of the end of the reporting period, the scale of foreign exchange exposure of the Company's banking book was at a relatively low level. The exchange rate risk of the Company was generally stable with all the core limit indicators, general scenarios and stress testing results satisfying the regulatory limit requirement.

For more information about the Company's market risk management, please refer to Note 41(b) to the financial statements.

3.11.5 Operational risk management

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, incompetent personnel or IT systems, or external events. In view of the various aspects and wide range of operational risks, the Company, based on the management principles of prudence, comprehensiveness, matching and effectiveness, has continually improved operational risk management mechanism under the leadership of the Board of Directors, set the key risk limits and laid emphasis on cost-revenue matching. With the help of measures such as strengthening risk prevention and control in key areas, conducting in-depth risk monitoring and pre-warning, improving assessment and evaluation mechanism, and cultivating operational risk prevention culture, the Company intensified the construction of operational risk management system, implemented internal control requirements, continued to conduct various businesses in a sound manner, so as to reduce or refrain from operational risk losses.

During the reporting period, by striving for the goal of preventing losses arising from systematic operational risk and major operational risk, the Company continued to improve its operational risk management system. Firstly, the Company revised the group-level operational risk management policies of the Company and formulated the "Measures for Administration of Operational Risk of China Merchants Bank Co., Ltd." in accordance with the "Rules on Capital Management of Commercial Banks" and the "Rules on Operational Risk Management of Banking and Insurance Institutions". Secondly, the Company focused on risk control in key business areas, strengthened the management for cooperative institutions, and put forward targeted risk management opinions. Thirdly, the Company strengthened outsourcing risk management by strictly reviewing the access of outsourcing varieties. Fourthly, the Company focused on network security and data security, reinforced system operation risk management, strengthened information technology risk check and balance, and consolidated technology security. Fifthly, the Company strengthened management on business continuity and IT risk by organising business impact analysis and review, and updating the list of major businesses. Sixthly, the Company strengthened the development of system functions, and optimised and improved the existing management tools and functions of the system.

3.11.6 Liquidity risk management

Liquidity risk refers to the risk that the Company is unable to obtain sufficient funds at a reasonable cost in a timely manner to grow its assets, pay maturing debts and perform other payment obligations. The liquidity risk management of the Company is based on the principles of prudence, foresight and comprehensiveness, which is more appropriate for the current development stage of the Company. The current liquidity risk management policies and systems of the Company have satisfied the regulatory requirements and its own management needs.

Based on the principle of separating policy-making, strategy implementation and supervision of liquidity risk management, the Company has established a liquidity risk management governance structure under which the roles, responsibilities and reporting lines of the Board of Directors, the Risk and Capital Management Committee, the Board of Supervisors, senior management, special committees and relevant departments are segregated to ensure the effectiveness of liquidity risk management.

During the reporting period, the central bank kept on adopting a prudent monetary policy, and the inter-bank market maintained reasonable and sufficient liquidity. Based on the analysis of macroeconomic and market trends, the Company dynamically quantified and forecasted the future risk situation, and proactively laid out the asset liability management strategy to achieve the balance between risk and yield. Firstly, the Company constantly promoted the steady growth of customer deposits with multiple measures adopted to enhance the origination and support of assets, and constantly optimised the asset-liability structure, realising the smooth operation of assets and liabilities. Secondly, the Company strengthened forward-looking forecasts of liquidity indicators, flexibly carried out active liability management of treasury based on the operation of deposit and loan business and indicators, expanded diversified financing channels, and stabilised the sources of long-term liabilities through bond issuance and other means. Meanwhile, on the premise of ensuring the liquidity at a safe level, the Company further improved the efficiency of the capital utilisation by the lights of the money market, bonds and fund investment. Thirdly, the Company strengthened the management of money market trading strategies to maintain sufficient liquidity reserves, actively conducted open market transactions and played the role of a primary dealer. Fourthly, the Company strengthened liquidity risk monitoring and management for business lines, overseas branches and subsidiaries with reasonable control of maturity mismatches. Fifthly, the Company continued to carry out emergency management, and effectively improved the ability to respond to liquidity risk events.

As of the end of the reporting period, all liquidity indicators of the Company met the regulatory requirements and the Company had sufficient funding sources to meet the needs of sustainable and healthy development of its business. In accordance with the requirements of the PBOC, the Company's statutory reserve requirement ratio for RMB deposit was 6.5%, and the statutory reserve requirement ratio for foreign exchange deposit was 4%. The Company's liquidity indicators operated well. Deposits maintained steady growth. Liquidity reserves were sufficient and overall liquidity was at a safe level.

For more information about the Company's liquidity risk management, please refer to Note 41(c) to the financial statements.

3.11.7 Reputational risk management

Reputational risk refers to the risk that the Company might be negatively evaluated by relevant stakeholders, the public and the media due to behaviors of the Company and its employees or external incidents, which is detrimental to the brand value and normal operation of the Company, or, to the extent, affects the market and social stability. Reputational risk management is an important part of the corporate governance and the overall risk management system of the Company, covering all activities, operations and businesses undertaken by the Company and its subsidiaries. The Company has established and formulated the reputational risk management rules and system by taking the initiatives to effectively prevent the reputational risk and coping with any incidents in relation to reputation, so as to reduce loss and negative impact to the greatest extent.

During the reporting period, the Company strictly fulfilled the requirements of the "Rules on Reputational Risk Management of Banking and Insurance Institutions", and constantly enhanced its capability of managing reputational risk. On the one hand, by enhancing forward-looking management, the Company adhered to the reputational risk management philosophy of prevention comes first and strengthened inspection, early warning and prompting to reduce potential reputational risks at source. On the other hand, centring on various measures taken by the Bank in order to actively fulfill its social responsibilities, the Company carried out promotion on the theme of supporting the real economy and protecting the rights and interests of consumers, so as to enhance its corporate image.

3.11.8 Compliance risk management

Compliance risk refers to the risk of being subject to legal sanctions, regulatory punishments, material financial losses, and reputational losses as a result of failing to observe the laws, rules and standards. The Company set up three lines of defence for compliance risk management comprising business lines, compliance management department and auditing department through the establishment of a reticulate management structure comprising the Risk and Capital Management Committee under the Board of Directors, the risk and compliance management committee, heads of compliance, compliance officers as well as compliance supervisors of the Head Office and its branches, thereby forming a compliance management organisational system with well-developed organisation, clearly defined rights and responsibilities, reasonable work allocation and mutual coordination and collaboration. Meanwhile, through system management, compliance risk assessment and monitoring, construction of compliance culture, management of employee behavior and system building, the Company continuously improved compliance risk management techniques and optimised management procedures and established a complete and effective compliance risk management system to achieve effective control of compliance risks.

During the reporting period, in the face of the severe and complex domestic and international environment, risk and challenges, the Company took active coping measures and continued to consolidate its "fortress-style" internal control and compliance management system through various measures. The first was to formulate and release the "Guidelines on Internal Control and Compliance Work of CMB in 2024" to make unified arrangements for the internal control and compliance management throughout the Bank. The second was to strengthen the interpretation and conveyance of the new regulatory requirements, carry out the internalisation of external regulations in a timely manner, and reinforce the implementation of the new regulatory requirements in the Company. The third was to effectively identify, evaluate and prevent the compliance risks of new products, new businesses and major projects. The fourth was to highlight the key points, strengthen the investigations on abnormal behaviors of employees, establish a management mechanism for positions with high compliance risks, continue to carry out employee compliance education activities, and effectively use technological tools and various management tools to reinforce employee behavior management. The fifth was to tighten up inspection, supervision, rectification and accountability procedures. By focusing on the key regulatory concerns and weak links in management, the Company strengthened the capability building of the Bank-wide inspection team to effectively reveal various risks and problems, made an in-depth analysis of the causes of the problems identified in the inspection, and carried out rectification and strict accountability procedures to form a closed loop of compliance management. The sixth was to deepen the digitalisation of internal control and compliance leveraging technology empowerment, and accelerate the improvement of the Company's digitalisation level of internal control and compliance.

3.11.9 Money laundering risk management

Money laundering risk refers to the risk that the Company may be exposed to because of being used by the three types of activities, namely "money laundering", "terrorist financing" and "proliferation financing" in the course of conducting business and managing operations. The Company has established a relatively sound money laundering risk management mechanism, including a money laundering risk management structure with clear responsibilities assumed by the Board of Directors, the Board of Supervisors, senior management, functional departments, branches and subsidiaries, an anti-money laundering system with comprehensive coverage, an effectively operating risk assessment and dynamic monitoring mechanism, scientific and reasonable anti-money laundering data governance mechanism, targeted management strategy of customers and businesses associated with high risks, advanced and efficient IT system support, independent inspection and auditing mechanism, as well as continuous anti-money laundering training and promotion mechanism, so as to provide compliance guarantee for the Company's stable operations.

During the reporting period, the Company proactively fulfilled its anti-money laundering obligations and constantly improved the quality and efficiency of its money laundering risk management. The Company optimised the money laundering risk management policies and procedures, and improved the anti-money laundering mechanism in strict compliance with the laws and regulations and regulatory requirements in relation to anti-money laundering. The Company initiated the risk evaluation of money laundering by financial institutions, continued to strengthen the money laundering risk management for customers and products, focusing on the identification, assessment and management of customers and products associated with high risk. The Company deepened the AI application, improved the tools for monitoring suspicious transactions and endeavoured to enhance the quality and efficiency of suspicious transaction monitoring and analysis. The Company continued to increase technology input in key anti-money laundering fields, upgraded and iterated the system functions of anti-money laundering platforms, and empowered business lines, branches and sub-branches to carry out proactive management. Additionally, the Company also continued to promote the deployment of the Group's anti-money laundering system in the overseas branches and subsidiaries, so as to safeguard the unified implementation of the Group's anti-money laundering policies in the overseas branches and subsidiaries.

3.12 Outlook and Coping Tactics

In the first half of 2024, against the backdrop of continued structural restoration, active policy support and improved growth momentum of China's economy, China's banking industry kept sound operation and maintained stable growth in scale. However, affected by LPR downward adjustment, insufficient financial demand, fee reduction and interest rate cut, the interest spread of the banking industry further declined, which made the pressure on net operating income continue to increase. Despite many challenges, the banking industry will adhere to high-quality development, actively implement various macro-control policies, and increase efforts to serve the real economy.

Looking forward to the second half of the year, on the overseas front, the tightening effect of high interest rates on the U.S. and European economies may be further fermented. After the European Central Bank started an interest rate cut cycle in June this year, the US Federal Reserve may start an interest rate cut cycle during the year as and when appropriate.

On the domestic front, the rebalancing of supply and demand will become the main focus of the economy in the second half of the year, and further policies in effect will be conducive to consolidating the foundation of economic restoration and achieving the annual economic growth target. On the demand side, firstly, exports are expected to remain resilient. Secondly, the consumption is expected to recover moderately, and the service consumption will be driven by the continued popularity of cultural tourism. The commodity consumption will be supported by trade-in program. Thirdly, investment growth may continue to diversify. Infrastructure investment will be further strengthened, manufacturing investment will remain strong, while the decline of real estate investment is expected to converge. On the supply side, industrial production is expected to grow steadily with the support of the resilience of export and the accelerated development of the new quality productive forces. With the improvement of the supply and demand pattern, inflation is expected to rebound moderately, which will be beneficial to the recovery of corporate profits, driving the growth rate of nominal GDP upwards. Looking forward to the second half of the year, macro-policies will continue to exert and enhance efforts, strengthen counter-cyclical adjustments, promote stable growth, structural adjustment and risk prevention driven by reforms, while enhancing the sustained recovery and positive trend of the economy.

In the second half of the year, the Company will stick to the strategic goal of building a value creation bank, accelerate the establishment of a new high-quality development model driven by "adopting strict management and upholding fundamental principles and breaking new ground (守正創新)", consolidate advantages and tap potentials, and strive to grow stronger, better, and bigger through differentiated development, so as to create greater value for customers, employees, shareholders, partners and society.

The first is to hold fast to the fundamental stability of customers, asset quality and market share, and build a solid foundation for long-term improvement. With the customer-centric principle in priority, the Company will manage to enhance the breadth and depth of customer services. Insisting on quality first, the Company will continue to consolidate the advantages such as stable asset quality and strong risk compensation capability. Capitalising on the perseverance in market orientation, the Company will exploit its strengths in respect of products, businesses, models, technologies and talents to enhance its competitiveness and influence in the market.

The second is to adhere to the balanced and coordinated development of the four major business segments and enhance distinctive and differentiated advantages. Resolutely securing the strategic dominant position of retail finance, the Company will solidify and expand the advantages of retail banking system, promote the accelerated development of corporate finance, investment banking and financial markets, wealth management and asset management, deepen synergy and linkage in respect of customer expansion and service, give full play to comprehensive and international layout, and enhance comprehensive service level.

The third is to tap the growth potential and accelerate the building of new strengths in new fields. Seizing the opportunities arising from the construction of a modern industrial system and the development of new quality productive forces, the Company will promote featured services and strengths of CMB in terms of extensive wealth management, sci-tech finance, green finance, inclusive finance, retirement finance, digital finance and cross-border finance. The Company will propel the accelerated development of its branches in key regions such as the Yangtze River Delta, Pearl River Delta, Chengdu-Chongqing Region and the Western Taiwan Straits Economic Zone, and strengthen the intensive business cultivation in prefecture-level and county-level cities, while strengthening the construction and improvement of the basic capabilities of overseas branches and subsidiaries, and promoting the accelerated development and active performance of its subsidiaries and branches in Hong Kong, helping consolidate and enhance Hong Kong's status as an international financial centre.

The fourth is to intensify strict management and enhance the intensive development. The Company will strengthen risk management, intensify the "fortress-style" risk and compliance management system, comprehensively cater to changes in the risk situation, rigorously prevent and control risks in key areas, tightly implement the risk management accountability system, and improve risk prevention and mitigation capability. The Company will reinforce asset and liability management, boost asset origination and asset allocation capability, and enhance liability origination by focusing on both volume and price. The Company will fortify all cost management, enhance the input-output efficiency of capital and expenses, and continue to reduce costs and increase efficiency. The Company will strengthen the construction and management of the talent team, strengthen the development of management staff across different organisational level, and increase the training and cultivation of professional talents. The Company will also strengthen the behavior management of management staff and employees, and emphasise on the establishment of compliance culture. The Company will consolidate service management to improve the appropriateness and standardisation of the entire service process, and strengthen the consumer rights protection.

The fifth is to intensify the development philosophy of upholding fundamental principles and breaking new ground (守正創新) and reinforce the momentum for high-quality development. The Company will strengthen technological innovation, expedite the application of cutting-edge technologies such as artificial intelligence and big data, deepen the exploration of "AI + finance" as well as the mining and application of data assets, and strengthen the construction of infrastructure such as "cloud + middle office", and continue to improve the digital thinking and digital application capabilities of employees across the Bank. By leading the innovation of products, models, management and business through scientific and technological innovation, the Company will delve into the two-way empowerment of "people + digitalisation" and "technology + business", so as to build more new moats.

Environmental, Social and Governance (ESG)

4.1 ESG Review

The Company continues to adhere to the concept of social responsibility of "originating from society and repaying society", takes "being committed to sustainable finance, promoting sustainable value and contributing to sustainable development" as the sustainable development goal, integrates the concept of Environmental, Social and Governance (ESG) into the daily operation and management of the Company, constantly improves the sustainable development management mechanism, broadly communicates with stakeholders, effectively fulfills corporate social responsibility and continuously promotes high-quality financial development.

4.2 Environmental Information

During the reporting period, in order to support the country's "3060" target of achieving carbon peak and carbon neutrality, the Company comprehensively promoted green finance and green operation, with a view to building a beautiful China. The Company did not have any environmental violation incident during the reporting period.

4.2.1 Environmental (climate) related governance framework and policy system

The Company has established a relatively complete corporate governance structure in the fields of environment (climate) and green finance. Under the leadership of the Board of Directors and the supervision of the Board of Supervisors, the working mechanism of high-quality development of green finance has been pushed forward with the lead of the Green Finance Business Development Committee, coordination among project teams and support from every unit across the Group.

The Board of Directors of the Company plays its strategic leadership role in environmental (climate) management and green finance, regularly reviews the sustainable development report, strategic implementation report, periodic report and comprehensive risk report with the Board of Supervisors, and effectively assumes its primary responsibility for environmental governance and climate risk management and green finance, so as to promote the improvement of the Company's ESG management and management performance. At the same time, relevant special committees under the Board of Directors are in place to highlight the Company's concern about environmental (climate) management and green finance, and provide professional opinions and recommendations to the Board of Directors, which strongly underpins the Company's work on environmental (climate) management and green finance.

In terms of green finance, the Green Finance Business Development Committee of the Company is responsible for coordinating and promoting works related to green finance across the Bank, including formulating strategic plans, development targets, key customer bases and business operation strategies regarding green finance, and promoting green finance product service system and green risk management system construction, contemplating resource allocation and green assessment supporting policies, advancing information disclosure competency, building green finance brand, and enhancing the effectiveness of the Company's ESG governance. In terms of green operation, the Green Operation Management Committee of the Company, as the centralised management organisation for the green operation of the Company, is responsible for coordinating and organising the 12 departments of the Head Office and subsidiaries to collaboratively promote the establishment of the carbon management system for the Company's operation.

During the reporting period, the Green Finance Business Development Committee organised two working meetings to study and develop the 2024 green finance action plan and special development strategies for hydroelectric business. The Green Operation Management Committee clarified the green operation work plan for the next three years and issued the "2024 Green Operation Work Plan" to actively promote the Group's solid implementation of green operation work.

During the reporting period, the Company continued to optimise and improve the green finance risk management system, taking into consideration internal and external requirements. For risk appetite, based on the external macro situation, changes in regulatory policies and the Company's strategic planning, the Company, taking into account existing risk management, formulated a risk appetite statement to clarify the requirements for green finance. At the policy level, clean energy, new energy vehicles, energy conservation and environmental protection were included into the green segment, with an aim of promoting the green transformation in respect of customers and asset business. For internal control and inspection, the Company clearly included green finance into the scope of inspection and supervision, and proposed the key points of inspection and supervision. For regulation development, the Company revised the "Practice Code for the Inspection of Corporate Credit Extension Business of China Merchants Bank" and other regulatory documents, strictly carried out the review of the "four aspects (四性)" of process standardisation, business compliance, financing security and solution reasonableness, and continued to improve its capability to prevent ESG risks.

4.2.2 Management of customers' ESG risks

During the reporting period, the Company continued to propel ESG risk management in the investment and financing business activities, formulated the "Credit, Investment and Financing Policy" applicable to the investment and financing business, regularly monitored the green loan business, strengthened support to green, low-carbon and circular economy, and steadily increased the proportion of assets in green finance, so as to promote the high-quality development of green finance.

In terms of due diligence, for general credit extension, the Company learnt about corporate governance and operating qualifications of an enterprise through background verification, investigated whether its shareholding structure and internal management decision-making mechanism were reasonable, whether its business model was sustainable and the patent authorisation was clear and valid, or whether there was no dispute over the source of intellectual property rights, while understanding the regulatory policies of the industry where the enterprise is operating, conducting compliance risk assessment of the enterprise, getting the picture of the employment situation, operating environment and information disclosure of the enterprise through on-site interview and financial review, and being aware of the enterprise's negative information in respect of litigation disputes, regulatory penalties, industry and commerce affairs and credit reporting through third-party verification; for project loans, the Company further assessed the intellectual property rights, resource endowments and social impacts regarding the project, and verified various compliance approvals such as project approval, land and environmental impact assessment.

In terms of credit review, in accordance with the requirements of the "Practice Code for the Inspection of Corporate Credit Extension Business of China Merchants Bank" and other regulatory documents, inspections were conducted on the lawfulness of the applicant's operations and ESG risk factors.

In terms of post-loan management, the Company conducted risk screenings for customers in high-carbon emission industries, and carried out list-based management for customers with significant environmental and social risks. The Company issued risk warning or risk alert to high-risk customers and projects, strictly controlled credit extension, and urged rectification.

In terms of system construction, the Company optimised the collateral system, added the function of "green finance label", and improved the environmental equity financing and other green financing-related statements.

4.2.3 Green finance

In terms of green credit, during the reporting period, the Company constantly improved the management system, as well as incentive and restraint mechanism of green credit to meet the requirements of the Green Finance Guidelines of financial regulatory authorities. As of the end of the reporting period, the Company's green loan balance was RMB492.350 billion, representing an increase of 9.96% as compared with the end of the previous year, mainly in the fields of energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrade of infrastructure and green services. During the reporting period, carbon emission reduction loans of RMB3.670 billion were issued to 51 projects, with a weighted average interest rate of 3.12%, resulting in a carbon emission reduction of 909,700 tons. During the reporting period, CMB Financial Leasing, a subsidiary of the Company, granted loans of RMB36.104 billion in green leasing business, accounting for 57.25% of total loans granted by CMB Financial Leasing, with a closing loan balance for green leasing business amounting to RMB138.122 billion, representing an increase of 13.68% as compared with the end of the previous year.

In terms of green bonds, during the reporting period, the Company assisted 11 companies in issuing 27 green bonds, of which the Company has lead-underwritten a total value of RMB8.786 billion, and the funds raised were invested in the construction and operation of renewable energy facilities, comprehensive utilisation of solid waste, advanced environmental protection equipment manufacturing, urban environmental infrastructure, building energy conservation and green buildings and other fields. In terms of ESG bonds, during the reporting period, CMB International Capital, a subsidiary of the Company, assisted 8 companies in issuing 10 green bonds, with a fundraising scale of USD3.258 billion.

In terms of green wealth management, the Company had a total of 10 existing ESG-themed wealth management products from its agency distribution, with an existing fund size of RMB10.786 billion. CMB Wealth Management, a subsidiary of the Company, proactively introduced wealth management products with ESG philosophy. As of the end of the reporting period, a total of 4 ESG-themed products had been issued, with an existing fund size of RMB4.551 billion.

In terms of green investment, the Company's subsidiaries continued to practise the ESG investment philosophy. China Merchants Fund proactively promoted ESG products. As of the end of the reporting period, China Merchants Fund had a total of 10 existing ESG-related products, with an existing fund size of RMB7.917 billion. CMB Wealth Management gave priority to the investment in green bonds. As of the end of the reporting period, the balance of investments in green bonds was RMB23.926 billion.

4.2.4 Green operation

The Company continued to deepen its green operation in pursuit of the sustainable development featuring green, environmentally friendly and low-carbon concepts, lending strong support to the construction of ecological civilisation and high-quality development.

In terms of energy management, the Company continued to research and learn about energy-saving technologies, promoted the transformation of energy-saving equipment, and piloted certain measures such as optimised control of fans in the Head Office Tower. During the reporting period, the total power consumption of some Head Office premises decreased by 612,300 kWh as compared with the same period of the previous year, with a corresponding carbon emission reduction of approximately 349.2 tons. The Company established and improved the basic statistical working mechanism for the energy consumption across the Bank, analysed the energy consumption index of office buildings of the Bank, with inclusion of the sub-branch offices into the statistical scope, and utilised the analysis results to guide branches to implement the energy saving and emission reduction in a timely manner.

In terms of paper management, the Company actively promoted paper saving. During the reporting period, the number of printed business cards decreased by 27,300 or 33.21% year-on-year. In terms of the electronic seal, the Company's self-developed electronic seal full-scenario application and anti-counterfeiting certification service system covers retail finance, wholesale finance, comprehensive management and other business management scenarios. During the reporting period, the electronic seal was used more than 50 million times, saving more than 84 million pieces of paper. In terms of paperless finance, taxation and procurement, in response to the national call for promoting electronic invoices, the Company realised fully electronic invoicing services, with issuance of approximately 1.39 million electronic invoices during the reporting period. The Company advocated the transformation of procurement and finance process towards green operation model. Leveraging electronic bidding, the Company saved approximately 10 million pieces of paper as compared with the traditional paper-based model, with paperless financial reimbursement documents increasing by 39.61% year-on-year, saving approximately 2 million pieces of paper as compared with the traditional paper-based model.

In terms of waste management, the Company continued to promote garbage classification and actions "Against Food Waste", and carried forward the good style of diligence and frugality by taking measures such as anti-waste promotion. During the reporting period, food waste of the staff restaurants at the Head Office decreased by 40.84% year-on-year.

4.3 Social Responsibility Information

4.3.1 Serving the real economy

The Company closely followed the transformation and development trend of the national economy, firmly complied with the requirements of national policies, and increased loan extension in key areas such as green economy, manufacturing, technological innovation and inclusive economy for small- and micro-sized enterprises, so as to continuously improve the quality and efficiency in serving the real economy. As of the end of the reporting period, the Company's balance of loans extended to manufacturing industry was RMB579.528 billion, representing an increase of 4.40% as compared with the end of the previous year; balance of loans extended to strategic emerging industry was RMB382.693 billion, representing an increase of 2.03% as compared with the end of the previous year; and balance of loans extended to sci-tech enterprises was RMB582.997 billion, representing an 8.35% increase as compared with the beginning of the year. The Company provided comprehensive financial services to 44,000 "specialised, competitive, distinguished and innovative (專精特新)" enterprises (including state-level small giants and provincial and municipal small- and medium-sized enterprises that are categorised as "specialised, competitive, distinguished and innovative (專精特新)" enterprises), of which 9,979 enterprises had a loan balance of RMB183.519 billion. During the reporting period, the Company granted loans totalling RMB324.519 billion to inclusive small- and micro-sized enterprises. At the end of the reporting period, the balance of loans extended to inclusive small- and micro-sized enterprises was RMB856.525 billion, representing an increase of 6.50% as compared with the end of the previous year.

CMB Wealth Management, a subsidiary of the Company, continuously directed the wealth management fund towards the real economy, particularly to support the financing of enterprises in scientific and technological innovation, infrastructure and energy fields that are in line with economic transformation and upgrading. As of the end of the reporting period, the total balance of CMB Wealth Management's wealth management investment assets supporting the real economy amounted to RMB1.70 trillion.

Focusing on serving the national strategy and the real economy, China Merchants Fund, a subsidiary of the Company, proactively established business presence in the fields and segments under the country's key guidance and encouragement, guiding the funds towards strategic emerging industries and small- and medium-sized enterprises that are categorised as "specialised, competitive, distinguished and innovative (專精特新)" enterprises. As of the end of the reporting period, the China Merchants Fund had directly invested in strategic emerging industries of more than RMB75 billion and invested more than RMB160 billion in small- and medium-sized enterprises.

CMB Financial Leasing, a subsidiary of the Company, delivered a C919 aircraft to its client, becoming the first financial leasing company in the industry to provide leasing financing for domestic C919 large aircraft, with an aim of supporting the high-quality development of large aircraft business in China. At the same time, CMB Financial Leasing has vigorously carried out the integration of industry and finance and cooperated with domestic shipbuilding enterprises which have successfully built a total of 118 vessels, with a balance of assets of more than RMB19 billion, actively supporting the development of shipbuilding enterprises in China.

CMB International Capital, a subsidiary of the Company, made full use of its differentiated professional advantages to provide corporate clients with comprehensive financial services such as sponsoring and underwriting services for Hong Kong listing activities, placing and rights issue of listed companies, bond issuance, asset management and financial advisory, contributing to the high-quality development of the real economy.

4.3.2 Supporting the improvement of people's livelihood

In the field of education, the Company will continuously provide agency settlement services for students with locally granted student loan from China Development Bank for 5 years from 2022, including online account opening, loan extension, identity verification for renewal application, loan repayment, etc. As of the end of the reporting period, the Company has provided agency disbursement services for over RMB10 billion of national student loans from China Development Bank.

In the field of housing, the Company actively cooperated with various provinces and cities on the contribution to the housing provident fund for flexible employees, assisted in the establishment of the contribution and loan system, information system and business process applicable to flexible employees, aiming to benefit more people with housing provident fund system. As of the end of the reporting period, the Company cooperated with 25 housing provident fund centres on the contribution to the housing provident fund for flexible employees. At the same time, the Company actively built AI intelligent customer service, intelligent approval platform, business fund management and other digital products and services, helping local housing provident fund centres improve their digital and intelligent level of operation, service and management, and providing 7×24 uninterrupted services to contributors. As of the end of the reporting period, the Company engaged in digital cooperation with 103 housing provident fund centres.

As one of the banks cooperating with the National Housing Provident Fund Public Service Platform of the Ministry of Housing and Urban-Rural Development, the Company continued to provide services such as account inquiry, off-site transfer and continuation, information inquiry and authorisation for contributors, and joined in the promotion of the personal certification of housing provident fund featuring "showing code, serving you (亮碼可辦)". During the reporting period, the Company served a total of 7,037,100 contributors.

In the field of medical insurance, the Company assisted in promoting the activation and application of medical insurance code, and provided insured persons with online services such as medical insurance code activation, payment and inquiry, and launched the QR code display by long-pressing the CMB APP icon, so as to continuously optimise operational convenience. The Company also participated in the broad-range promotion of medical insurance, and supported insured persons in various provinces to pay medical insurance premiums via APP and outlets. With the introduction of large language model and artificial intelligence technology, the Company facilitated the medical insurance organisations to improve their management efficacy, and supported "nearby service (就近辦)" and "on-line service(掌上辦)" for medical insurance, making the medical insurance services more warm-hearted and precise. As of the end of the reporting period, a total of 27.3176 million medical insurance codes were activated, serving 12.5831 million insured persons during the reporting period.

The Company dynamically cooperated with the labour regulation agency to carry out labour security work, continued to deepen the comprehensive financial services for migrant workers' wages supervision, and assisted local government authorities in solving the issue of "arrears of wages" for migrant workers. As of the end of the reporting period, the Company guaranteed the payment of wages for migrant workers amounting to RMB262.581 billion and served more than 11.8414 million migrant workers.

Please refer to section 3.10.2 "Retirement finance business" of this report for details of retirement finance business.

4.3.3 Accessibility to financial services

In terms of offline channels, the Company continued to promote the construction and layout optimisation of domestic branches and sub-branches. During the reporting period, 25 new outlets were opened, 56 existing outlets were relocated and optimised, and 111 outlets were furnished and renovated. Benefiting from the scientific enhancement of outlet location and layout and steady progress of outlet establishment, the scope of effective coverage of our outlets was further expanded and more efficient offline financial services were offered to customers.

The Company actively carried out specific work to optimise payment services, providing diversified payment services to groups such as the elderly and expatriates in China. The Company provided comprehensive services in exchange for small changes and set up convenient processing channels. The Company actively participated in the construction of demonstration zones for payment services at key airports and strengthened cooperation in foreign currency services at key venues. In addition, CMB APP "English Version" was launched with a focus on the core scenarios of users, which provided more convenient service experience.

The Company actively pushed forward the elderly-oriented transformation of service channels in order to render professional and considerate elderly-friendly services to elderly customers. Through proactive identification in 95555 hotline and provision of a more convenient customised service menu, the Company can help elderly customers quickly access the exclusive elderly-friendly manual service line. At the same time, considering the business needs of elderly customers, the CMB APP "Elderly Version" offered one-to-one services including voice call, same-screen operation guidance and other services, making the service more intuitive and convenient. During the reporting period, the Company provided elderly customers with 183,300 telephone and text quick-access services, with a dedicated telephone line access rate of 97.80% and a customer satisfaction rate of 99.78%. As of the end of the reporting period, customers using the CMB APP "Elderly Version" totalled 1.5162 million.

For visually impaired customers, the Company opened up the 95555 exclusive customer service "green channel", allowing customers to quickly access manual services. At the same time, trial run of the online and offline service linkage mode was conducted in some branches. With the linkage between online customer service and exclusive customer service at outlets, the visually impaired customers can access services in a smooth manner.

4.3.4 Network, information and data security and customer privacy protection

Governance framework of network, information and data security and customer privacy protection

The Board of Directors of the Company attaches great importance to the work related to network, information and data security and privacy protection. The Board of Directors and its special committees have strengthened the performance of relevant responsibilities in terms of strategic guidance and risk management and have specified the relevant responsibilities in the Articles of Association of China Merchants Bank Co., Ltd., so as to reinforce the supervision and management of network information security and lay emphasis on the customer privacy protection.

The Information Security Management Committee of the Company is responsible for the overall planning and organisation of network security and data security across the Bank. The Information Security Management Committee has set up a data security team led by the Information Technology Department at the Head Office, which is composed of the heads in charge of data security and data security administrators from over 40 departments at the Head Office, to oversee and implement various key work in data security. The Information Technology Department at the Head Office, as a leading management department for network security, is responsible for the Group's network security management under the leadership of the Information Security Management Committee. The Information Technology Department at the Head Office, the Risk Management Department at the Head Office and audit departments at all levels assume the responsibilities of the first, second and third lines of defence for network and data security management, respectively.

The Company has set up an integrated team of personal information protection consisting of the General Office of Retail Finance, the Legal Compliance Department and the Information Technology Department at the Head Office, which is connected with the data security working group at the Head Office, and is responsible for overall planning, guiding and coordinating the personal information protection management of the Bank. Each of the relevant departments of the Bank involved in the processing of customers' personal information is itself a responsible department for customer information and data security and privacy protection and directly accountable for the protection of customers' personal information in the respective area of responsibility.

Management initiatives for network, information and data security and customer privacy protection

For retail customers, the Company put high value on customer privacy protection and data security management, and actively implemented national laws and regulations such as the "Personal Information Protection Law of the People's Republic of China" to make every effort to protect customer information security. In terms of the acquisition and use of personal information, the Company adhered to the principles of clear purpose, minimum necessity, openness and transparency, quality assurance and security guarantee, customer protection, and consistent rights and responsibilities. It has issued the "Regulations on the Protection and Management of Personal Information of China Merchants Bank" to clarify the principle requirements for personal information processing across the Bank. The Company fulfilled various management requirements stipulated in the "Personal Information Protection Law of the People's Republic of China", including but not limited to carrying out classified management of personal information, strengthening the management of personal information protection impact assessment, establishing and improving the emergency response mechanism for personal information security incidents, and taking necessary data security technology measures to prevent the leakage of personal information, etc. Furthermore, the Company carried out effective supervision and management of other personal information processors with established business relationships to fully discharge the duties of personal information protection. In addition, the Company strengthened the publicity and knowledge promotion on personal information protection, so as to enhance the awareness of personal information protection of customers and employees, strictly prevent the risks arising from leakage, tampering and loss of personal information.

For corporate customers, the Company has formulated the "Management Measures for Users of Wholesale Customer Relationship Management System", which requires users of wholesale customer relationship management system (CRM) to properly use customer-related information in the system, strictly abide by the requirements of relevant national laws and regulations and the information security management system in the industry, and strictly prohibit the disclosure to unrelated personnel; strictly control access to sensitive information such as customer contact information, account balance, account transaction, and authorise the use of sensitive information on demand according to different levels and classifications. In the event of data leakage that results in severe consequences, the relevant parties will be punished according to the internal regulations, while direct supervisors will be held accountable. Suppliers are strictly required to safeguard the security of customer information. The Company will promptly terminate cooperation with involved suppliers when customer information is unsafe or customer rights are affected.

During the reporting period, the Company did not have any major incident of cybersecurity, information security or privacy leakage.

4.3.5 Consumer rights protection

The Company has paid high attention to the protection of consumer rights, carefully fulfilled requirements of various laws and regulations, financial policies and regulatory bodies for the protection of consumer rights, and included consumer rights protection into corporate governance, corporate culture construction and business development strategies, with a view to effectively protecting the customer rights.

During the reporting period, the Company further promoted the implementation of the consumer rights protection system and mechanism, brought into force special rectification for key complaints, carried out special actions to improve services, thereby promoting service quality improvement.

During the reporting period, the Company conducted 60,450 consumer rights protection reviews, covering 100% of the products and services, with 99.51% of the consumer rights protection review comments being adopted. The Company developed a series of premium courses based on the key points for performing duties in relation to consumer rights protection and position-related service skills that employees at all levels of the Bank are required to master, and established a systematic lecturer training and certification mechanism to cultivate professional lecturers on consumer rights protection throughout the Bank, and further promoted the concept of consumer rights protection, so as to enhance the awareness of consumer rights protection across the Bank. The Company actively organised and carried out financial knowledge promotion activities at different levels, through multiple channels, and of multiple types to fully mobilise the public's enthusiasm for proactive learning and effectively enhance consumers' financial literacy and risk prevention awareness. During the reporting period, the Company carried out 13,536 online and offline promotion and guidance activities, reaching consumers for more than 230 million times. During the reporting period, the Company developed the intelligent quality inspection function for handling complaints and launched an intelligent notification robot, which was conducive to enhancing the analysis and monitoring of complaints, and urging the responsible units to implement rectification in a timely manner.

4.3.6 Rural revitalisation

The Company resolutely fulfilled the working requirements from the Central Committee of the Communist Party of China and the State Council on targeted assistance and rural revitalisation. According to the idea of "road-paving by education, medical security, industrial support, and improvement of residence", the Company formulated the "Assistance Work Plan of China Merchants Bank for Rural Revitalisation for 2024", which specified the annual guiding philosophy, main objectives and specific measures of the assistance work, explored the establishment of a long-term assistance mechanism, and consolidated and expanded the results of poverty alleviation.

During the reporting period, the Company focused on education, medical care, industry, culture, ecology and other fields related to people's livelihood and well-being. It established a total of 42 assistance projects and directly invested RMB45.8865 million in assistance funds for Wuding County and Yongren County in Yunnan Province to help improve the quality of local education and teaching, enhance medical care quality, and assist industrial development, achieving its positive results in revitalising villages and bringing more benefits to villagers.

4.3.7 Charity

During the reporting period, the Company continued to participate in public welfare and charity events by making total external donations of RMB15,682,200, thereby contributing to the promotion of social equity and improvement of people's livelihood and well-being.

Since 2012, in order to fulfill its corporate social responsibility, the Company has innovatively combined public welfare with credit card points, and launched the public welfare platform named "Donating Small Points for Micro Charity (小積分•微公益)". Customers can participate in projects like "Free Lunch for Children (兒童免費午餐)" and "Yangfan Charity Books (揚帆公益圖書)" by donating a minimum of 1 point. As of the end of the reporting period, the platform had donated a total of 611 million points which translated into donations of 2,820,100 free lunches for children and 341,500 books for public welfare.

4.3.8 Human capital development

Talent development strategy

During the reporting period, the Company insisted on leveraging management and innovation as two pivotal drivers to build a team of high-quality professional talents, and strengthened talent training efforts in key areas such as sci-tech finance, green finance, inclusive finance, retirement finance, and digital finance. By creating a system framework of "Six Good Aspects for Human Resources (六好人力資源)" featuring "establishment of a good banner, a good structure, a good team, a good allocation of management staff, a good incentive, and a good service", the Company focused on professional capacity-building, optimised the existing structure and made forward-looking arrangements and planning to accelerate the forging of a team of high-quality professional management staff and talents, so as to improve the quality and efficiency of collective productivity and provide a source of power for high-quality development.

The Company actively embraced the opportunities of technological change and kept up talent arrangements and planning. Through the innovative "AI Camp", the Company actively explored the application of artificial intelligence in the financial field, studied the positioning of talents in the "AI + Finance" field, built an online + offline talent selection model, and strengthened the recruitment planning for AI technical talents.

The Company continued to strengthen the construction of its talent team and improved the efficiency of resource allocation by expanding the boundaries of the capabilities, and enhanced the comprehensive capabilities of employees. At the same time, the Company opened up inter-connection of career development channels for domestic and overseas employees from the Head Office, branches and sub-branches to promote the flow of talents and solve the problem of unbalanced business development in different regions through talent exchange. In addition, a management staff reserve talent pool has been established at each level to strengthen the construction of management staff reserve teams.

The Company stressed the cultivation of international talents. For talents with foreign language expertise and interdisciplinary professional backgrounds, special overseas talent exchange plans and expatriate programs are carried out to improve employees' comprehensive abilities and command of languages, and cultivate and reserve a pipeline of talents with international perspectives in an accelerated manner.

Equal employment

The Company does not judge candidates on the basis of factors unrelated to their personal qualities and working abilities, such as gender, age, ethnicity, nationality, religion, family status, and stipulates that discriminatory descriptions regarding image, gender, birthplace and marital and childbearing status and other aspects are strictly prohibited in external recruitment announcements.

Remuneration management

The Company's remuneration policy is in line with its cultural concepts, operation targets and corporate values. It aims to "improve its market-based remuneration incentive and restrictive mechanisms, serve its strategic and business development and fully enhance the motivation of its teams". The remuneration policy adheres to the remuneration management principles featuring "value guidance, performance base and risk control" and reflects the remuneration concept of "get more pay for more work in a flexible way". At the same time, in order to mitigate various operating and management risks, the Company has established a mechanism related to remuneration deferred payment and performance-based remuneration recovery and deduction in accordance with regulatory requirements and operational management needs. The Company adheres to the principle of gender equality in remuneration and benefits, and sticks to the notion that gender is not a factor affecting remuneration and benefits. The total annual remuneration of employees includes salary, bonuses and benefits. The Company adjusts the salary standard of different posts according to the market situation and provides employees with competitive remuneration.

Talent cultivation

The Company has established a professional sequence system to smooth the upward mobility for employees. At the same time, systems concerning reserve talent pool, post qualification certification, talent exchange, and professional training have been established as important ways of talent reserve building and talent cultivation.

The Company has established a reserve talent pool, supported horizontal development for employees such as internal transfer, skill learning and practice as well as job rotations. By sorting out the post qualification certification of the Bank, the Company vigorously promoted the mechanism of work permit, and continued to improve the professional capabilities of its talent team. The Company also established an all-around and multi-level talent exchange system relying on short-term dispatch exchanges and domestic and overseas talent exchange programs, so as to enrich employees' experience and foster comprehensive personal growth.

The Company's professional training mainly includes cultural values, professional ethics and safety, business and product knowledge, leadership, etc., covering the career growth needs of employees at different levels. During the reporting period, the Company optimised the new employee training model and empowered new employees to continually grow through a staged and progressive learning framework based on their growth needs at different stages. In terms of professional talent cultivation, a combination of centralised teaching, practical training, and other methods is used to continuously improve the expertise of employees, with a view to better integrating employees' personal growth and value fulfillment with the value of China Merchants Bank.

4.4 Governance Information

The Company continues to promote the improvement of the corporate governance mechanism, adheres to the principle of "two consistency", continuously improves the corporate governance level and adheres to the concept of stable development and prudent risk management. The Company serves the transformation and upgrading of the national economy and the people's aspirations for a better life with its own high-quality development. The key to the Company's corporate governance mechanism is to adhere to the principle of president assuming full responsibility under the leadership of the Board of Directors, market-based operation and professionalism. The Company's shareholding structure is reasonable and the shareholders' behaviours are regulated. Established among the Shareholders' General Meeting, Board of Directors, Board of Supervisors and the senior management is a structure of decision-making levels and process mechanism with clear responsibilities and boundaries, which provides the Company with a solid base for the continuous growth of its corporate governance capabilities and high-quality development.

During the reporting period, the Board of Directors of the Company proactively implemented the concept of sustainable development, continuously strengthened the positioning of sustainable development and sense of responsibility in terms of governance structure, and continued to perform its relevant duties in inclusive finance, green finance, data governance, human capital, consumer rights protection and social responsibilities. The Board of Directors and its relevant special committees successively reviewed the "2023 Sustainable Development Report", the "Inclusive Finance Development for 2023 and Work Plan for 2024", the "Data Governance Work Summary for 2023 and Work Plan for 2024", the "Human Resources Management and Talent Strategy Implementation Report for 2023", the "Report on the Development of Internet Loans for 2023 and Work Plan for 2024", the "Report on the Protection of Consumer Rights and Interests for 2023", the "Work Plan on the Protection of Consumer Rights and Interests for 2024" the "2023 Consumer Complaint Analysis Report and Bank-wide Complaint Management Work Policy for 2024", and other relevant proposals to effectively ensure the implementation of inclusive finance, green finance, data governance, human capital, and consumer rights protection across the Bank. The Bank continued to deepen the practice of sustainable development, and worked together with stakeholders to achieve high-quality development in pursuit of higher quality, more efficiency, fairness, sustainability and security.

During the reporting period, the Board of Supervisors of the Company reviewed the "2023 Sustainable Development Report", "Inclusive Finance Development for 2023 and Work Plan for 2024", the "Data Governance Work Summary for 2023 and Work Plan for 2024", the "Report on the Development of Internet Loans for 2023 and Work Plan for 2024", the "Report on the Protection of Consumer Rights and Interests for 2023", the " Work Plan on the Protection of Consumer Rights and Interests for 2024 ", "2023 Consumer Complaint Analysis Report and Bank-wide Complaint Management Work Policy for 2024" and other related proposals, focusing on the Board of Directors and senior management's duty performance on inclusive finance, green finance, data governance, consumer rights protection and social responsibilities.

For details on corporate governance, please refer to Chapter V.

Corporate Governance

5.1 Overview of Corporate Governance

During the reporting period, the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the special committees under the Board of Directors and the Board of Supervisors of the Company fulfilled their duties, functioned in an efficient manner, fully secured the compliance and prudent operation of the Company and ensured sustainable and healthy development of the Company. During the reporting period, the Company convened 1 Shareholders' general meeting; convened 8 meetings of the Board of Directors, including 3 on-site meetings and 5 meetings voted by way of written resolution, at which 62 resolutions were considered and 11 reports were delivered; convened 24 meetings of special committees under the Board of Directors, including 3 meetings of Strategic and Sustainable Development Committee, 6 meetings of Audit Committee, 3 meetings of Related Party Transactions Management and Consumer Rights Protection Committee, 7 meetings of Risk and Capital Management Committee, 4 meetings of Nomination Committee, and 1 meeting of Remuneration and Appraisal Committee, at which 90 resolutions were considered and 18 reports were delivered; convened 6 meetings of the Board of Supervisors, including 1 on-site meeting and 5 meetings voted by way of written resolution, at which 25 resolutions were considered and 20 reports were delivered; convened 3 meetings of special committees under the Board of Supervisors, including 1 meeting of Supervisory Committee and 2 meetings of Nomination Committee, at which 5 resolutions were considered. Having conducted thorough self-inspection, the Company was not aware of any material non-compliance of its corporate governance practice with laws, administrative regulations and the requirements set out in the CSRC's regulatory documents governing the corporate governance of listed companies during the reporting period.

5.2 Information about Shareholders' General Meetings

During the reporting period, the Company convened one Shareholders' General Meeting, namely the 2023 Annual General Meeting held in Shenzhen on 25 June 2024. The notice, convening, holding and voting procedures of the meeting were all in compliance with the relevant provisions of the Company Law of the People's Republic of China, the Articles of Association of China Merchants Bank Co., Ltd. and the Hong Kong Listing Rules. The meeting reviewed and approved 14 proposals, including the 2023 Work Report of the Board of Directors, the 2023 Work Report of the Board of Supervisors, the 2023 Annual Report (including the audited financial report), the 2023 Financial Statement Report, the 2023 Profit Appropriation Plan (including the declaration of the final dividends), the appointment of accounting firm for the year 2024, the election of the Directors of the Twelfth Session of the Board of Directors, the election of the Shareholder Supervisors of the Twelfth Session of the Board of Supervisors, the Related Party Transactions Report for 2023, and the Proposal regarding the Authorisation to Issue Capital Bonds. For the relevant details of the proposals reviewed at the meeting, please refer to the 2023 Annual General Meeting documents, meeting circulars and the announcement of meeting resolutions and other disclosure documents published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

5.3 Directors, Supervisors and Senior Management

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)
Miao Jianmin	Male	1965.1	Chairman	2020.9-2025.6	–	–
			Non-Executive Director	2020.9-2025.6		
Shi Dai	Female	1967.9	Non-Executive Director	2024.8-2025.6	–	–
Sun Yunfei	Male	1965.8	Non-Executive Director	2022.10-2025.6	–	–
Wang Liang	Male	1965.12	Executive Director	2019.8-2025.6	300,000	300,000
			President and Chief Executive Officer	2022.6-2025.6		
Zhang Jian	Male	1964.10	Non-Executive Director	2016.11-2025.6	–	–
Chen Dong	Male	1974.12	Non-Executive Director	2022.10-2025.6	–	–
Zhu Jiangtao	Male	1972.12	Executive Director	2023.8-2025.6	198,800	198,800
			Executive Vice President	2021.9-2025.6		
			Former Chief Risk Officer	2020.7-2024.5		
Wong See Hong	Male	1953.6	Independent Non-Executive Director	2017.2- (Note 1)	–	–
Li Menggang	Male	1967.4	Independent Non-Executive Director	2018.11- (Note 2)	–	–
Liu Qiao	Male	1970.5	Independent Non-Executive Director	2018.11- (Note 2)	–	–
Tian Hongqi	Male	1957.5	Independent Non-Executive Director	2019.8-2025.6	–	–
Li Chaoxian	Male	1958.9	Independent Non-Executive Director	2021.8-2025.6	–	–
Shi Yongdong	Male	1968.11	Independent Non-Executive Director	2021.8-2025.6	–	–
Li Jinming	Male	1968.2	Shareholder Supervisor	2024.6-2025.6	–	–
Luo Sheng	Male	1970.9	Shareholder Supervisor	2022.6-2025.6	–	–
Wu Heng	Male	1976.8	Shareholder Supervisor	2016.6-2025.6	–	–
Xu Zhengjun	Male	1955.9	External Supervisor	2019.6-2025.6	–	–
Cai Hongping	Male	1954.12	External Supervisor	2022.6-2025.6	–	–
Zhang Xiang	Male	1963.12	External Supervisor	2022.6-2025.6	–	–
Cai Jin	Female	1970.7	Employee Supervisor	2021.12- (Note 3)	169,550	169,550
Cao Jian	Male	1970.10	Employee Supervisor	2023.3-2025.6	158,400	158,400
Yang Sheng	Male	1972.8	Employee Supervisor	2023.6-2025.6	197,700	197,700
Zhao Weipeng	Male	1972.3	Secretary of the Party Discipline Committee	2023.8-present	56,800	56,800
Zhong Desheng	Male	1967.7	Executive Vice President	2023.10-2025.6	177,300	177,300
Wang Xiaoqing	Male	1971.10	Executive Vice President	2023.7-2025.6	62,000	62,000
Wang Ying	Female	1972.11	Executive Vice President	2023.11-2025.6	230,000	230,000
Peng Jiawen	Male	1969.5	Executive Vice President	2023.11-2025.6	221,900	221,900
			Chief Financial Officer	2023.2-2025.6		
			Secretary of the Board of Directors	2023.6-2025.6		
Lei Caihua	Male	1974.9	Executive Assistant President	2023.11 -present	264,400	264,400
Xu Mingjie	Male	1968.9	Executive Assistant President	2023.11 -present	200,000	200,000
Hu Jianhua	Male	1962.11	Former Non-Executive Director	2022.10-2024.1	–	–
Zhou Song	Male	1972.4	Former Non-Executive Director	2018.10-2024.7	–	–
Hong Xiaoyuan	Male	1963.3	Former Non-Executive Director	2007.6-2024.1	–	–
Peng Bihong	Male	1963.10	Former Shareholder Supervisor	2019.6-2024.1	–	–
Wang Yungui	Male	1963.6	Former Executive Vice President	2019.6-2024.5	210,000	210,000
Jiang Chaoyang	Male	1967.12	Former Chief Information Officer	2019.11-2024.5	232,400	232,400

Notes:

(1) Mr. Wong See Hong has tendered his resignation as an Independent Non-Executive Director to the Board of Directors of the Company due to expiry of his term of office. In accordance with the relevant laws, regulations and the relevant requirements of the Articles of Association of the Company, the resignation of Mr. Wong See Hong will become effective upon the election of a new Independent Non-Executive Director at the Shareholders' General Meeting of the Company to fill the vacancy, subject to the approval of the qualification of the new Independent Non-Executive Director by the National Financial Regulatory Administration.

(2) According to the "Measures for Administration of Independent Directors of Listed Companies", the term of office of Independent Directors shall not exceed six years. Therefore, the actual term of office of the Independent Directors, Mr. Li Menggang and Mr. Liu Qiao, will expire earlier than the expiry of the term of the Twelfth Session of the Board of Directors of the Company.

(3) Ms. Cai Jin has tendered her resignation as an Employee Supervisor to the Board of Supervisors of the Company due to her age. In accordance with the relevant laws and regulations and the relevant requirements of the Articles of Association of the Company, the resignation of Ms. Cai Jin will become effective upon the election of a new Employee Supervisor by the Employee Representative Meeting of the Company to fill the vacancy.

(4) As at the end of the reporting period, the spouse of Mr. Zhou Song held 23,282 A Shares in the Company; the spouse of Mr. Yang Sheng held 143,300 A Shares in the Company; and Ms. Cai Jin held 169,550 shares in the Company, which consisted of 165,000 A Shares and 4,550 H Shares. The shares held by others listed in the above table were all A Shares.

(5) None of the people listed in the above table has been punished by the securities regulator(s) over the past three years.

(6) None of the people listed in the above table has held any share options of the Company or has been granted any of its restricted shares.

5.3.1 New appointment and resignation of Directors, Supervisors and senior management

Directors

In January 2024, Mr. Hu Jianhua and Mr. Hong Xiaoyuan ceased to be Non-Executive Directors of the Company due to their ages.

In June 2024, according to the relevant resolutions passed at the 2023 Annual General Meeting of the Company, Ms. Li Jian was elected as an Independent Non-Executive Director of the Company, Ms. Shi Dai, Ms. Liu Hui and Mr. Zhu Liwei were elected as the Non-Executive Directors of the Company, and Mr. Zhong Desheng was elected as an Executive Director of the Company. The qualification of Ms. Shi Dai as the Director was approved by the National Financial Regulatory Administration in August 2024, and the qualifications of other persons as Directors are subject to the approval of the National Financial Regulatory Administration.

In July 2024, Mr. Zhou Song ceased to be the Non-Executive Director of the Company due to the change of work arrangement.

Supervisors

In January 2024, Mr. Peng Bihong ceased to be the Shareholder Supervisor of the Company due to the change of work arrangement.

In June 2024, according to the relevant resolution passed at the 2023 Annual General Meeting of the Company, Mr. Li Jinming was elected as the Shareholder Supervisor of the Company.

Senior management

In May 2024, Mr. Wang Yungui ceased to be the Executive Vice President of the Company due to reaching the retirement age.

In May 2024, Mr. Jiang Chaoyang ceased to be the Chief Information Officer of the Company due to the change of work arrangement.

In May 2024, Mr. Zhu Jiangtao ceased to be the Chief Risk Officer of the Company due to the change of assignment in the Bank.

In June 2024, Mr. Zhong Desheng was appointed as the Chief Risk Officer of the Company and Mr. Zhou Tianhong was appointed as the Chief Information Officer of the Company at the 36th meeting of the Twelfth Session of the Board of Directors of the Company, and their qualifications as the Chief Risk Officer and the Chief Information Officer are subject to the approval of the National Financial Regulatory Administration.

For details of the new appointment and resignation of Directors, Supervisors and senior management, please refer to the relevant announcements published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

5.3.2 Changes in information of Directors and Supervisors

1. Mr. Zhang Jian ceased to concurrently serve as the Director of Digital Centre of China Merchants Group Ltd.
2. Mr. Chen Dong serves as the Deputy General Manager, Chief Accountant and Chief Financial Officer of China Southern Airlines Company Limited (a company listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange), and ceased to concurrently serve as the General Manager of Financial Management Headquarter of China COSCO Shipping Corporation Limited, and ceased to concurrently serve as the Director of COSCO SHIPPING Specialized Carriers Co., Ltd. (a company listed on the Shanghai Stock Exchange), COSCO SHIPPING International (Hong Kong) Co., Ltd. (a company listed on the Hong Kong Stock Exchange) and COSCO SHIPPING Ports Limited (a company listed on the Hong Kong Stock Exchange).
3. Mr. Tian Hongqi ceased to concurrently serve as the Independent Director of Nanjing Tanker Corporation (a company listed on Shanghai Stock Exchange).
4. Mr. Luo Sheng ceased to concurrently serve as the Director of Gemdale Corporation (a company listed on Shanghai Stock Exchange).
5. Mr. Cai Hongping ceased to concurrently serve as the Independent Director of China Eastern Airlines Corporation Ltd. (a company listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange) and China Southern Airlines Company Limited (a company listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange).

5.3.3 Current positions held by Directors and Supervisors in the shareholders' companies

Name	Name of company	Major title	Term of office
Miao Jianmin	China Merchants Group Ltd.	Chairman	From July 2020 up to now
Shi Dai	China Merchants Group Ltd.	Director and General Manager	From October 2023 up to now
Sun Yunfei	China COSCO Shipping Corporation Limited	Deputy General Manager and Chief Accountant	From August 2018 up to now
Zhang Jian	China Merchants Group Ltd. China Merchants Financial Holdings Co., Ltd.	Chief Digital Officer Deputy General Manager	From January 2019 up to now From September 2022 up to now
Chen Dong	China COSCO Shipping Corporation Limited	General Manager of Financial Management Headquarter	From September 2016 to May 2024
Li Jinming	CCCC Finance Company Ltd.	General Manager	From September 2023 up to now
Luo Sheng	Dajia Insurance Group Co., Ltd.	Deputy General Manager	From September 2020 up to now
Wu Heng	SAIC Motor Corporation Limited	General Manager of Finance Affairs Department	From August 2019 up to now

5.3.4 Securities transactions of Directors, Supervisors and relevant employees

The Company has adopted the Model Code set out in Appendix C3 to the Hong Kong Listing Rules as the code of conduct for Directors, Supervisors and relevant employees of the Company in respect of their dealings in securities, and set guidelines on the trading of the Company's securities, and the contents of the guidelines are no less exacting than the Model Code. According to the enquiry, to the knowledge of the Company, all Directors, Supervisors and relevant employees of the Company have been in compliance with the Model Code and the guidelines set by the Company during the reporting period.

5.3.5 Interests and short positions of Directors, Supervisors and Chief Executives under Hong Kong laws and regulations

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

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Wang Liang	Executive Director President and Chief Executive Officer	A Share	Long position	Beneficial owner	300,000	0.00145	0.00119
Zhou Song	Former Non-Executive Director	A Share	Long position	Interest of spouse	23,282	0.00011	0.00009
Zhu Jiangtao	Executive Director, Executive Vice President	A Share	Long position	Beneficial owner	198,800	0.00096	0.00079
Cai Jin	Employee Supervisor	A Share	Long position	Beneficial owner	165,000	0.00080	0.00065
		H Share	Long position	Beneficial owner	4,550	0.00010	0.00002
Cao Jian	Employee Supervisor	A Share	Long position	Beneficial owner	158,400	0.00077	0.00063
Yang Sheng	Employee Supervisor	A Share	Long position	Beneficial owner	197,700	0.00096	0.00078
		A Share	Long position	Interest of spouse	143,300	0.00069	0.00057

5.4 Profit Appropriation

The profit appropriation plan for 2023

The Company's profit appropriation plan for the year 2023 was considered and approved at the 2023 Annual General Meeting held by the Company on 25 June 2024.

Ten percent of the audited net profit of the Company for 2023 of RMB137.521 billion, equivalent to RMB13.752 billion, was allocated to the statutory surplus reserve, while 1.5% of the increased balance of the end-of-period assets with the Company bearing risks and losses, equivalent to RMB7.787 billion, was appropriated to the general reserve. 2.5% of the Company's mutual fund custody fee income for 2023, equivalent to RMB68 million, was appropriated to the risk reserve for the mutual fund custody business. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, a cash dividend of RMB1.972 (tax included) for every share shall be appropriated to all shareholders of the Company whose names appear on the register, denominated and declared in Renminbi, payable in Renminbi for holders of A Shares and in Hong Kong Dollars for holders of H Shares. The retained profits will be carried forward to the next year. In 2023, the Company did not transfer any capital reserve into share capital.

The Board of Directors of the Company has already implemented the above-mentioned dividend appropriation plan. For further information, please refer to the relevant dividend appropriation announcement(s) published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company, respectively.

Interim profit appropriation for 2024

As of the disclosure date of this report, the Company did not declare an interim dividend on ordinary shares for 2024, nor did it transfer any capital reserve into share capital (for January-June 2023: nil).

5.5 Information on Employees

As of 30 June 2024, the Group had a total of 115,407 employees[27] (including dispatched employees).

The classification of the Group's employees by gender is: 49,307 males and 66,100 females, with a relatively balanced gender ratio.

The classification of the Group's employees by profession is: 19,913 employees in corporate finance, 52,119 employees in retail finance, 6,735 employees in risk management, 16,835 employees in operation and management, 10,653 employees in research and development, 976 employees in administrative and logistics support and 8,176 employees in comprehensive management.

The classification of the Group's employees by educational background is: 28,918 employees with master's degrees and above, 74,180 employees with bachelor's degrees and 12,309 employees with junior college degrees or below.

The distribution of the Group's employees by regions is: 28,364 employees in the Yangtze River Delta, 14,588 employees in the Bohai Rim, 35,593 employees in the Pearl River Delta and the Western Taiwan Straits Economic Zone, 5,308 employees in the Northeast, 12,364 employees in the Central, 15,968 employees in the West and 3,222 employees outside the Chinese mainland.

The classification of the Group's employees in research and development by educational background is: 5,036 employees with master's degrees or above, 5,499 employees with bachelor's degrees and 118 employees with junior college degrees or below. The age structure is as follows: 4,952 employees aged 30 and below, 4,654 employees aged 30-40 (excluding 30, but including 40), 881 employees aged 40-50 (excluding 40, but including 50), 165 employees aged 50-60 (excluding 50, but including 60) and 1 employee aged over 60.

5.6 Head Office and Branches and Representative Offices

Region	Name of branch	Business address	No. of branches	Asset scale (in millions of RMB)
Head Office	Head Office	7088 Shennan Boulevard, Futian District, Shenzhen	1	3,458,637
	Credit Card Centre	686 Lai'an Road, Pudong New Area, Shanghai	1	876,399
	Global Markets Centre	1088 Lujiazui Ring Road, Pudong New Area, Shanghai	1	1,046,232
Yangtze River Delta	Shanghai Branch	1088 Lujiazui Ring Road, Pudong New Area, Shanghai	103	450,626
	Shanghai Pilot Free Trade Zone Branch	56 Bohang Road, Pudong New Area, Shanghai	4	9,437
	Nanjing Branch	199 Lushan Road, Jianye District, Nanjing	85	299,577
	Hangzhou Branch	300 Fuchun Road, Shangcheng District, Hangzhou	81	280,177
	Ningbo Branch	342 Min' an East Road, Yinzhou District, Ningbo	35	113,322
	Suzhou Branch	36 Wansheng Street, Industrial Park, Suzhou	34	156,164
	Wuxi Branch	6-107, 6-108 1st Financial Street, Binhu District, Wuxi	20	73,843
	Wenzhou Branch	464 Fudong Road, Lucheng District, Wenzhou	16	37,698
	Nantong Branch	111 Gongnong Road, Nantong	18	37,732
Bohai Rim	Beijing Branch	156 Fuxingmen Nei Street, Xicheng District, Beijing	132	516,819
	Qingdao Branch	65 Hai'er Road, Laoshan District, Qingdao	53	78,532
	Tianjin Branch	255 Guangdong Road and 9 Qianjin Road, Hexi District, Tianjin	46	112,809
	Jinan Branch	7000 Jingshi Road, High-tech Zone, Jinan	64	139,880
	Yantai Branch	117 Changjiang Road, Economic &Technological Development Area, Yantai	17	30,413
	Shijiazhuang Branch	172 Zhonghua South Street, Qiaoxi District, Shijiazhuang	22	36,711
	Tangshan Branch	45 Beixinxi Road, Lubei District, Tangshan	12	12,236

27 Including employees of the Company, CMB Wing Lung Bank and its subsidiaries, CMB Financial Leasing, CMB International Capital and its subsidiaries, CMB Wealth Management, China Merchants Fund and its subsidiaries, CIGNA & CMB Life Insurance, CIGNA & CMAM, MUCFC, CMB Network Technology and CMB YunChuang.

Region	Name of branch	Business address	No. of branches	Asset scale (in millions of RMB)
Pearl River Delta and the Western Taiwan Straits Economic Zone	Guangzhou Branch	5 Huasui Road, Tianhe District, Guangzhou	77	303,021
	Shenzhen Branch	2016 Shennan Boulevard, Futian District, Shenzhen	120	550,561
	Fuzhou Branch	316 Jiangbinzhong Boulevard, Taijiang District, Fuzhou	41	86,037
	Xiamen Branch	18 Lingshiguan Road, Siming District, Xiamen	32	82,509
	Quanzhou Branch	China SCE • International Finance Centre South of Eastern Section of Baozhou Road, Fengze District, Quanzhou	17	32,726
	Dongguan Branch	200 Hongfu Road, Nancheng District, Dongguan	29	77,997
	Foshan Branch	12 Denghu Road East, Nanhai District, Foshan	36	84,118
Northeast	Shenyang Branch	12 Shiyiwei Road, Heping District, Shenyang	52	51,292
	Dalian Branch	17 Renmin Road, Zhongshan District, Dalian	35	44,599
	Harbin Branch	3 Zhongyang Avenue, Daoli District, Harbin	41	46,282
	Changchun Branch	9999 Renmin Avenue, Nanguan District, Changchun	23	27,672
Central	Wuhan Branch	188 Yunxia Road, Jianghan District, Wuhan	100	218,576
	Nanchang Branch	1111 Huizhan Road, Honggutan New District, Nanchang	51	103,356
	Changsha Branch	39 Chazishan East Road, Yuelu District, Changsha	49	100,064
	Hefei Branch	169 Funan Road, Hefei	42	103,393
	Zhengzhou Branch	96 Nongye Road East, Zhengzhou	53	102,856
	Taiyuan Branch	265 Nan Zhong Huan Road, Xiaodian District, Taiyuan	23	41,701
	Haikou Branch	1 Shimao Road North, Haikou	11	40,060
West	Chengdu Branch	488 Tianfu 4th Street, High-tech Zone, Chengdu	59	131,789
	Lanzhou Branch	9 Qingyang Road, Chengguan District, Lanzhou	24	42,811
	Xi'an Branch	1 Gaoxin No.2 Road, Gaoxin District, Xi'an	69	152,626
	Chongqing Branch	88 Xingguang Road, New North District, Chongqing	50	133,232
	Urumqi Branch	2 Huanghe Road, Urumqi	18	32,262
	Kunming Branch	1 Chongren Street, Wuhua District, Kunming	56	78,548
	Hohhot Branch	9 Chilechuan Avenue, Saihan District, Hohhot	24	37,682
	Nanning Branch	136-5 Minzu Avenue, Qingxiu District, Nanning	20	39,567
	Guiyang Branch	West 2nd Tower, International Finance Centre, Guanshanhu District, Guiyang	18	35,653
	Yinchuan Branch	138 Beijingzhong Road, Jinfeng District, Yinchuan	14	17,815
	Xining Branch	79 Haiyan Road, Chengxi District, Xining	11	11,775
Overseas	Hong Kong Branch	31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong	1	119,929
	USA Representative Office	18/F, 535 Madison Avenue, New York, U.S.A	1	/
	New York Branch	18/F, 535 Madison Avenue, New York, U.S.A	1	47,685
	Singapore Branch	1 Raffles Place, Tower2, #32-61, Singapore	1	21,154
	Taipei Representative Office	333, Section 1, Jilong Road, Xinyi District, Taipei	1	/
	Luxembourg Branch	20 Boulevard Royal, L-2449, Luxembourg	1	10,934
	London Branch	18/F, 20 Fenchurch Street, London, UK	1	17,930
	Sydney Branch	L39, GPT, 1 Farrer Place, Sydney, NSW	1	9,901
Total	/	/	**1,948**	**10,805,357**

5.7 Compliance with the Corporate Governance Code

During the reporting period, the Company has complied with the principles and code provisions of the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules and adhered to the majority of the recommended best practices thereunder.

Important Events

6.1 Purchase, Sale or Repurchase of Listed Securities of the Company

Neither the Company nor its subsidiaries had purchased, sold or repurchased any of the Company's listed securities (including treasury shares) during the reporting period.

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

6.2 Disciplinary Actions Imposed on the Company, Directors, Supervisors or Senior Management

During the reporting period, the Company was not subject to criminal investigations for suspected crimes. The Company, its Directors, Supervisors and senior management members were not subject to criminal punishment, or subject to investigations by the CSRC or regulatory measures or administrative punishment by the CSRC for suspected violations of laws and regulations, or subject to any disciplinary actions by the stock exchange or subject to administrative punishments by other competent authorities that have major impact on the operation of the Company. None of the Directors, Supervisors and senior management members of the Company was subject to compulsory measures in accordance with the law for suspected crimes, or subject to detention by the disciplinary inspection and supervision authorities for suspected serious violations of laws and regulations or duty-related crimes that affected the performance of their duties, or subject to compulsory measures taken by other competent authorities for suspected violations of laws and regulations that affected the performance of their duties.

6.3 Explanation on the Integrity of the Company

During the reporting period, there were no circumstances where the Company failed to fulfill any obligation under effective court judgements or repay any due debt of a significant amount.

6.4 Significant Connected Transactions[28]

6.4.1 Overview of connected transactions

Pursuant to Chapter 14A of the Hong Kong Listing Rules, a majority of continuing connected transactions of the Company met de minimis exemption and the non-exempt continuing connected transactions fulfilled the relevant reporting and announcement required by the Hong Kong Listing Rules.

6.4.2 Non-exempt continuing connected transactions

As at the end of the reporting period, the Company and China Merchants Securities Co., Ltd. held 55% and 45% of the equity interest in CMFM, respectively. Therefore, in accordance with the Hong Kong Listing Rules, CMFM and its associates ("CMFM Group") are connected parties of the Company, and the fund agency distribution service provided by the Company to CMFM Group constituted non-exempt continuing connected transactions of the Company under the Hong Kong Listing Rules.

On 28 December 2022, the Company entered into a Business Co-operation Agreement with CMFM on normal commercial principles after arm's length negotiation for a term commencing on 1 January 2023 and expiring on 31 December 2025. CMFM Group shall calculate fees based on the rates specified in the fund offering documents and/or the offering prospectuses, and shall pay agency service fees to the Company according to the agreement. Meanwhile, the Company has announced the annual caps of RMB1.5 billion, RMB1.8 billion and RMB2.2 billion for the continuing connected transactions with CMFM Group for 2023, 2024 and 2025, respectively as approved by the Board of Directors. The annual caps for the service fees were not more than 5% of the relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules. Therefore, these transactions would only be subject to the reporting, announcement and annual review requirements under the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement. For details, please refer to the relevant announcement of the Company dated 28 December 2022.

During the reporting period, the total value of continuing connected transactions between the Company and CMFM Group amounted to RMB475 million.

[28] Both "connected transactions" and "connected parties" in this section are terms used in Hong Kong Listing Rules.

6.5 Material Litigations and Arbitrations

Several litigations were filed during the daily operation of the Company, most of which were filed proactively for the purpose of recovering non-performing loans. As of the end of the reporting period, there were 252 pending on final judgement cases (including litigations and arbitrations) in which the Company was involved, with an aggregate principal and interest of RMB3,085 million.

6.6 Material Contracts and Their Performance

Significant events in respect of holding in custody, contracting, hiring or leasing of assets

During the reporting period, the Company did not have any material contract signed in connection with holding in custody, contracting, hiring or leasing of any assets of other companies outside the normal scope of banking businesses, or vice versa.

Significant guarantees

Guarantee business falls within the Company's ordinary course of business. During the reporting period, save for the financial guarantees entered into in our normal business scope approved by the regulatory authorities, the Company did not have any other significant disclosable guarantees, nor was the Company a party to any guarantee contract in violation of the resolution procedures of external guarantees as required by laws, administrative regulations and the CSRC.

6.7 Use of Funds by Related Parties

During the reporting period, no related parties used any funds of the Company for non-operating purposes, and none of them used the funds of the Company through, among others, any related party transactions not entered into on an arm's length basis.

6.8 Engagement of Accounting Firms for 2024

Upon completion of the annual audit work for the year 2023 of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and its overseas related member organisations Deloitte Touche Tohmatsu et al., the accounting firms previously engaged by the Company, have provided audit services for the Company for eight consecutive years. According to the relevant regulations, the Company is required to change its accounting firms in 2024. The Company has completed the necessary procedures for the change of accounting firms. Upon the approval at the 2023 Annual General Meeting of the Company, the Company engaged Ernst & Young Hua Ming LLP as the domestic accounting firm of the Company and its domestic subsidiaries for 2024, and engaged Ernst & Young et al. as the international accounting firm of the Company and its overseas subsidiaries for 2024. The term of each of the engagements is one year. For details, please refer to the notice and circular of the 2023 Annual General Meeting dated 31 May 2024, and relevant announcements regarding the resolutions of the Company dated 25 June 2024.

6.9 Review of Interim Results

Ernst & Young has reviewed the interim financial statements of the Company prepared in accordance with the International Financial Reporting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee under the Board of Directors of the Company has reviewed this report and agreed to submit the same to the Board of Directors for consideration. The Board of Directors of the Company has considered and approved this report on 29 August 2024.

6.10 Publication of Interim Report

The Company prepared the interim report in both English and Chinese versions in accordance with the International Financial Reporting Standards and the Hong Kong Listing Rules, which are available on the websites of Hong Kong Exchanges and Clearing Limited and the Company. In the event of any discrepancies in interpretation between the English and Chinese versions, the Chinese version shall prevail.

The Company also prepared the interim report in Chinese version in accordance with the PRC Generally Accepted Accounting Principles and the preparation rules for interim reports of the CSRC, which is available on the websites of Shanghai Stock Exchange and the Company.

Changes in Shares and Information on Shareholders

7.1 Changes in Ordinary Shares of the Company During the Reporting Period

		31 December 2023		Changes in the No. of shares during the reporting period (share)	30 June 2024	
		No. of shares (share)	Percentage (%)		No. of shares (share)	Percentage (%)
1.	Shares subject to trading restrictions on sales	–	–	–	–	–
2.	Shares not subject to trading restrictions on sales	25,219,845,601	100.00	–	25,219,845,601	100.00
	(1) Ordinary shares in RMB (A Shares)	20,628,944,429	81.80	–	20,628,944,429	81.80
	(2) Foreign shares listed domestically	–	–	–	–	–
	(3) Foreign shares listed overseas (H Shares)	4,590,901,172	18.20	–	4,590,901,172	18.20
	(4) Others	–	–	–	–	–
3.	Total shares	25,219,845,601	100.00	–	25,219,845,601	100.00

As at the end of the reporting period, the Company had a total of 565,294 shareholders of ordinary shares, including 537,564 holders of A Shares and 27,730 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to trading restrictions on sales.

Based on the publicly available information and to the knowledge of the Directors, as at the end of the reporting period, the Company had maintained the public float in compliance with the requirement of the Hong Kong Listing Rules.

7.2 Top Ten Holders of Ordinary Shares and Top Ten Holders of Ordinary Shares Whose Shareholdings Are Not Subject to Trading Restrictions on Sales

Serial No.	Name of shareholders	Type of Shareholders	Shares held at the end of the period (share)	Percentage of the total share capital (%)	Type of shares	Changes in the reporting period (share)	Number of shares held subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
1	HKSCC Nominees Ltd.	Overseas legal person	4,554,169,618	18.06	H Shares not subject to trading restrictions on sales	115,777	–	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to trading restrictions on sales	–	–	–
3	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to trading restrictions on sales	–	–	–
4	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to trading restrictions on sales	–	–	–

Serial No.	Name of shareholders	Type of Shareholders	Shares held at the end of the period (share)	Percentage of the total share capital (%)	Type of shares	Changes in the reporting period (share)	Number of shares held subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
5	Hong Kong Securities Clearing Company Limited	Overseas legal person	1,243,125,625	4.93	A Shares not subject to trading restrictions on sales	182,631,234	–	–
6	China Merchants Financial Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to trading restrictions on sales	–	–	–
7	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,991,537	4.48	A Shares not subject to trading restrictions on sales	–	–	–
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to trading restrictions on sales	–	–	–
9	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	A Shares not subject to trading restrictions on sales	–	–	–
10	China Securities Finance Corporation Limited	Domestic legal person	524,229,972	2.08	A Shares not subject to trading restrictions on sales	–	–	–

Notes:

(1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of China Merchants Bank trading on the transaction platform of HKSCC Nominees Ltd. Hong Kong Securities Clearing Company Limited is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the shares of China Merchants Bank acquired by investors through Northbound Trading.

(2) As at the end of the reporting period, among the aforesaid top ten shareholders, HKSCC Nominees Ltd. is a subsidiary of Hong Kong Securities Clearing Company Limited; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Financial Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd.; and China Ocean Shipping Company Limited and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited. The Company is not aware of any affiliated relationship or action in concert among other shareholders.

(3) None of the above holders of A Shares have entrusted any proxy or acted as proxy to vote or waived their voting rights.

(4) During the reporting period, the above holders of A Shares did not participate in the margin trading and short selling business. The number of outstanding A Shares of the Company lent out through securities lending by the above holders of A Shares at the beginning and the end of the reporting period was zero.

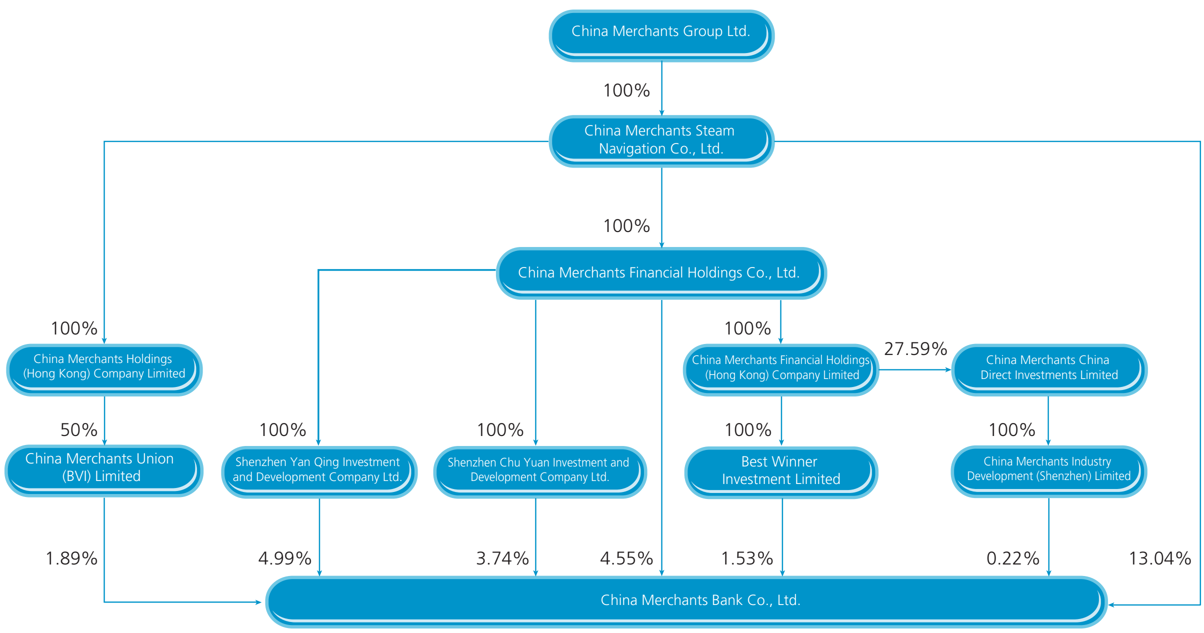
7.3 Information on Substantial Ordinary Shareholders

7.3.1 Information on the Company's largest shareholder

As at the end of the reporting period, China Merchants Group Ltd., through its subsidiaries, namely China Merchants Steam Navigation Co., Ltd., China Merchants Financial Holdings Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., Shenzhen Chu Yuan Investment and Development Company Ltd., China Merchants Union (BVI) Limited, Best Winner Investment Limited and China Merchants Industry Development (Shenzhen) Limited, indirectly held an aggregate of 29.97% of the shares in the Company. There was no pledge of the shares of the Company. Specifically, as at the end of the reporting period, China Merchants Steam Navigation Co., Ltd. directly held 13.04% of the shares in the Company, and is the largest shareholder of the Company with a registered capital of RMB17 billion, and its legal representative is Miao Jianmin. China Merchants Steam Navigation Co., Ltd. mainly engages in passenger and cargo shipping businesses; dockyard, warehouse and vehicle transportation; investment and management of tugboat and barge transportation business; repair, construction and trading of ships and offshore oil drilling equipment; sale, purchase and supply of various transportation equipment, spare parts and materials; ship and passenger/goods shipping agency; construction of water and land-based construction projects; and businesses such as investment and management of finance, insurance, trust, securities and futures industries.

As at the end of the reporting period, China Merchants Group Ltd. directly holds 100% equity interests in China Merchants Steam Navigation Co., Ltd. and is the controlling shareholder of the Company's largest shareholder, with a registered capital of RMB16.9 billion. Its legal representative is Miao Jianmin. China Merchants Group Ltd. is a central enterprise under the direct control of State-owned Assets Supervision and Administration Commission of the State Council. Its predecessor, China Merchants Steam Navigation Company, was founded in 1872, when China was in its late Qing Dynasty and was undergoing the Westernisation Movement. It was one of the enterprises which played a significant role in promoting the modernisation of China's national industries and commerce at that time. Nowadays, it has developed into a diversified conglomerate, with its businesses focusing on three core industries, namely integrated transportation, featured finance and comprehensive development of cities and industrial zones. It is realising the transformation from three main businesses to three major platforms of industrial operation, financial services, investment and capital operation.

The Company did not have any controlling shareholder and de facto controller. As at the end of the reporting period, the equity relationship among the Company, its largest shareholder and the controlling shareholder of its largest shareholder is illustrated as follows (in this report, any discrepancies between the total shown and the sum of the percentages listed are due to rounding):



7.3.2 Information on other shareholders holding more than 5% of the Company's shares

As at the end of the reporting period, China COSCO Shipping Corporation Limited indirectly held an aggregate of 9.97% of the shares in the Company through its holding subsidiaries, namely China Ocean Shipping Company Limited, COSCO Shipping (Guangzhou) Co., Ltd., Guangzhou COSCO Shipping Haining Technology Co., Ltd., COSCO Shipping (Shanghai) Co., Ltd. (中遠海運(上海)有限公司), COSCO Shipping Investment Holdings Co., Limited (中遠海運投資控股有限公司) and Guangzhou Tri-Dynas Oil & Shipping Co., Ltd. (廣州市三鼎油品運輸有限公司). There was no pledge of the shares of the Company. Specifically, China Ocean Shipping Company Limited held 6.24% of the shares in the Company. China Ocean Shipping (Group) Company (the predecessor of China Ocean Shipping Company Limited) was established on 22 October 1983. The registered capital of China Ocean Shipping Company Limited was RMB16.191 billion as at the end of the reporting period. Its legal representative is Wan Min. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; acceptance of space booking, voyage charter and time charter from cargo owners at home and abroad; leasing, construction, trading and maintenance of vessels and containers and manufacture of related facilities; ship escrowing business; provision of ship materials, spare parts and communications services relating to shipping business at home and abroad; management of enterprises engaging in vessel and cargo agency business and seafarer assignment business.

China COSCO Shipping Corporation Limited held 100% equity interests in China Ocean Shipping Company Limited and is its controlling shareholder. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council. China COSCO Shipping Corporation Limited was established on 5 February 2016, with a registered capital of RMB11.0 billion as at the end of the reporting period. Its legal representative is Wan Min. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; imports and exports of goods and technology; marine, land, aviation international freight forwarding business; ship leasing; sales of ships, containers and steel products; offshore engineering equipment design; terminal and port investment; communication equipment sales, information and technical services; warehousing (except hazardous chemicals); engaged in technology development, technology transfer, technical consulting, technical services and equity investment funds in the field of shipping and spare parts.

7.3.3 Other substantial shareholders under the regulatory calibre

1. As at the end of the reporting period, China Communications Construction Group Ltd. through its holding subsidiaries, namely China Communications Construction Company Limited, CCCC Capital Holdings Limited, CCCC Guangzhou Dredging Co., Ltd., CCCC Fourth Harbour Engineering Co., Ltd., CCCC Shanghai Dredging Co., Ltd., Zhen Hua (Shenzhen) Engineering Co., Ltd. and CCCC Third Harbour Consultants Co., Ltd., indirectly held an aggregate of 1.68% of the shares in the Company, and has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. China Communications Construction Group Ltd. was established on 8 December 2005, with a registered capital of RMB7.274 billion as at the end of the reporting period, and its legal representative is Wang Tongzhou. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council.

2. As at the end of the reporting period, Dajia Life Insurance Co., Ltd. held 1.29% of the shares in the Company, and has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. The controlling shareholder of Dajia Life Insurance Co., Ltd. is Dajia Insurance Group Co., Ltd. Dajia Insurance Group Co., Ltd. was established on 25 June 2019, with a registered capital of RMB20.361 billion, and its legal representative is He Xiaofeng. Its controlling shareholder and de facto controller is China Insurance Security Fund Co., Ltd.

3. As at the end of the reporting period, SAIC Motor Corporation Limited held 1.23% of the shares in the Company and has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. SAIC Motor Corporation Limited was established on 16 April 1984, its legal representative is Wang Xiaoqiu, with a registered capital of RMB11.575 billion as at the end of the reporting period. Its de facto controller is the State-owned Assets Supervision and Administration Commission of Shanghai.

7.3.4 Substantial shareholders' interests and short positions in the Company under Hong Kong laws and regulations

As at 30 June 2024, substantial shareholders had interests and short positions in the shares of the Company under Hong Kong laws and regulations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO (in this report, any discrepancies between the total shown and the sum of the percentages listed are due to rounding) as follows:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Merchants Group Ltd.	A	Long	Interest of controlled corporation	6,697,550,412			
		Long	Others	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Steam Navigation Co., Ltd.	A	Long	Beneficial owner	3,289,470,337			
		Long	Interest of controlled corporation	3,408,080,075			
		Long	Other	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Financial Holdings Co., Ltd.	A	Long	Beneficial owner	1,147,377,415			
		Long	Interest of controlled corporation	2,260,702,660			
		Long	Other	55,196,540			
				3,463,276,615	1	16.79	13.73
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
China Merchants Financial Holdings (Hong Kong) Company Limited	A	Long	Interest of controlled corporation	58,147,140	1	0.28	0.23
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
Best Winner Investment Limited	A	Long	Beneficial owner	58,147,140	1	0.28	0.23
	H	Long	Beneficial owner	328,776,923	1	7.16	1.30
Shenzhen Yan Qing Investment and Development Company Ltd.	A	Long	Beneficial owner	1,258,542,349	1	6.10	4.99
China Ocean Shipping Company Limited	A	Long	Beneficial owner	1,574,729,111		7.63	6.24
Hexie Health Insurance Co. Ltd.	A	Long	Beneficial owner	1,130,991,537	2	5.48	4.48
Pagoda Tree Investment Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Compass Investment Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
CNIC Corporation Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Verise Holdings Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
China Merchants Union (BVI) Limited	H	Long	Beneficial Owner	477,903,500	3	10.41	1.89
JPMorgan Chase & Co.	H	Long	Interest of controlled corporation	40,985,048			
		Long	Investment manager	149,166,222			
		Long	Person having a security interest in shares	2,188,089			
		Long	Trustee	3,120			
		Long	Approved lending agent	81,009,780			
				273,352,259	4	5.95	1.08
		Short	Interest of controlled corporation	30,961,901	4	0.67	0.12
BlackRock, Inc.	H	Long	Interest of controlled corporation	244,482,714	5	5.33	0.97
		Short	Interest of controlled corporation	2,575,500	5	0.06	0.01

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Citigroup Inc.	H	Long	Interest of controlled corporation	23,221,058			
		Long	Approved lending agent	247,869,467			
				271,090,525	6	5.90	1.07
		Short	Interest of controlled corporation	20,010,627	6	0.44	0.08

Notes:

(1) For details of China Merchants Group Ltd. and its subsidiaries' interests in the Company, please refer to section 7.3.1 "Information on the Company's largest shareholder".

(2) New China Asset Management Co., Ltd. is the trustee of all the A shares in the Company held by Hexie Health Insurance Co., Ltd. by virtue of which New China Asset Management Co., Ltd. was deemed to hold interests in all the A shares in the Company held by Hexie Health Insurance Co., Ltd.

(3) Pagoda Tree Investment Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company held by China Merchants Union (BVI) Limited by virtue of its wholly owned subsidiary Compass Investment Company Limited:

(3.1) China Merchants Union (BVI) Limited held 477,903,500 H shares (long position) in the Company. Verise Holdings Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company held by China Merchants Union (BVI) Limited by virtue of holding the 50% interest in China Merchants Union (BVI) Limited.

(3.2) Verise Holdings Company Limited was wholly-owned by CNIC Corporation Limited. Therefore, CNIC Corporation Limited was deemed to hold interests in the 477,903,500 H shares in the Company deemed to be held by Verise Holdings Company Limited.

(3.3) Compass Investment Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company deemed to be held by CNIC Corporation Limited by virtue of holding 90% interest in CNIC Corporation Limited.

The 477,903,500 H shares referred to in (3) and (3.1) to (3.3) above represented the same shares.

(4) JPMorgan Chase & Co. was deemed to hold a total of 273,352,259 H shares (long position) and 30,961,901 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 81,009,780 H shares. Besides, 24,597,061 H shares (long position) and 17,997,521 H shares (short position) were held through derivatives as follows:

2,605,000 H shares (long position) and 4,500,500 H shares (short position)	–	through physically settled listed derivatives
66,550 H shares (long position) and 400,650 H shares (short position)	–	through cash settled listed derivatives
2,104,231 H shares (long position) and 10,757,836 H shares (short position)	–	through physically settled unlisted derivatives
19,821,280 H shares (long position) and 2,338,535 H shares (short position)	–	through cash settled unlisted derivatives

(5) BlackRock, Inc. was deemed to hold a total of 244,482,714 H shares (long position) and 2,575,500 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests of BlackRock, Inc. in the Company included 2,982,000 H shares (long position) and 2,003,500 H shares (short position) which were held through cash settled unlisted derivatives.

(6) Citigroup Inc. was deemed to hold a total of 271,090,525 H shares (long position) and 20,010,627 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests and short positions of Citigroup Inc. in the Company included a lending pool of 247,869,467 H shares. Besides, 14,242,005 H shares (long position) and 6,160,010 H shares (short position) were held through derivatives as follows:

637,310 H shares (long position) and 285,000 H shares (short position)	–	through physically settled listed derivatives
1,849,434 H shares (long position) and 4,450,943 H shares (short position)	–	through physically settled unlisted derivatives
11,755,261 H shares (long position) and 1,424,067 H shares (short position)	–	through cash settled unlisted derivatives

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

7.4 Issuance and Listing of Securities

During the reporting period, the Company did not issue any new ordinary shares. The Company did not have any internal staff shares. Save for the disclosure related to "Preference Shares" in this chapter, no equity-linked agreements of the Company were entered into during the reporting period or subsisted at the end of the reporting period.

For issuance of bonds of the Company and its subsidiaries, please refer to Note 32 to the financial statements.

During the reporting period, the use of proceeds raised by the Company was consistent with such usages as set out in the prospectus of the Company.

7.5 Preference Shares

7.5.1 Issuance and listing of preference shares

Pursuant to the approvals by the regulatory authorities, the Company made a non-public issuance of 275,000,000 domestic preference shares on 22 December 2017. The issuance price is RMB100 each and the coupon dividend rate per annum is 4.81% (including tax). The domestic preference shares of the issuance have been listed and traded on the integrated business platform of Shanghai Stock Exchange since 12 January 2018 (abbreviated name of shares: "Zhao Yin You 1 (招銀優 1)"; stock code: 360028; number of listed shares: 275,000,000). The total proceeds from the issuance of the domestic preference shares amounted to RMB27.5 billion and, after deduction of the expenses relating to the issuance, has fully been used to replenish the Company's additional Tier 1 Capital. On 18 December 2022, five years after the issuance of the domestic preference shares, the Company adjusted the coupon dividend rate per annum to 3.62% (including tax) in accordance with market rules. For details, please refer to the relevant announcements published by the Company on the websites of the Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

7.5.2 Number of shareholders of preference shares and their shareholdings

As at the end of the reporting period, the Company had a total of 22 holders of preference shares, and all of them were holders of domestic preference shares.

As at the end of the reporting period, the shareholdings of the Company's top ten holders of domestic preference shares were as follows:

No.	Name of shareholders	Type of shareholders	Type of shares	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Changes (share)	Number of shares subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
1	China Mobile Communications Group Co., Ltd.	State-owned Legal person	Domestic preference share	106,000,000	38.55	–	–	–
2	Suyin Wealth Management Co., Ltd. – No. 1 Hengyuan Rongda (恒源融達) of Suyin Wealth Management	Others	Domestic preference share	23,000,000	8.36	–	–	–
3	China National Tobacco (Henan Province) Company	State-owned Legal person	Domestic preference share	20,000,000	7.27	–	–	–
	Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Others	Domestic preference share	20,000,000	7.27	–	–	–
5	China National Tobacco (Anhui Province) Company	State-owned Legal person	Domestic preference share	15,000,000	5.45	–	–	–
	China National Tobacco (Sichuan Province) Company	State-owned Legal person	Domestic preference share	15,000,000	5.45	–	–	–
7	BOC Asset – Bank of China – Bank of China Limited, Shenzhen Branch	Others	Domestic preference share	14,000,000	5.09	-1,900,000	–	–

No.	Name of shareholders	Type of shareholders	Type of shares	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Changes (share)	Number of shares subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
8	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	9,000,000	3.27	–	–	–
9	CCB Trust Co., Ltd. – CCB Trust – Jianyue Changhong (建粵長虹) No. 1 Single Fund Trust	Others	Domestic preference share	8,570,000	3.12	8,570,000	–	–
10	Everbright Securities Asset Management – Bank of China –Xinyou (鑫優) No. 32 Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	7,500,000	2.73	7,000,000	–	–

Notes:

(1) The shareholdings of holders of domestic preference shares are presented under separate account according to the register of members of preference shares of the Company.

(2) China National Tobacco (Henan Province) Company, China National Tobacco (Anhui Province) Company and China National Tobacco (Sichuan Province) Company are all subsidiaries of China National Tobacco Corporation; "Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management" and "Everbright Securities Asset Management – Bank of China – Xinyou (鑫優) No. 32 Collective Asset Management Scheme of Everbright Securities Asset Management" are both managed by Everbright Securities Asset Management Co., Ltd. Save for the above, the Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares or between the above holders of preference shares and the Company's top ten holders of ordinary shares.

(3) "Percentage of shareholdings" represents the percentage of the number of domestic preference shares held by the holders of preference shares to the total number of domestic preference shares.

7.5.3 Dividend distribution of preference shares

During the reporting period, no distribution of dividend for preference shares was made by the Company.

7.5.4 Repurchase or conversion of preference shares

During the reporting period, there had been no repurchase or conversion of preference shares.

7.5.5 Restored voting rights of preference shares

During the reporting period, the voting rights of the Company's domestic preference shares in issue had not been restored.

7.5.6 Accounting policies for preference shares and the reason of adoption

The Company made accounting judgements on the preference shares issued and outstanding of the Company in accordance with the requirements of the relevant accounting principles, including the "International Financial Reporting Standard 9 – Financial Instruments" and the "International Accounting Standard 32 – Financial Instruments: Presentation" issued by the International Accounting Standards Board. As the preference shares issued and outstanding of the Company carry no obligation to deliver cash and cash equivalents, nor have they any contractual obligations to deliver a variable number of its own equity instruments for settlement, they were therefore measured as equity instruments.

Report on Review of Interim Financial Information

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TO THE BOARD OF DIRECTORS OF

China Merchants Bank CO., LTD.

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

Introduction

We have reviewed the interim condensed financial information set out on pages 96 to 181, which comprises the consolidated statement of financial position of China Merchants Bank CO., LTD. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2024 and the consolidated statement of income, the consolidated statement of income and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and condensed 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 ("IASB"). The directors of the Bank are responsible for the preparation and presentation of interim condensed financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards 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 interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2024

Unaudited Consolidated Statement of Income

For the six months ended 30 June 2024

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June	
		2024	2023
Interest income	3	**187,997**	187,334
Interest expense	4	**(83,548)**	(78,338)
Net interest income		**104,449**	108,996
Fee and commission income	5	**42,552**	51,338
Fee and commission expense		**(4,224)**	(4,247)
Net fee and commission income		**38,328**	47,091
Other net income	6	**28,595**	20,822
– Disposal of financial assets at amortised cost		**3,578**	950
Operating income		**171,372**	176,909
Operating expenses	7	**(56,345)**	(56,372)
Operating profit before impairment losses and taxation		**115,027**	120,537
Expected credit losses	8	**(26,928)**	(31,059)
Impairment losses on other assets		**(8)**	(150)
Share of profits of joint ventures		**910**	1,086
Share of profits of associates		**640**	470
Profit before taxation		**89,641**	90,884
Income tax	9	**(14,262)**	(14,447)
Profit for the period		**75,379**	76,437
Attributable to:			
Equity holders of the Bank		**74,743**	75,752
Non-controlling interests		**636**	685
Earnings per share			
Basic and diluted (RMB Yuan)	11	**2.89**	2.93

The notes on pages 104 to 181 form part of these interim consolidated financial statements.

Unaudited Consolidated Statement of Income and Other Comprehensive Income

For the six months ended 30 June 2024

(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June	
		2024	2023
Profit for the period		**75,379**	76,437
Other comprehensive income for the period after tax			
Items that may be reclassified subsequently to profit or loss		**9,238**	1,540
– Net fair value change on debt instruments measured at fair value through other comprehensive income		**6,362**	1,715
– Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		**519**	(2,804)
– Net movement in cash flow hedge reserve		**(54)**	(15)
– Share of other comprehensive income from equity-accounted investees		**1,081**	526
– Exchange difference on translation of financial statements of foreign operations		**1,330**	2,163
– Other		**–**	(45)
Items that will not be reclassified to profit or loss		**1,651**	261
– Fair value change on equity instruments designated at fair value through other comprehensive income		**1,649**	258
– Remeasurement of defined benefit scheme		**2**	3
Other comprehensive income for the period, net of tax	10	**10,889**	1,801
Attributable to:			
Equity holders of the Bank		**10,809**	1,678
Non-controlling interests		**80**	123
Total comprehensive income for the period		**86,268**	78,238
Attributable to:			
Equity holders of the Bank		**85,552**	77,430
Non-controlling interests		**716**	808

The notes on pages 104 to 181 form part of these interim consolidated financial statements.

Unaudited Consolidated Statement of Financial Position

At 30 June 2024

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	30 June 2024	31 December 2023
Assets			
Cash		**14,836**	14,931
Precious metals		**11,349**	2,321
Balances with central banks	12	**584,684**	667,871
Balances with banks and other financial institutions	13	**135,018**	100,769
Placements with banks and other financial institutions	14	**358,239**	287,694
Amounts held under resale agreements	15	**307,454**	172,246
Loans and advances to customers	16	**6,485,011**	6,252,755
Financial investments at fair value through profit or loss	17(a)	**579,230**	526,145
Derivative financial assets	41(f)	**20,028**	18,733
Debt investments at amortised cost	17(b)	**1,773,874**	1,749,024
Debt investments at fair value through other comprehensive income	17(c)	**956,011**	899,102
Equity investments designated at fair value through other comprehensive income	17(d)	**21,159**	19,649
Interests in joint ventures	18	**17,546**	15,707
Interests in associates	19	**11,450**	10,883
Investment properties	20	**1,121**	1,160
Property and equipment	21	**122,490**	115,348
Right-of-use assets	22	**17,324**	17,041
Intangible assets	23	**2,372**	2,709
Goodwill	24	**9,954**	9,954
Deferred tax assets	25	**89,321**	90,557
Other assets		**56,312**	53,884
Total assets		**11,574,783**	11,028,483

The notes on pages 104 to 181 form part of these interim consolidated financial statements.

	Notes	30 June 2024	31 December 2023
Liabilities			
Borrowing from central bank		**225,396**	378,621
Deposits from banks and other financial institutions	26	**518,836**	508,378
Placements from banks and other financial institutions	27	**240,066**	247,299
Financial liabilities at fair value through profit or loss	28	**52,146**	43,958
Derivative financial liabilities	41(f)	**19,065**	17,443
Amounts sold under repurchase agreements	29	**103,909**	135,078
Deposits from customers	30	**8,765,124**	8,240,498
Salaries and welfare payable		**34,356**	28,679
Tax payable		**15,358**	13,597
Contract liabilities		**5,011**	5,486
Lease liabilities		**13,131**	12,675
Provisions	31	**21,880**	19,662
Debt securities issued	32	**276,327**	176,578
Deferred tax liabilities	25	**1,646**	1,607
Other liabilities		**165,507**	113,195
Total liabilities		**10,457,758**	9,942,754
Equity			
Share capital	33	**25,220**	25,220
Other equity instruments		**150,446**	150,446
– Preference shares	34(a)	**27,468**	27,468
– Perpetual bonds	34(b)	**122,978**	122,978
Capital reserve		**65,432**	65,432
Investment revaluation reserve	35	**23,221**	13,656
Hedging reserve		**38**	92
Surplus reserve		**108,737**	108,737
General reserve		**141,361**	141,481
Retained earnings		**591,545**	518,638
Proposed profit appropriations	36(b)	**–**	49,734
Exchange reserve		**4,213**	2,934
Total equity attributable to equity holders of the Bank		**1,110,213**	1,076,370
Non-controlling interests		**6,812**	9,359
– Non-controlling interest		**6,812**	6,521
– Perpetual debt capital	43(a)	**–**	2,838
Total equity		**1,117,025**	1,085,729
Total equity and liabilities		**11,574,783**	11,028,483

The notes on pages 104 to 181 form part of these interim consolidated financial statements.

Approved and authorised for issue by the board of directors on 29 August 2024.

Miao Jianmin
Director

Wang Liang
Director

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

(Expressed in millions of Renminbi unless otherwise stated)

		Six months ended 30 June 2024														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Note	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriations	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2024		25,220	27,468	122,978	65,432	13,656	92	108,737	141,481	518,638	49,734	2,934	1,076,370	6,521	2,838	1,085,729
Changes in equity for the period		–	–	–	–	9,565	(54)	–	(120)	72,907	(49,734)	1,279	33,843	291	(2,838)	31,296
(a) Net profit for the period		–	–	–	–	–	–	–	–	74,743	–	–	74,743	543	93	75,379
(b) Other comprehensive income for the period		–	–	–	–	9,584	(54)	–	–	–	–	1,279	10,809	32	48	10,889
Total comprehensive income for the period		–	–	–	–	9,584	(54)	–	–	74,743	–	1,279	85,552	575	141	86,268
(c) Capital contribution or reduction by equity holders		–	–	–	–	–	–	–	–	–	–	–	–	–	(2,886)	(2,886)
(i) Redemption of perpetual debt capital	43(a)	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,886)	(2,886)
(d) Profit appropriations		–	–	–	–	–	–	–	(120)	(1,855)	(49,734)	–	(51,709)	(284)	(93)	(52,086)
(i) Reversal of regulatory general reserve	36(b)	–	–	–	–	–	–	–	(120)	120	–	–	–	–	–	–
(ii) Dividend appropriations for the year 2023	36(a)	–	–	–	–	–	–	–	–	–	(49,734)	–	(49,734)	(284)	–	(50,018)
(iii) Distribution of perpetual bonds		–	–	–	–	–	–	–	–	(1,975)	–	–	(1,975)	–	–	(1,975)
(iv) Distribution of perpetual debt capital	43(a)	–	–	–	–	–	–	–	–	–	–	–	–	–	(93)	(93)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		–	–	–	–	(19)	–	–	–	19	–	–	–	–	–	–
At 30 June 2024		25,220	27,468	122,978	65,432	23,221	38	108,737	141,361	591,545	–	4,213	1,110,213	6,812	–	1,117,025

The notes on pages 104 to 181 form part of these interim consolidated financial statements.

	Six months ended 30 June 2023															
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Note	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriations	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2023		25,220	27,468	92,978	65,435	11,815	151	94,985	132,471	449,139	43,832	2,009	945,503	5,948	2,787	954,238
Changes in equity for the period		–	–	–	–	(355)	(15)	–	531	73,244	(43,832)	2,050	31,623	(59)	111	31,675
(a) Net profit for the period		–	–	–	–	–	–	–	–	75,752	–	–	75,752	597	88	76,437
(b) Other comprehensive income for the period		–	–	–	–	(357)	(15)	–	–	–	–	2,050	1,678	12	111	1,801
Total comprehensive income for the period		–	–	–	–	(357)	(15)	–	–	75,752	–	2,050	77,430	609	199	78,238
(c) Capital contribution or reduction by equity holders		–	–	–	–	–	–	–	–	–	–	–	–	(383)	–	(383)
(i) Decrease in non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	(383)	–	(383)
(d) Profit appropriations		–	–	–	–	–	–	–	531	(2,506)	(43,832)	–	(45,807)	(285)	(88)	(46,180)
(i) Appropriations to general reserve		–	–	–	–	–	–	–	531	(531)	–	–	–	–	–	–
(ii) Dividend appropriations for the year 2022		–	–	–	–	–	–	–	–	–	(43,832)	–	(43,832)	(285)	–	(44,117)
(iii) Distribution of perpetual bonds		–	–	–	–	–	–	–	–	(1,975)	–	–	(1,975)	–	–	(1,975)
(iv) Distribution of perpetual debt capital		–	–	–	–	–	–	–	–	–	–	–	–	–	(88)	(88)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		–	–	–	–	2	–	–	–	(2)	–	–	–	–	–	–
At 30 June 2023		25,220	27,468	92,978	65,435	11,460	136	94,985	133,002	522,383	–	4,059	977,126	5,889	2,898	985,913

The notes on pages 104 to 181 form part of these interim consolidated financial statements.

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2024	2023
Operating activities		
Profit before tax	**89,641**	90,884
Adjustments for:		
– Impairment losses on loans and advances	**25,433**	27,291
– Impairment losses on investments and other	**1,503**	3,918
– Unwinding of discount on the allowances for loans and advances	**(124)**	(156)
– Depreciation of property and equipment and investment properties	**5,573**	5,377
– Depreciation of right-of-use assets	**2,072**	2,093
– Amortisation of other assets	**500**	618
– Net gains on debt securities and equity investments	**(17,354)**	(10,142)
– Interest income on investments	**(41,585)**	(39,198)
– Interest expense on issued debt securities	**3,880**	3,868
– Share of profits of associates	**(640)**	(470)
– Share of profits of joint ventures	**(910)**	(1,086)
– Net gain on disposal of property and equipment and other assets	**(45)**	(1)
– Interest expense on lease liabilities	**241**	249
Changes in:		
Balances with central banks	**20,198**	(6,231)
Loans and advances to customers	**(270,755)**	(326,411)
Other assets	**8,037**	(1,857)
Deposits from customers	**507,448**	494,490
Amounts due to banks and other financial institutions	**(27,447)**	(58,621)
Amounts due from banks and other financial institutions with original maturity over 3 months	**(59,355)**	(42,749)
Borrowing from central bank	**(153,643)**	27,934
Other liabilities	**28,603**	(56,350)
Cash generated from operating activities before income tax payment	**121,271**	113,450
Income tax paid	**(13,091)**	(19,098)
Net cash generated from operating activities	**108,180**	94,352
Investing activities		
Payment for the purchases of investments	**(1,091,323)**	(1,056,100)
Payment for the purchases of property and equipment and other assets	**(18,575)**	(15,383)
Payment for investments in joint ventures and associates	**(261)**	(7)
Proceeds from disposals of investments	**987,445**	903,810
Proceeds from investments income	**61,357**	49,199
Proceeds from disposals of joint ventures and associates	**78**	180
Proceeds from disposals of property and equipment and other assets	**6,257**	1,394
Net cash used in investing activities	**(55,022)**	(116,907)

The notes on pages 104 to 181 form part of these interim consolidated financial statements.

	Note	Six months ended 30 June 2024	2023
Financing activities			
Proceeds from the issuance of certificates of deposit and other debt securities		**26,241**	28,961
Proceeds from the issuance of debt securities		**16,742**	14,005
Proceeds from the issuance of negotiable interbank certificates of deposit		**142,353**	51,906
Proceeds from other financing activities		**1,069**	5,773
Repayment of certificates of deposit		**(24,133)**	(21,155)
Repayment of debt securities		**(40,952)**	(2,822)
Repayment of negotiable interbank certificates of deposit		**(22,903)**	(32,691)
Distribution paid on perpetual debt capital		**(93)**	(88)
Distribution paid on ordinary shares		**(284)**	(285)
Repayment of lease liabilities		**(2,315)**	(2,388)
Interest paid on financing activities		**(2,493)**	(4,448)
Redemption of perpetual debt capital		**(2,886)**	–
Repayments for other financing activities		**(7,893)**	–
Net cash generated from financing activities		**82,453**	36,768
Net increase in cash and cash equivalents		**135,611**	14,213
Cash and cash equivalents as at 1 January		**599,019**	567,198
Effect of foreign exchange rate changes		**1,276**	3,636
Cash and cash equivalents as at 30 June	37(a)	**735,906**	585,047
Cash flows from operating activities include:			
Interest received		**145,401**	147,364
Interest paid		**62,299**	60,544

The notes on pages 104 to 181 form part of these interim consolidated financial statements.

Notes to the Unaudited Interim Consolidated Financial Statements

For the six months ended 30 June 2024

(Expressed in millions of Renminbi unless otherwise stated)

1. General information

China Merchants Bank Co., Ltd. (the "Bank") is a commercial bank incorporated in Shenzhen, the People's Republic of China (the "PRC"). With the approval of the China Securities Regulatory Commission (the "CSRC") of the PRC, the A Shares of the Bank were listed on the Shanghai Stock Exchange on 9 April 2002. On 22 September 2006, the Bank's H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEX").

The principal activities of the Bank and its subsidiaries (the "Group") are the provision of corporate and personal banking services, conducting treasury business, and the provision of asset management and other financial services.

As at 30 June 2024, apart from the Head Office, the Bank had 51 branches in the Chinese mainland, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has two representative offices in New York and Taipei.

The particulars of the Group's major subsidiaries as at 30 June 2024 are set out below:

Name of company	Place of incorporation and operations	Particulars of the issued and paid up capital (in millions)	Percentage of ownership held by the Bank	Principal activities	Economic nature	Legal representative
CMB International Capital Holdings Corporation Limited ("CMBIC")	Hong Kong	HKD4,129	100%	Investment bank and investment management	Limited liability	Wang Liang
CMB Financial Leasing Company Limited ("CMBFL")	Shanghai	RMB12,000	100%	Finance leasing	Limited liability	Zhong Desheng
CMB Wing Lung Bank Limited ("CMB WLB")	Hong Kong	HKD1,161	100%	Banking	Limited liability	Wang Liang
China Merchants Fund Management Co., Ltd.	Shenzhen	RMB1,310	55%	Fund management	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd. ("CMBWM")	Shenzhen	RMB5,556	90%	Asset management	Limited liability	Wu Jianbin
China Merchants Europe S.A. ("CMB Europe S.A.")	Luxembourg	EUR100	100%	Banking	Limited liability	Mao Xuejun
Cigna & CMB Asset Management Company Limited ("CIGNA & CMAM")	Beijing	RMB500	(note (i))	Asset management	Limited liability	Wang Xiaoqing

Note:

(i) CIGNA & CMAM is an indirectly controlled subsidiary of the Bank, with 87.3458% held by CIGNA & CMB Life Insurance Co., Ltd., a joint venture of the Bank, and 12.6542% held by CMBIC, a subsidiary of the Bank.

2. Basis of preparation, principal accounting policies, accounting estimates and judgements

(a) Basis of preparation and principal accounting policies

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited interim condensed consolidated financial statements do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

Other than the application of the following amendments to IFRSs, the Group's accounting policies and methods of computation applied in preparing these unaudited interim condensed consolidated financial statements are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 31 December 2023.

In the current interim period, the Group has applied the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2024 for the preparation of the Group's unaudited interim condensed consolidated financial statements:

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

The application of the amendments to IFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods or on the disclosures set out in these unaudited interim condensed consolidated financial statements.

(b) Accounting estimates and judgements

The preparation of these unaudited interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The Group's significant accounting estimates and judgements applied in preparing these unaudited interim condensed consolidated financial statements are consistent with those applied in preparing the consolidated financial statements for the year ended 31 December 2023.

3. Interest income

	Six months ended 30 June	
	2024	2023
Loans and advances to customers	**132,214**	134,592
– Corporate loans and advances	**47,396**	47,346
– Retail loans and advances	**81,771**	82,804
– Discounted bills	**3,047**	4,442
Balances with central banks	**4,933**	4,759
Balances with banks and other financial institutions	**1,251**	1,129
Placements with banks and other financial institutions	**6,191**	5,449
Amounts held under resale agreements	**1,823**	2,207
Financial investments	**41,585**	39,198
– Debt investments at FVTOCI	**14,006**	12,332
– Debt investments at amortised cost	**27,579**	26,866
Total	**187,997**	187,334

Note: For the six months ended 30 June 2024, included in the above is the interest income of RMB4,652 million from loans and advances to customers at fair value through other comprehensive income (six months ended 30 June 2023: RMB5,869 million).

4. Interest expense

	Six months ended 30 June	
	2024	2023
Deposits from customers	**66,528**	62,455
Borrowing from central bank	**2,495**	1,802
Deposits from banks and other financial institutions	**4,061**	4,401
Placements from banks and other financial institutions	**4,708**	4,353
Amounts sold under repurchase agreements	**1,635**	1,210
Debt securities issued	**3,880**	3,868
Lease liabilities	**241**	249
Total	**83,548**	78,338

5. Fee and commission income

	Six months ended 30 June	
	2024	2023
Fees and commissions from wealth management	**11,437**	16,946
Fees and commissions from asset management	**5,858**	6,015
Bank card fees	**8,634**	10,051
Settlement and clearing fees	**7,859**	7,801
Commissions from credit commitment and lending business	**2,460**	3,070
Commissions from custody business	**2,484**	2,885
Other	**3,820**	4,570
Total	**42,552**	51,338

6. Other net income

	Six months ended 30 June	
	2024	2023
Net gains/(losses) from fair value change	**2,286**	1,814
– financial instruments at fair value through profit or loss ("FVTPL")	**2,567**	1,942
– derivative instruments	**(232)**	(38)
– precious metals	**(49)**	(90)
Net investment income	**17,949**	10,847
– financial instruments at FVTPL	**8,599**	6,947
– gain on disposal of financial assets at amortised cost	**3,578**	950
– gain on disposal of debt instruments at FVTOCI	**5,582**	2,578
– of which: gain on disposal of bills	**595**	705
– dividend income from equity investments designated at FVTOCI	**131**	171
– other	**59**	201
Foreign exchange gain	**1,949**	2,480
Other income	**6,139**	5,361
– income on operating leases	**6,139**	5,283
– insurance income	**–**	78
Other	**272**	320
Total	**28,595**	20,822

7. Operating expenses

	Six months ended 30 June	
	2024	2023
Staff costs	**35,769**	35,968
– Salaries and bonuses	**28,382**	27,409
– Social insurance and corporate supplementary insurance	**4,514**	5,148
– Other	**2,873**	3,411
Tax and surcharges	**1,507**	1,510
Depreciation of property and equipment and investment properties	**5,573**	5,377
Amortisation of intangible assets	**373**	489
Depreciation of right-of-use assets	**2,072**	2,093
Short-term rent and low-value asset rent	**89**	104
Other general and administrative expenses	**10,962**	10,831
Total	**56,345**	56,372

8. Expected credit losses

	Six months ended 30 June	
	2024	2023
Loans and advances to customers	**25,433**	27,291
– Loans and advances at amortised cost	**25,705**	31,432
– Loans and advances at FVTOCI	**(272)**	(4,141)
Amounts due from banks and other financial institutions	**509**	931
Financial investments	**(1,058)**	1,413
– Debt investments at amortised cost	**(2,005)**	133
– Debt investments at FVTOCI	**947**	1,280
Expected credit losses relating to financial guarantees and loan commitments	**2,370**	1,328
Other	**(326)**	96
Total	**26,928**	31,059

9. Income tax

(a) Income tax expense in the unaudited consolidated statement of income represents:

	Six months ended 30 June	
	2024	2023
Current income tax expense	**15,279**	17,289
– Chinese mainland	**14,495**	16,356
– Hong Kong	**694**	849
– Overseas	**90**	84
Deferred taxation	**(1,017)**	(2,842)
Total	**14,262**	14,447

(b) A reconciliation of income tax expense in the unaudited consolidated statement of income and that calculated at the applicable statutory tax rate is as follows:

	Six months ended 30 June	
	2024	2023
Profit before taxation	**89,641**	90,884
Tax at the PRC statutory income tax rate of 25% (Six months ended 30 June 2023: 25%)	**22,410**	22,721
Tax effects of the following items:		
– Effects of costs, expenses and losses not deductible for tax purposes	**1,838**	1,609
– Effects of non-taxable income	**(9,392)**	(9,100)
– Effects of different applicable rates in other jurisdictions (note)	**(111)**	(320)
– Tax effect of perpetual bond/perpetual debt capital interest expense	**(518)**	(513)
– Other	**35**	50
Income tax expense	**14,262**	14,447

Note: Taxation for Hong Kong and overseas operations are charged at the applicable rates of tax prevailing in relevant regions.

10. Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	Six months ended 30 June					
	2024			2023		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Items that may be reclassified subsequently to profit or loss	11,498	(2,260)	9,238	1,193	347	1,540
– Net fair value change on debt instruments measured at FVTOCI	8,458	(2,096)	6,362	2,098	(383)	1,715
– Net changes in expected credit losses of debt instruments measured at FVTOCI	695	(176)	519	(3,529)	725	(2,804)
– Net movement in cash flow hedge reserve	(66)	12	(54)	(20)	5	(15)
– Share of other comprehensive income from equity-accounted investees	1,081	–	1,081	526	–	526
– Exchange difference on translation of financial statements of foreign operations	1,330	–	1,330	2,163	–	2,163
– Other	–	–	–	(45)	–	(45)
Items that will not be reclassified to profit or loss	1,664	(13)	1,651	293	(32)	261
– Net fair value change on equity instruments designated at FVTOCI	1,661	(12)	1,649	289	(31)	258
– Remeasurement of defined benefit scheme	3	(1)	2	4	(1)	3
Other comprehensive income	13,162	(2,273)	10,889	1,486	315	1,801

(b) Fair value change on the components of other comprehensive income

	Six months ended 30 June	
	2024	2023
Net fair value change on debt instruments at FVTOCI		
Changes in fair value recognised during the period	10,549	3,649
Reclassification adjustments for amounts transferred to profit or loss upon disposal	(4,187)	(1,934)
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	6,362	1,715
Net changes in expected credit losses of debt instruments at FVTOCI		
Changes in expected credit losses recognised during the period	519	(2,804)
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	519	(2,804)
Net movement in cash flow hedge reserve		
Effective portion of changes in fair value of hedging instruments	24	(15)
Reclassification adjustment for realised gain to profit or loss	(78)	–
Net movement in the hedging reserve during the period recognised in other comprehensive income	(54)	(15)
Net fair value change on equity instruments designated at FVTOCI		
Changes in fair value recognised during the period	1,649	258
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	1,649	258

11. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2024 and 2023 is based on the net profit attributable to equity shareholders of the Bank and the weighted average number of shares in issue.

	Six months ended 30 June	
	2024	2023
Net profit attributable to equity shareholders of the Bank	**74,743**	75,752
Less: Net profit attributable to investors of preference shares	**–**	–
Net profit attributable to investors of perpetual bonds	**(1,975)**	(1,975)
Net profit attributable to ordinary shareholders of the Bank	**72,768**	73,777
Weighted average number of shares in issue (in million shares)	**25,220**	25,220
Basic and diluted earnings per share (in RMB Yuan)	**2.89**	2.93

Note:

The Bank issued non-cumulative preference shares in 2017 and non-cumulative perpetual bonds in 2020, 2021 and 2023. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares and interest on non-cumulative perpetual bonds should be deducted from the amounts attributable to shareholders of the Bank. There were no dividends on non-cumulative preference shares during the six months ended 30 June 2024 and 2023, and there was interest on perpetual bonds amounting to RMB1,975 million during the six months ended 30 June 2024 and 2023.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as of 30 June 2024 and 2023. Therefore, the conversion feature of preference shares has no impact on the diluted earnings per share calculation.

12. Balances with central banks

	30 June 2024	31 December 2023
Statutory deposit reserve (note (i))	**515,056**	536,637
Surplus deposit reserve (note (ii))	**62,937**	125,878
Other deposits with central banks (note (iii))	**6,437**	5,054
Accrued interest	**254**	302
Total	**584,684**	667,871

Notes:

(i) Statutory deposit reserve funds are deposited with The People's Bank of China ("PBOC") and other central banks outside the Chinese mainland as required and are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in the Chinese mainland are calculated at 6.5% and 4% of the eligible RMB deposits and foreign currency deposits respectively as at 30 June 2024 (31 December 2023: 7% and 4% of the eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organisations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by financial institutions outside the Chinese mainland in the Bank. The reserve of overseas branches of the Group shall be deposited in accordance with the provisions of local regulators.

(ii) Surplus deposit reserve maintained with the PBOC and central banks outside the Chinese mainland is mainly for clearing purposes.

(iii) Other deposits with central banks primarily represent fiscal deposits and foreign exchange reserve placed with the PBOC.

13. Balances with banks and other financial institutions

	30 June 2024	31 December 2023
Principal (a)	135,096	100,757
Impairment allowances (a)(b)	(404)	(223)
Subtotal	134,692	100,534
Accrued interest	326	235
Total	135,018	100,769

(a) Analysed by nature of counterparties

	30 June 2024	31 December 2023
Balances in the Chinese mainland	91,025	62,381
– Banks	83,242	57,387
– Other financial institutions	7,783	4,994
Balances outside the Chinese mainland	44,071	38,376
– Banks	43,527	37,872
– Other financial institutions	544	504
Total	135,096	100,757
Less: Impairment allowances	(404)	(223)
– Banks	(352)	(196)
– Other financial institutions	(52)	(27)
Net carrying amount	134,692	100,534

(b) Movements of allowances for impairment losses are as follows:

	2024	2023
Balance as at 1 January	223	509
Charge/(release) for the period/year	181	(287)
Exchange difference	–	1
Balance as at 30 June/31 December	404	223

14. Placements with banks and other financial institutions

	30 June 2024	31 December 2023
Principal (a)	356,023	286,247
Loss allowances (a)(c)	(815)	(519)
Subtotal	355,208	285,728
Accrued interest	3,031	1,966
Total	358,239	287,694

14. Placements with banks and other financial institutions *(continued)*

(a) Analysed by nature of counterparties

	30 June 2024	31 December 2023
Placements in the Chinese mainland	239,975	214,881
– Banks	50,441	42,041
– Other financial institutions	189,534	172,840
Placements outside the Chinese mainland	116,048	71,366
– Banks	116,048	70,625
– Other financial institutions	–	741
Total	356,023	286,247
Less: Impairment allowances	(815)	(519)
– Banks	(210)	(92)
– Other financial institutions	(605)	(427)
Net carrying amount	355,208	285,728

(b) Analysed by remaining maturity

	30 June 2024	31 December 2023
Maturing		
– Within one month (inclusive)	109,734	107,390
– Between one month and one year (inclusive)	231,943	175,523
– Over one year	13,531	2,815
Total	355,208	285,728

(c) Movements of allowances for impairment losses are as follows:

	2024	2023
Balance as at 1 January	519	2,658
Charge/(release) for the period/year	292	(2,143)
Exchange difference	4	4
Balance as at 30 June/31 December	815	519

15. Amounts held under resale agreements

	30 June 2024	31 December 2023
Principal (a)	307,999	172,708
Loss allowances (a)(d)	(625)	(589)
Subtotal	307,374	172,119
Accrued interest	80	127
Total	307,454	172,246

15. Amounts held under resale agreements *(continued)*

(a) Analysed by nature of counterparties

	30 June 2024	31 December 2023
Amounts held under resale agreements in the Chinese mainland	**307,150**	172,334
– Banks	**39,669**	9,961
– Other financial institutions	**267,481**	162,373
Amounts held under resale agreements outside the Chinese mainland	**849**	374
– Banks	**31**	88
– Other financial institutions	**818**	286
Total	**307,999**	172,708
Less: Loss allowances	**(625)**	(589)
– Banks	**(181)**	(148)
– Other financial institutions	**(444)**	(441)
Net carrying amount	**307,374**	172,119

(b) Analysed by remaining maturity

	30 June 2024	31 December 2023
Maturing		
– Within one month (inclusive)	**307,374**	172,119
Total	**307,374**	172,119

(c) Analysed by type of underlying assets

	30 June 2024	31 December 2023
Bonds	**294,550**	164,702
Bills	**12,824**	7,417
Total	**307,374**	172,119

(d) Movements of allowances for impairment losses are as follows:

	2024	2023
Balance as at 1 January	**589**	1,094
Charge/(release) for the period/year	**36**	(505)
Balance as at 30 June/31 December	**625**	589

16. Loans and advances to customers

(a) Loans and advances to customers

	30 June 2024	31 December 2023
Gross amount of loans and advances to customers at amortised cost (i)	**6,166,830**	5,913,324
Accrued interest	**11,254**	11,442
Subtotal	**6,178,084**	5,924,766
Loss allowances of loans and advances to customers at amortised cost (i)	**(273,085)**	(266,805)
Loss allowances of accrued interest	**(1,102)**	(815)
Subtotal	**(274,187)**	(267,620)
Loans and advances to customers at amortised cost	**5,903,897**	5,657,146
Loans and advances to customers at FVTOCI (ii)	**536,810**	525,179
Loans and advances to customers at FVTPL (iii)	**44,304**	70,430
Total	**6,485,011**	6,252,755

(i) Loans and advances to customers at amortised cost

	30 June 2024	31 December 2023
Corporate loans and advances	**2,625,495**	2,475,432
Retail loans and advances	**3,541,154**	3,437,883
Discounted bills	**181**	9
Gross amount of loans and advances to customers at amortised cost	**6,166,830**	5,913,324
Less: Loss allowances	**(273,085)**	(266,805)
– Stage 1 (12-month ECL)	**(163,905)**	(165,866)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(53,637)**	(47,729)
– Stage 3 (Lifetime ECL-credit-impaired)	**(55,543)**	(53,210)
Net loans and advances to customers at amortised cost	**5,893,745**	5,646,519

(ii) Loans and advances to customers at FVTOCI

	30 June 2024	31 December 2023
Corporate loans and advances	**142,727**	120,762
Discounted bills	**394,083**	404,417
Loans and advances to customers at FVTOCI	**536,810**	525,179
Loss allowances	**(2,454)**	(2,729)
– Stage 1 (12-month ECL)	**(2,390)**	(2,726)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(64)**	(3)
– Stage 3 (Lifetime ECL-credit-impaired)	**–**	–

No loss allowance is recognised in the carrying amount of loans and advances to customers at FVTOCI as it is at fair value.

16. Loans and advances to customers *(continued)*

(a) Loans and advances to customers *(continued)*

(iii) Loans and advances to customers at FVTPL

	30 June 2024	31 December 2023
Corporate loans and advances	**3,611**	3,661
Discounted bills	**40,553**	66,701
Accrued interest	**140**	68
Total	**44,304**	70,430

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector and category:

Operations in the Chinese mainland

	30 June 2024	31 December 2023
Manufacturing	**590,342**	557,691
Transportation, storage and postal services	**490,605**	477,016
Property development	**311,207**	303,707
Production and supply of electric power, heat, gas and water	**295,182**	259,864
Wholesale and retail	**201,657**	187,737
Leasing and commercial services	**190,586**	186,463
Construction	**132,520**	110,577
Telecommunications, software and IT services	**113,153**	95,394
Finance	**92,309**	88,296
Mining	**45,580**	42,326
Water, environment and public utilities management	**41,107**	42,813
Other	**87,382**	76,400
Subtotal of corporate loans and advances	**2,591,630**	2,428,284
Discounted bills	**434,817**	471,127
Residential mortgage	**1,363,650**	1,376,815
Credit cards	**919,341**	935,777
Micro-finance loans	**806,357**	750,019
Consumer loans	**377,745**	301,538
Other	**6,344**	7,806
Subtotal of retail loans and advances	**3,473,437**	3,371,955
Gross amount of loans and advances to customers	**6,499,884**	6,271,366

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(i) Analysed by industry sector and category: *(continued)*

Operations outside the Chinese mainland

	30 June 2024	31 December 2023
Finance	**42,347**	45,368
Transportation, storage and postal services	**37,094**	36,248
Property development	**28,731**	22,960
Manufacturing	**19,320**	19,335
Production and supply of electric power, heat, gas and water	**12,201**	12,359
Telecommunications, software and IT services	**10,917**	8,323
Leasing and commercial services	**9,521**	6,207
Wholesale and retail	**7,086**	10,002
Mining	**4,879**	4,945
Construction	**2,168**	623
Water, environment and public utilities management	**994**	419
Other	**4,945**	4,782
Subtotal of corporate loans and advances	**180,203**	171,571
Residential mortgage	**11,789**	8,671
Credit cards	**119**	133
Micro-finance loans	**1,029**	1,278
Other	**54,780**	55,846
Subtotal of retail loans and advances	**67,717**	65,928
Gross amount of loans and advances to customers	**247,920**	237,499

As at 30 June 2024, over 90% of the Group's loans and advances to customers are originated in the Chinese mainland (31 December 2023: over 90%).

(ii) Analysed by type of guarantees:

	30 June 2024	31 December 2023
Credit loans	**2,737,161**	2,592,093
Guaranteed loans	**851,170**	822,059
Collateralised loans	**2,301,008**	2,244,129
Pledged loans	**423,648**	379,457
Subtotal	**6,312,987**	6,037,738
Discounted bills	**434,817**	471,127
Gross amount of loans and advances to customers	**6,747,804**	6,508,865

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(iii) Analysed by overdue term:

	30 June 2024				
	Overdue within 3 months (inclusive)	Overdue from 3 months up to 1 year (inclusive)	Overdue from 1 year up to 3 years (inclusive)	Overdue more than 3 years	Total overdue loans
Credit loans	**26,462**	**14,125**	**3,549**	**1,529**	**45,665**
Guaranteed loans	**5,868**	**6,947**	**5,584**	**3,007**	**21,406**
Collateralised loans	**10,077**	**5,316**	**5,200**	**1,329**	**21,922**
Pledged loans	**3,426**	**811**	**885**	**1,462**	**6,584**
Gross amount of loans and advances to customers	**45,833**	**27,199**	**15,218**	**7,327**	**95,577**

	31 December 2023				
	Overdue within 3 months (inclusive)	Overdue from 3 months up to 1 year (inclusive)	Overdue from 1 year up to 3 years (inclusive)	Overdue more than 3 years	Total overdue loans
Credit loans	20,486	13,310	3,905	1,661	39,362
Guaranteed loans	6,971	4,360	7,053	618	19,002
Collateralised loans	6,133	4,638	5,157	1,549	17,477
Pledged loans	2,571	766	1,556	1,249	6,142
Gross amount of loans and advances to customers	36,161	23,074	17,671	5,077	81,983

Note: Loans are classified as overdue when the principal or interest is overdue more than one day.

Among the above-mentioned overdue loans and advances to customers, collateralised loans and pledged loans that are overdue but not impaired at the end of the reporting period are as follows:

	30 June 2024	31 December 2023
Collateralised loans that are overdue but not impaired	**8,901**	5,448
Pledged loans that are overdue but not impaired	**3,373**	2,565
Total	**12,274**	8,013

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(iv) Analysed by ECL:

	30 June 2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	**5,909,338**	**194,065**	**63,427**	**6,166,830**
Less: Loss allowances of loans and advances to customers at amortised cost	**(163,905)**	**(53,637)**	**(55,543)**	**(273,085)**
Net amount of loans and advances to customers at amortised cost	**5,745,433**	**140,428**	**7,884**	**5,893,745**
Loans and advances to customers at FVTOCI	**535,985**	**825**	**–**	**536,810**
Loss allowances of loans and advances to customers at FVTOCI	**(2,390)**	**(64)**	**–**	**(2,454)**

	31 December 2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	5,686,659	165,105	61,560	5,913,324
Less: Loss allowances of loans and advances to customers at amortised cost	(165,866)	(47,729)	(53,210)	(266,805)
Net amount of loans and advances to customers at amortised cost	5,520,793	117,376	8,350	5,646,519
Loans and advances to customers at FVTOCI	524,624	555	–	525,179
Loss allowances of loans and advances to customers at FVTOCI	(2,726)	(3)	–	(2,729)

16. Loans and advances to customers *(continued)*

(c) Movements of allowances for impairment losses

(i) Reconciliation of allowances for expected credit loss for loans and advances to customers measured at amortised cost:

	Six months ended 30 June 2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at 1 January 2024	165,866	47,729	53,210	266,805
Transfer to				
– Stage 1	7,997	(7,914)	(83)	–
– Stage 2	(5,474)	6,051	(577)	–
– Stage 3	(700)	(8,468)	9,168	–
(Release)/charge for the period (note 8)	(3,909)	16,202	13,412	25,705
Write-offs/disposals	–	–	(24,573)	(24,573)
Recoveries of loans and advances written off	–	–	4,984	4,984
Exchange and other differences	125	37	2	164
Balance as at 30 June 2024	163,905	53,637	55,543	273,085

	Year ended 31 December 2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at 1 January 2023	159,932	44,898	50,083	254,913
Transfer to				
– Stage 1	7,480	(7,309)	(171)	–
– Stage 2	(5,807)	6,382	(575)	–
– Stage 3	(1,625)	(14,547)	16,172	–
Charge for the year	5,274	18,214	26,982	50,470
Write-offs/disposals	–	–	(47,922)	(47,922)
Recovery of loans and advances written off	–	–	8,819	8,819
Exchange and other differences	612	91	(178)	525
Balance as at 31 December 2023	165,866	47,729	53,210	266,805

(ii) Reconciliation of allowances for expected credit loss for loans and advances to customers measured at FVTOCI:

	2024	2023
Balance as at 1 January	2,729	6,563
Release for the period/year	(272)	(3,835)
Exchange difference	(3)	1
Balance as at 30 June/31 December	2,454	2,729

17. Financial investments

	Notes	30 June 2024	31 December 2023
Financial investments at fair value through profit or loss	17(a)	**579,230**	526,145
Debt investments at amortised cost	17(b)	**1,773,874**	1,749,024
Debt investments at FVTOCI	17(c)	**956,011**	899,102
Equity investments designated at FVTOCI	17(d)	**21,159**	19,649
Total		**3,330,274**	3,193,920

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

	Notes	30 June 2024	31 December 2023
Financial investments measured at FVTPL	(i)	**567,268**	513,266
Financial investments designated at FVTPL	(ii)	**11,962**	12,879
Total		**579,230**	526,145

(i) **Financial investments measured at FVTPL:**

Financial investments held for trading

	30 June 2024	31 December 2023
Bonds:		
Classified by issuer	**246,705**	251,189
– Government bonds	**122,471**	128,894
– Bonds issued by policy banks	**19,140**	20,502
– Bonds issued by commercial banks and other financial institutions	**45,792**	40,591
– Other debt securities	**59,302**	61,202
Classified by listing	**246,705**	251,189
– Listed in the Chinese mainland	**226,146**	236,106
– Listed outside the Chinese mainland	**14,657**	12,787
– Unlisted	**5,902**	2,296
Other investments:		
Classified by underlying assets	**3,379**	4,347
– Equity investments	**297**	257
– Fund investments	**1,153**	1,440
– Wealth management products	**1,773**	1,046
– Long position in precious metal contracts	**156**	1,604
Classified by listing	**3,379**	4,347
– Listed outside the Chinese mainland	**156**	1,604
– Unlisted	**3,223**	2,743
Total financial investments held for trading	**250,084**	255,536

17. Financial investments *(continued)*

(a) Financial investments at fair value through profit or loss *(continued)*

(i) Financial investments measured at FVTPL: *(continued)*

Other financial investments measured at FVTPL

	30 June 2024	31 December 2023
Bonds:		
Classified by issuer	**7,585**	10,619
– Bonds issued by policy banks	**–**	740
– Bonds issued by commercial banks and other financial institutions	**1,549**	3,781
– Other debt securities	**6,036**	6,098
Classified by listing	**7,585**	10,619
– Listed in the Chinese mainland	**6,675**	7,483
– Listed outside the Chinese mainland	**585**	2,777
– Unlisted	**325**	359
Other investments:		
Classified by underlying assets	**309,599**	247,111
– Equity investments	**4,156**	4,228
– Fund investments	**302,886**	240,864
– Wealth management products	**2,299**	1,683
– Other	**258**	336
Classified by listing	**309,599**	247,111
– Listed in the Chinese mainland	**837**	990
– Listed outside the Chinese mainland	**1,244**	972
– Unlisted	**307,518**	245,149
Total other financial investments measured at FVTPL	**317,184**	257,730
Total financial investments measured at FVTPL	**567,268**	513,266

(ii) Financial investments designated at FVTPL:

	30 June 2024	31 December 2023
Bonds:		
Classified by issuer	**11,962**	12,879
– Government bonds	**69**	228
– Bonds issued by policy banks	**4,495**	4,492
– Bonds issued by commercial banks and other financial institutions	**7,282**	7,327
– Other debt securities	**116**	832
Classified by listing	**11,962**	12,879
– Listed in the Chinese mainland	**11,924**	12,637
– Listed outside the Chinese mainland	**38**	242

17. Financial investments *(continued)*

(b) Debt investments at amortised cost

	30 June 2024	31 December 2023
Debt investments at amortised cost (i)(ii)	**1,792,432**	1,768,010
Accrued interest	**19,081**	20,796
Subtotal	**1,811,513**	1,788,806
Loss allowances of debt investments at amortised cost (i)(ii)(iii)	**(37,435)**	(39,390)
Loss allowances of accrued interest	**(204)**	(392)
Subtotal	**(37,639)**	(39,782)
Total	**1,773,874**	1,749,024

(i) Debt investments at amortised cost:

	30 June 2024	31 December 2023
Bonds:		
Classified by issuer	**1,716,315**	1,680,262
– Government bonds	**1,186,839**	1,179,073
– Bonds issued by policy banks	**444,435**	442,206
– Bonds issued by commercial banks and other financial institutions	**77,008**	51,732
– Other debt securities	**8,033**	7,251
Classified by listing	**1,716,315**	1,680,262
– Listed in the Chinese mainland	**1,638,480**	1,607,814
– Listed outside the Chinese mainland	**48,946**	41,533
– Unlisted	**28,889**	30,915
Fair value for the listed bonds	**1,791,350**	1,708,448
Other investments:		
Classified by underlying assets	**76,117**	87,748
– Non-standard assets – Loans and advances to customers	**63,519**	73,709
– Non-standard assets – Creditor's beneficiary rights to other commercial banks	**2,693**	3,738
– Non-standard assets – Other	**9,245**	9,622
– Other	**660**	679
Classified by listing	**76,117**	87,748
– Unlisted	**76,117**	87,748
Total	**1,792,432**	1,768,010
Less: Loss allowances	**(37,435)**	(39,390)
Stage 1 (12-month ECL)	**(10,725)**	(13,193)
Stage 2 (Lifetime ECL – not credit-impaired)	**(339)**	(486)
Stage 3 (Lifetime ECL – credit-impaired)	**(26,371)**	(25,711)
Net debt investments at amortised cost	**1,754,997**	1,728,620

17. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(ii) Analysed by ECL:

	30 June 2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	**1,764,116**	**1,298**	**27,018**	**1,792,432**
Less: Loss allowances of debt investments at amortised cost	**(10,725)**	**(339)**	**(26,371)**	**(37,435)**
Net debt investments at amortised cost	**1,753,391**	**959**	**647**	**1,754,997**

	31 December 2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	1,738,945	1,517	27,548	1,768,010
Less: Loss allowances of debt investments at amortised cost	(13,193)	(486)	(25,711)	(39,390)
Net debt investments at amortised cost	1,725,752	1,031	1,837	1,728,620

(iii) Movements of allowances for expected credit losses:

	Six months ended 30 June 2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at 1 January 2024	**13,193**	**486**	**25,711**	**39,390**
Transfer to:				
– Stage 1	**–**	**–**	**–**	**–**
– Stage 2	**(1)**	**1**	**–**	**–**
– Stage 3	**–**	**–**	**–**	**–**
(Release)/charge for the period (note 8)	**(2,473)**	**(148)**	**616**	**(2,005)**
Recovery of debt previously written off	**–**	**–**	**28**	**28**
Exchange difference	**6**	**–**	**16**	**22**
Balance as at 30 June 2024	**10,725**	**339**	**26,371**	**37,435**

17. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(iii) Movements of allowances for expected credit loss: *(continued)*

	Year ended 31 December 2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at 1 January 2023	10,120	960	32,368	43,448
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(37)	37	–	–
– Stage 3	–	(484)	484	–
Charge/(release) for the year	3,111	(25)	(4,313)	(1,227)
Write-offs/disposals	(5)	(1)	(2,904)	(2,910)
Recovery of debt previously written off	–	–	66	66
Exchange difference	4	(1)	10	13
Balance as at 31 December 2023	13,193	486	25,711	39,390

(c) Debt investments at FVTOCI

	30 June 2024	31 December 2023
Debt investments at FVTOCI(i)	**945,978**	889,736
Accrued interest	**10,033**	9,366
Total	**956,011**	899,102
Loss allowances of debt investments at FVTOCI (ii)	**(7,825)**	(6,812)
Loss allowances of accrued interest	**(168)**	(148)
Total	**(7,993)**	(6,960)

No loss allowance is recognised in the carrying amount of debt investments at FVTOCI as it is at fair value.

17. Financial investments *(continued)*

(c) Debt investments at FVTOCI *(continued)*

(i) Debt investments at FVTOCI:

	30 June 2024	31 December 2023
Bonds:		
Classified by issuer	**945,978**	889,736
– Government bonds	**658,639**	636,625
– Bonds issued by policy banks	**25,752**	35,519
– Bonds issued by commercial banks and other financial institutions	**175,247**	149,397
– Other debt securities	**86,340**	68,195
Classified by listing	**945,978**	889,736
– Listed in the Chinese mainland	**700,416**	676,653
– Listed outside the Chinese mainland	**117,886**	105,084
– Unlisted	**127,676**	107,999

(ii) Movements of allowances for expected credit losses

	2024	2023
Balance as at 1 January	**6,812**	6,540
Charge for the period/year	**947**	1,009
Write-offs for the period/year	**–**	(807)
Exchange difference	**66**	70
Balance as at 30 June/31 December	**7,825**	6,812

(d) Equity investments designated at FVTOCI

	30 June 2024	31 December 2023
Repossessed equity instruments	**2,663**	2,857
Other	**18,496**	16,792
Total	**21,159**	19,649
Classified by listing		
– Listed in the Chinese mainland	**192**	926
– Listed outside the Chinese mainland	**11,718**	9,515
– Unlisted	**9,249**	9,208
Total	**21,159**	19,649

During the six months ended 30 June 2024, the Group disposed of part of the equity investments designated at FVTOCI. The fair value of the equity investments disposed of at the date of derecognition was RMB1,070 million (year ended 31 December 2023: RMB1,226 million). The cumulative net of tax gain of RMB19 million (year ended 31 December 2023: the cumulative net of tax loss of RMB49 million) was transferred from investment revaluation reserve to retained earnings on disposal.

18. Interests in joint ventures

	30 June 2024	31 December 2023
Share of net assets	**17,546**	15,707
Share of profits for the period/year	**910**	1,860
Share of other comprehensive income for the period/year	**913**	31

Details of the Group's interests in major joint ventures are as follows:

Name of joint ventures	Legal form	Place of incorporation and operations	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
CIGNA & CMB Life Insurance Co., Ltd. (note (i))	Limited liability	Shenzhen	RMB2,800	50.00%	50.00%	Life insurance business
Merchants Union Consumer Finance Company Limited (note (ii))	Joint stock limited company	Shenzhen	RMB10,000	50.00%	50.00%	Consumer finance

Notes:

(i) The Bank holds 50.00% equity interests in CIGNA & CMB Life Insurance Co., Ltd. ("CIGNA & CMB Life"), and Cigna Health and Life Insurance Company ("CHLI") holds the other 50.00% equity interests. The Bank and CHLI share the joint venture's risk, profits and losses based on their shareholdings proportionally. The Bank's investment in CIGNA & CMB Life is accounted for as an investment in joint venture.

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries, and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"). The former CBIRC approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each held 50% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Bank and CUNC made capital contributions of RMB600 million in MUCFC respectively. After the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage becoming 15%, CMB WLB's shareholding percentage becoming 35%, and the Group's total shareholding percentage remained at 50%. In December 2018, the Bank made another capital contribution of RMB1,000 million in MUCFC, and CUNC made the same amount of capital injection. After that, the share capital of MUCFC has reached RMB3,869 million. The Bank and CMB WLB then held 24.15% and 25.85% of equity interests in MUCFC, respectively, and the Group's total shareholding percentage remained at 50%.

In July 2021, CMB WLB transferred all its shares of MUCFC to the Bank. After the transfer, the Bank and CUNC each held 50% of equity interests in MUCFC, and the Group's total shareholding percentage remained unchanged. In October 2021, MUCFC converted RMB1,331 million of its capital reserve and RMB4,800 million of its retained earnings into share capital, and the share capital of MUCFC increased to RMB10,000 million after the conversion.

In July 2023, MUCFC completed the registration of the change of its Chinese name from "招聯消費金融有限公司" to "招聯消費金融股份有限公司".

19. Interests in associates

	30 June 2024	31 December 2023
Share of net assets	**11,450**	10,883
Share of profits for the period/year	**640**	616
Share of other comprehensive income for the period/year	**168**	171

Details of the Group's interests in the major associate are as follows:

Name of associates	Legal form	Place of incorporation and operations	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
Bank of Taizhou Co., Ltd.	Joint stock limited company	Taizhou	RMB1,800	24.8559%	24.8559%	Commercial bank

Note: The Bank, which originally held a 10% stake in Bank of Taizhou Co., Ltd. ("Bank of Taizhou"), acquired a total of 14.8559% stake from Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. at a total consideration of RMB3,121 million on 31 May 2021. Upon the completion of the transaction, the Bank held 24.8559% stake of Bank of Taizhou. The Bank can exercise significant influence on Bank of Taizhou and therefore this investment is transferred from equity investments designated at FVTOCI to interests in associates.

20. Investment properties

	2024	2023
Cost:		
At 1 January	**3,097**	3,301
Transfers in/(out) for the period/year	**125**	(159)
Disposals/write-offs	**–**	(79)
Exchange difference	**45**	34
At 30 June/31 December	**3,267**	3,097
Accumulated depreciation:		
At 1 January	**1,937**	2,033
Depreciation for the period/year	**62**	140
Transfers in/(out) for the period/year	**112**	(204)
Disposals/write-offs	**–**	(57)
Exchange difference	**35**	25
At 30 June/31 December	**2,146**	1,937
Net carrying amount:		
At 30 June/31 December	**1,121**	1,160
At 1 January	**1,160**	1,268

(a) As at 30 June 2024, no impairment allowance was considered necessary for investment properties by the Group (31 December 2023: Nil).

(b) The Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	30 June 2024	31 December 2023
Within 1 year (inclusive)	**231**	227
1 year to 2 years (inclusive)	**191**	196
2 years to 3 years (inclusive)	**159**	165
3 years to 4 years (inclusive)	**107**	136
4 years to 5 years (inclusive)	**73**	79
Over 5 years	**189**	225
Total	**950**	1,028

21. Property and equipment

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2024	33,026	3,980	17,338	12,767	104,803	5,210	177,124
Additions	4	696	662	182	16,918	95	18,557
Reclassification and transfers	(125)	–	44	–	–	(44)	(125)
Disposals/write-offs	–	–	(632)	(108)	(8,351)	(225)	(9,316)
Exchange difference	80	–	44	17	399	6	546
At 30 June 2024	32,985	4,676	17,456	12,858	113,769	5,042	186,786
Accumulated depreciation:							
At 1 January 2024	15,984	–	14,582	8,946	16,815	4,270	60,597
Depreciation for the period	720	–	873	455	3,234	229	5,511
Reclassification and transfers	(112)	–	44	–	–	(44)	(112)
Disposals/write-offs	–	–	(632)	(94)	(2,123)	(224)	(3,073)
Exchange difference	61	–	34	15	98	5	213
At 30 June 2024	16,653	–	14,901	9,322	18,024	4,236	63,136
Impairment loss:							
At 1 January 2024	20	–	–	–	1,159	–	1,179
Disposals/write-offs	–	–	–	–	(24)	–	(24)
Exchange difference	–	–	–	–	5	–	5
At 30 June 2024	20	–	–	–	1,140	–	1,160
Net carrying amount:							
At 30 June 2024	16,312	4,676	2,555	3,536	94,605	806	122,490
At 1 January 2024	17,022	3,980	2,756	3,821	86,829	940	115,348

21. Property and equipment *(continued)*

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2023	30,501	3,787	18,516	11,678	85,741	5,478	155,701
Additions	40	2,879	1,145	775	24,689	360	29,888
Reclassification and transfers	2,445	(2,686)	28	380	–	(8)	159
Disposals/write-offs	(15)	–	(2,374)	(82)	(6,983)	(625)	(10,079)
Exchange difference	55	–	23	16	1,356	5	1,455
At 31 December 2023	**33,026**	**3,980**	**17,338**	**12,767**	**104,803**	**5,210**	**177,124**
Accumulated depreciation:							
At 1 January 2023	14,339	–	14,791	8,045	13,111	4,344	54,630
Depreciation for the year	1,408	–	2,064	934	5,921	541	10,868
Reclassification and transfers	204	–	24	–	–	(24)	204
Disposals/write-offs	(10)	–	(2,319)	(40)	(2,400)	(595)	(5,364)
Exchange difference	43	–	22	7	183	4	259
At 31 December 2023	**15,984**	**–**	**14,582**	**8,946**	**16,815**	**4,270**	**60,597**
Impairment loss:							
At 1 January 2023	**20**	**–**	**–**	**–**	**1,132**	**–**	**1,152**
Charge for the year	–	–	–	–	183	–	183
Disposals/write-offs	–	–	–	–	(175)	–	(175)
Exchange difference	–	–	–	–	19	–	19
At 31 December 2023	**20**	**–**	**–**	**–**	**1,159**	**–**	**1,179**
Net book value:							
At 31 December 2023	**17,022**	**3,980**	**2,756**	**3,821**	**86,829**	**940**	**115,348**
At 1 January 2023	16,142	3,787	3,725	3,633	71,498	1,134	99,919

(a) As at 30 June 2024, the Group had no significant unused property and equipment (31 December 2023: None).

(b) The Group's total future minimum lease receivables under non-cancellable operating leases relating to its assets under operating leases are as follows:

	30 June 2024	31 December 2023
Within 1 year (inclusive)	**11,459**	10,711
1 year to 2 years (inclusive)	**9,756**	8,993
2 years to 3 years (inclusive)	**8,375**	7,906
3 years to 4 years (inclusive)	**7,258**	6,808
4 years to 5 years (inclusive)	**6,850**	6,363
Over 5 years	**23,534**	21,954
Total	**67,232**	62,735

22. Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2024	6,002	25,044	10	11	31,067
Additions for the period	–	2,746	4	–	2,750
Decreases for the period	–	(2,388)	–	–	(2,388)
Exchange difference	5	14	–	–	19
At 30 June 2024	6,007	25,416	14	11	31,448
Accumulated depreciation:					
At 1 January 2024	1,557	12,399	8	3	13,967
Depreciation for the period (note 7)	91	1,978	2	1	2,072
Decreases for the period	–	(1,984)	–	–	(1,984)
Exchange difference	–	10	–	–	10
At 30 June 2024	1,648	12,403	10	4	14,065
Impairment loss:					
At 1 January 2024	59	–	–	–	59
At 30 June 2024	59	–	–	–	59
Net carrying amount:					
At 30 June 2024	4,300	13,013	4	7	17,324
At 1 January 2024	4,386	12,645	2	8	17,041

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2023	6,000	23,926	10	11	29,947
Additions for the year	–	4,161	–	2	4,163
Decreases for the year	–	(3,055)	–	(2)	(3,057)
Exchange difference	2	12	–	–	14
At 31 December 2023	6,002	25,044	10	11	31,067
Accumulated depreciation:					
At 1 January 2023	1,375	10,953	5	2	12,335
Depreciation for the year	182	4,018	3	2	4,205
Decreases for the year	–	(2,584)	–	(1)	(2,585)
Exchange difference	–	12	–	–	12
At 31 December 2023	1,557	12,399	8	3	13,967
Impairment loss:					
At 1 January 2023	59	–	–	–	59
At 31 December 2023	59	–	–	–	59
Net carrying amount:					
At 31 December 2023	4,386	12,645	2	8	17,041
At 1 January 2023	4,566	12,973	5	9	17,553

23. Intangible assets

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2024	10,577	1,203	11,780
Additions for the period	23	–	23
Disposals/write-offs	(10)	–	(10)
Exchange difference	5	30	35
At 30 June 2024	10,595	1,233	11,828
Accumulated amortisation:			
At 1 January 2024	8,418	653	9,071
Charge for the period (note 7)	351	22	373
Disposals/write-offs	(8)	–	(8)
Exchange difference	4	16	20
At 30 June 2024	8,765	691	9,456
Net carrying amount:			
At 30 June 2024	1,830	542	2,372
At 1 January 2024	2,159	550	2,709

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2023	10,393	1,181	11,574
Additions for the year	253	–	253
Disposals/write-offs	(73)	–	(73)
Exchange difference	4	22	26
At 31 December 2023	10,577	1,203	11,780
Accumulated amortisation:			
At 1 January 2023	7,572	600	8,172
Charge for the year	888	42	930
Disposals/write-offs	(46)	–	(46)
Exchange difference	4	11	15
At 31 December 2023	8,418	653	9,071
Net carrying amount:			
At 31 December 2023	2,159	550	2,709
At 1 January 2023	2,821	581	3,402

24. Goodwill

	As at 31 December 2023	Addition during the period	Decrease during the period	As at 30 June 2024
CMB WLB (note (i))	10,177	–	–	10,177
CMFM (note (ii))	355	–	–	355
Zhaoyin Internet (note (iii))	1	–	–	1
Total	10,533	–	–	10,533
Less: Impairment allowances – CMB WLB	(579)	–	–	(579)
Net carrying amount	9,954	–	–	9,954

Notes:

(i) On 30 September 2008, the Bank acquired 53.12% equity interests in CMB WLB. On the acquisition date, the fair value of CMB WLB's identifiable net assets was RMB12,898 million, of which the Bank accounted for RMB6,851 million. A sum of RMB10,177 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

(ii) On 28 November 2013, the Bank acquired 55.00% equity interests in CMFM. On the acquisition date, the fair value of CMFM's identifiable net assets was RMB752 million, of which the Bank accounted for RMB414 million. A sum of RMB355 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

(iii) On 1 April 2015, CMBIC, acquired the 100% equity interests in Zhaoyin Internet Technology (Shenzhen) Corporation Limited ("Zhaoyin Internet"). On the acquisition date, the fair value of Zhaoyin Internet's identifiable net assets was RMB3 million. A sum of RMB1 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

25. Deferred tax assets and liabilities

	30 June 2024	31 December 2023
Deferred tax assets	89,321	90,557
Deferred tax liabilities	(1,646)	(1,607)
Net amount	87,675	88,950

(a) Deferred tax assets/(liabilities) and related temporary differences are attributable to the following items:

	30 June 2024		31 December 2023	
	Deductible/ (taxable) temporary difference	Deferred tax	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets before offsetting qualifying amounts				
Impairment allowances on loans and advances at amortised cost and other assets at amortised cost	300,445	74,927	297,564	74,251
Financial assets at FVTOCI	1,382	228	1,605	264
Financial instruments at FVTPL	517	129	451	113
Lease liabilities	12,983	3,246	12,543	3,135
Salaries and welfare payable and other	89,676	21,435	84,873	20,538
Total	405,003	99,965	397,036	98,301
Deferred tax liabilities before offsetting qualifying amounts				
Financial assets at FVTOCI	(18,275)	(4,567)	(9,985)	(2,496)
Financial instruments at FVTPL	(5,019)	(1,255)	(1,904)	(476)
Right-of-use assets	(12,893)	(3,223)	(12,317)	(3,133)
Other	(21,269)	(3,245)	(19,476)	(3,246)
Total	(57,456)	(12,290)	(43,682)	(9,351)

	30 June 2024	31 December 2023
Deferred tax assets before offsetting qualifying amounts	99,965	98,301
Offsetting amounts	(10,644)	(7,744)
Deferred tax assets after offsetting qualifying amounts	89,321	90,557
Deferred tax liabilities before offsetting qualifying amounts	(12,290)	(9,351)
Offsetting amounts	10,644	7,744
Deferred tax liabilities after offsetting qualifying amounts	(1,646)	(1,607)

25. Deferred tax assets and liabilities *(continued)*

(b) Movements of deferred tax are as follows:

	Impairment allowances on loans and advances at amortised cost and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable and other	Total
At 1 January 2024	74,251	(2,232)	(363)	17,294	88,950
Recognised in profit or loss	688	176	(763)	916	1,017
Recognised in other comprehensive income	–	(2,284)	–	11	(2,273)
Exchange difference	(12)	1	–	(8)	(19)
At 30 June 2024	74,927	(4,339)	(1,126)	18,213	87,675

	Impairment allowances on loans and advances at amortised cost and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable and other	Total
At 1 January 2023	75,278	(1,012)	237	14,835	89,338
Recognised in profit or loss	(1,045)	(730)	(592)	2,450	83
Recognised in other comprehensive income	–	(493)	–	9	(484)
Exchange difference	18	3	(8)	–	13
At 31 December 2023	74,251	(2,232)	(363)	17,294	88,950

Note: No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is in a position to control the timing of reversal of the temporary differences, and it is probable that such differences will not be reversed in the foreseeable future.

26. Deposits from banks and other financial institutions

	30 June 2024	31 December 2023
Principal(a)	**518,138**	507,460
Accrued interest	**698**	918
Total	**518,836**	508,378

(a) Analysed by nature of counterparties

	30 June 2024	31 December 2023
In the Chinese mainland	**512,741**	496,795
– Banks	**24,921**	32,286
– Other financial institutions	**487,820**	464,509
Outside the Chinese mainland	**5,397**	10,665
– Banks	**3,860**	9,884
– Other financial institutions	**1,537**	781
Total	**518,138**	507,460

27. Placements from banks and other financial institutions

	30 June 2024	31 December 2023
Principal(a)	239,093	246,085
Accrued interest	973	1,214
Total	240,066	247,299

(a) Analysed by nature of counterparties

	30 June 2024	31 December 2023
In the Chinese mainland	165,728	157,360
– Banks	164,385	155,595
– Other financial institutions	1,343	1,765
Outside the Chinese mainland	73,365	88,725
– Banks	73,147	88,512
– Other financial institutions	218	213
Total	239,093	246,085

28. Financial liabilities at fair value through profit or loss

	30 June 2024	31 December 2023
Financial liabilities held for trading (a)	24,177	16,128
Financial liabilities designated at fair value through profit or loss (b)	27,969	27,830
Total	52,146	43,958

(a) Financial liabilities held for trading

	30 June 2024	31 December 2023
Financial liabilities related to precious metal	23,449	15,748
Short position on bonds	728	380
Total	24,177	16,128

(b) Financial liabilities designated at FVTPL

	30 June 2024	31 December 2023
In the Chinese mainland	22,099	21,865
– Other	22,099	21,865
Outside the Chinese mainland	5,870	5,965
– Certificates of deposit issued	–	212
– Debt securities issued	5,383	5,179
– Other	487	574
Total	27,969	27,830

As at 30 June 2024 and 31 December 2023, the difference between the fair values of the Group's financial liabilities designated at FVTPL and the contractual amount payable at maturity is not material. The amounts of changes in the fair value that are attributable to changes in credit risk of these liabilities are not significant during the six months ended 30 June 2024 and the year ended 31 December 2023 and as at 30 June 2024 and 31 December 2023.

29. Amounts sold under repurchase agreements

	30 June 2024	31 December 2023
Principal (a)(b)	103,730	134,863
Accrued interest	179	215
Total	103,909	135,078

(a) Analysed by nature of counterparties

	30 June 2024	31 December 2023
In the Chinese mainland	89,357	117,668
– Banks	81,355	108,366
– Other financial institutions	8,002	9,302
Outside the Chinese mainland	14,373	17,195
– Banks	12,631	10,316
– Other financial institutions	1,742	6,879
Total	103,730	134,863

(b) Analysed by type of underlying assets

	30 June 2024	31 December 2023
Debt securities	103,730	117,032
– Government bonds	79,868	84,438
– Bonds issued by policy banks	6,715	17,266
– Bonds issued by commercial banks and other financial institutions	10,055	6,592
– Other debt securities	7,092	8,736
Discounted bills	–	17,831
Total	103,730	134,863

30. Deposits from customers

	30 June 2024	31 December 2023
Principal (a)	8,662,886	8,155,438
Accrued interest	102,238	85,060
Total	8,765,124	8,240,498

(a) Analysed by category

	30 June 2024	31 December 2023
Corporate customers	4,858,165	4,660,522
– Demand deposits	2,682,219	2,644,685
– Time deposits	2,175,946	2,015,837
Retail customers	3,804,721	3,494,916
– Demand deposits	1,819,467	1,829,612
– Time deposits	1,985,254	1,665,304
Total	8,662,886	8,155,438

31. Provisions

	30 June 2024	31 December 2023
Expected credit loss provisions	**19,807**	17,404
Other	**2,073**	2,258
Total	**21,880**	19,662

The staging of expected credit loss provisions for loan commitments and financial guarantee contracts are as follows:

	30 June 2024	31 December 2023
Stage 1 (12-month ECL)	**17,565**	15,200
Stage 2 (Lifetime ECL-not credit-impaired)	**1,367**	1,341
Stage 3 (Lifetime ECL-credit-impaired)	**875**	863
Total	**19,807**	17,404

32. Debt securities issued

	Notes	30 June 2024	31 December 2023
Debt securities issued	(a)	**95,543**	119,193
Negotiable interbank certificates of deposit issued		**142,107**	21,443
Certificates of deposit and other debt securities issued (note)		**36,949**	34,128
Accrued interest		**1,728**	1,814
Total		**276,327**	176,578

Note: Other debt securities issued are notes issued by overseas subsidiaries of the Group.

(a) Debt securities issued

At the end of reporting period, debt securities issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the period (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	2021/3/11	3.40	RMB10,000	9,999	–	1	–	(10,000)	–
Fixed rate bond	36 months	2021/6/3	3.18	RMB20,000	19,997	–	3	–	(20,000)	–
Fixed rate bond	36 months	2021/8/24	2.90	RMB10,000	9,998	–	1	–	–	9,999
Medium term note	60 months	2021/9/1	1.25	USD300	2,130	–	(4)	54	–	2,180
Medium term note	36 months	2022/3/2	2.00	USD400	2,847	–	(3)	65	–	2,909
Fixed rate bond	36 months	2022/5/11	2.65	RMB5,000	4,999	–	1	–	–	5,000
Fixed rate bond	36 months	2022/9/1	2.40	RMB10,000	9,998	–	1	–	–	9,999
Fixed rate bond	36 months	2023/3/27	2.77	RMB5,000	4,999	–	–	–	–	4,999
Medium term note	36 months	2023/6/13	SOFR+0.65	USD400	2,846	–	–	69	–	2,915
Fixed rate bond	36 months	2024/3/22	2.35	RMB5,000	–	5,000	(1)	–	–	4,999
Total					67,813	5,000	(1)	188	(30,000)	43,000

SOFR represents Secured Overnight Financing Rate.

Note: Financial bonds issued by the Bank that were held by CMB WLB amounted to a total of RMB363 million equivalent as of 30 June 2024 (31 December 2023: RMB354 million equivalent).

32. Debt securities issued *(continued)*

(a) Debt securities issued *(continued)*

At the end of the reporting period, debt securities issued by CMBFL and its subsidiary were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the period (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	60 months	2019/3/13	4.00	RMB500	500	–	–	–	(500)	–
Fixed rate bond	60 months	2019/7/3	3.00	USD900	6,382	–	6	26	–	6,414
Fixed rate bond	120 months	2019/7/3	3.63	USD100	706	–	–	4	–	710
Fixed rate bond	120 months	2020/7/14	4.25	RMB2,000	1,995	–	–	–	–	1,995
Fixed rate bond	60 months	2020/8/12	1.88	USD800	5,670	–	2	24	–	5,696
Fixed rate bond	120 months	2020/8/12	2.75	USD400	2,821	–	1	12	–	2,834
Fixed rate bond	36 months	2021/1/26	3.60	RMB4,000	4,000	–	–	–	(4,000)	–
Fixed rate bond	60 months	2021/2/4	2.00	USD400	2,834	–	1	12	–	2,847
Fixed rate bond	120 months	2021/2/4	2.88	USD400	2,815	–	2	12	–	2,829
Fixed rate bond	36 months	2021/3/22	3.58	RMB2,000	2,000	–	–	–	(2,000)	–
Fixed rate bond	60 months	2021/3/24	2.00	USD20	141	–	–	1	–	142
Fixed rate bond	36 months	2021/9/16	1.25	USD600	4,255	–	3	17	–	4,275
Fixed rate bond	60 months	2021/9/16	1.75	USD300	2,120	–	2	8	–	2,130
Fixed rate bond	36 months	2021/9/16	0.50	EUR100	789	–	–	(23)	–	766
Floating rate bond	60 months	2022/12/16	SOFR+1.40	USD100	709	–	–	3	–	712
Fixed rate bond	24 months	2023/2/17	3.50	RMB500	499	–	–	–	–	499
Floating rate bond	12 months	2023/2/28	SOFR+0.75	USD60	426	–	–	–	(426)	–
Floating rate bond	24 months	2023/5/31	SOFR+1.00	USD75	532	–	–	2	–	534
Floating rate bond	36 months	2023/6/13	SOFR+1.05	USD103	729	–	–	4	–	733
Fixed rate bond	18 months	2023/7/10	3.05	RMB700	700	–	–	–	–	700
Floating rate bond	24 months	2023/8/16	SOFR+0.95	USD100	708	–	–	5	–	713
Floating rate bond	60 months	2023/8/18	SOFR+1.30	USD50	353	–	–	2	–	355
Floating rate bond	36 months	2023/8/23	SOFR+1.00	USD300	2,122	–	1	9	–	2,132
Floating rate bond	24 months	2023/8/25	SOFR+0.95	USD100	709	–	–	3	–	712
Floating rate bond	6 months	2023/10/27	SOFR+0.70	USD20	142	–	–	–	(142)	–
Floating rate bond	12 months	2023/10/27	SOFR+0.75	USD22	156	–	–	1	–	157
Fixed rate bond	36 months	2023/11/16	2.80	RMB2,500	2,494	–	1	–	–	2,495
Fixed rate bond	36 months	2023/11/27	3.35	RMB350	348	–	–	–	–	348
Floating rate bond	36 months	2023/11/30	SOFR+1.10	USD50	355	–	–	1	–	356
Fixed rate bond	36 months	2023/12/5	2.90	RMB4,000	3,990	–	2	–	–	3,992
Fixed rate bond	36 months	2024/3/5	2.45	RMB3,000	–	3,000	(6)	–	–	2,994
Floating rate bond	36 months	2024/3/12	SOFR+1.05	USD40	–	284	–	1	–	285
Floating rate bond	36 months	2024/3/27	SOFR+1.00	USD67	–	475	–	2	–	477
Floating rate bond	6 months	2024/3/28	SOFR+0.65	USD20	–	142	–	1	–	143
Floating rate bond	12 months	2024/4/16	SOFR+0.64	USD20	–	142	–	1	–	143
Floating rate bond	12 months	2024/4/22	SOFR+0.65	USD30	–	213	–	1	–	214
Fixed rate bond	36 months	2024/5/23	2.20	RMB2,500	–	2,500	(6)	–	–	2,494
Floating rate bond	36 months	2024/6/4	SOFR+0.76	USD500	–	3,554	–	1	–	3,555
Total					52,000	10,310	9	130	(7,068)	55,381

Note: Financial bonds issued by CMBFL that were held by the Bank amounted to nil as of 30 June 2024 (31 December 2023: RMB600 million equivalent). Financial bonds issued by CMB International Leasing Management Limited (CMBILM), a wholly-owned subsidiary of CMBFL, that were separately held by the Bank, CMB WLB and CMBIC amounted to a total of RMB3,344 million equivalent, RMB574 million equivalent and nil as of 30 June 2024 (31 December 2023: RMB3,212 million equivalent, RMB563 million equivalent and RMB70 million equivalent).

32. Debt securities issued *(continued)*

(a) Debt securities issued *(continued)*

At the end of the reporting period, debt securities issued by CMBIC's subsidiary were as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the period (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	2021/6/2	1.38	USD600	4,254	–	–	11	(4,265)	–
Fixed rate bond	24 months	2024/4/29	3.15	RMB720	–	720	(1)	–	–	719
Floating rate bond	36 months	2024/6/26	SOFR+0.65	USD100	–	712	–	12	–	724
Total					4,254	1,432	(1)	23	(4,265)	1,443

Note: Financial bond issued by Legend Fortune Limited, a wholly-owned subsidiary of CMBIC, that was held by CMB WLB amounted to nil as of 30 June 2024 (31 December 2023: RMB75 million equivalent).

33. Share capital

By type of shares:

Listed shares	**30 June 2024 No. of shares (in million)**	31 December 2023 No. of shares (in million)
– A Shares	**20,629**	20,629
– H Shares	**4,591**	4,591
Total	**25,220**	25,220

All H Shares are ordinary shares and rank pari passu with the A Shares. There is no restriction on these shares.

	Share Capital	
	No. of shares (in million)	Amount
At 31 December 2023 and at 30 June 2024	25,220	25,220

34. Other equity instruments

(a) Preference Shares

	Issuance date	Accounting classification	Dividend rate	Issue price	No. (millions of shares)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Preference Shares (note (i))	22 Dec 2017	Equity instruments	3.62%	RMB 100/Share	275	27,468	Perpetual existence	Note (ii)	None
Total					275	27,468			

The changes of Preference Shares issued were as follows:

	Issuance date	1 January 2024		Increase/decrease		30 June 2024	
		No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)	**No. (millions of shares)**	**Amount (RMB in million)**
Domestic Preference Shares (note (i))	22 Dec 2017	275	27,468	–	–	**275**	**27,468**
Total		275	27,468	–	–	**275**	**27,468**

34. Other equity instruments *(continued)*

(a) Preference Shares *(continued)*

Notes:

(i) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares in the aggregate nominal value of RMB27,500 million on 22 December 2017. Each Domestic Preference Share has a nominal value of RMB100 and 275 million Domestic Preference Shares were issued in total. The dividend rate is initially 4.81% and subject to reset per agreement subsequently, but not exceeds 16.68%. On 18 December 2022, five years after the issuance of the Domestic Preference Shares, the Bank adjusted the coupon dividend rate per annum to 3.62% in accordance with market rules.

(ii) Domestic Preference Shares have clauses stating that certain events would trigger mandatory conversion, those clauses are as follows:

(1) Upon the occurrence of any additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.

(2) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares. A Tier-2 Capital Trigger Event refers the earlier of the following events: 1) the National Administration of Financial Regulation ("NAFR") having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the NAFR for review and determination. The Bank shall fulfil the relevant information disclosure requirements of the Securities Law, the CSRC and Hong Kong's relevant laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

Dividends on the Domestic Preference Shares shall be paid in cash. Save for such dividend at the agreed dividend rate, the holders of the above Preference Shares are not entitled to share the remaining profits of the Bank with the ordinary shareholders. Dividend is non-cumulative. The Bank has the right to cancel any dividend on Preference Shares, and such cancellation shall not be deemed as a default. After the cancellation of all or part of the dividend to preference shareholders, the Bank shall not make any ordinary share distribution, until the dividend on Preference Shares is resumed in full. As the dividends on the Domestic Preference Shares are non-cumulative, the Bank will not distribute the dividends that were cancelled in prior years to holders of Preference Shares.

The Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the NAFR, the Domestic Preference Shares may be redeemed in whole or in part at the discretion of the Bank, but the Bank does not have the obligation to redeem the Preference Shares. The holders of Preference Shares do not have the right to demand the Bank to redeem the Preference Shares and shall not expect that Preference Shares will be redeemed.

After deducting the issuance expenses from the Preference Shares above, the total net proceeds of RMB27,468 million have been included in additional Tier 1 capital of the Bank.

(b) Perpetual Bonds

	Issuance date	Accounting classification	Interest rate	Issue price	No. (millions of units)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Perpetual Bonds (note (i))	9 Jul 2020	Equity instruments	3.95%	RMB 100/Unit	500	49,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	Equity instruments	3.69%	RMB 100/Unit	430	42,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (iii))	1 Dec 2023	Equity instruments	3.41%	RMB 100/Unit	300	30,000	Perpetual existence	None	None
Total					1,230	122,978			

34. Other equity instruments *(continued)*

(b) Perpetual Bonds *(continued)*

The changes of Perpetual Bonds issued were as follows:

	Issuance date	1 January 2024		Increase/decrease		30 June 2024	
		No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)	**No. (millions of shares)**	**Amount (RMB in million)**
Domestic Perpetual Bonds (note (i))	9 Jul 2020	500	49,989	–	–	**500**	**49,989**
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	430	42,989	–	–	**430**	**42,989**
Domestic Perpetual Bonds (note (iii))	1 Dec 2023	300	30,000	–	–	**300**	**30,000**
Total		1,230	122,978	–	–	**1,230**	**122,978**

Notes:

(i) With the approval of the relevant regulatory authorities in China, the Bank issued RMB50,000 million of 2020 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (Series 1) (the "Perpetual Bonds 2020") in the national inter-bank bond market on 9 July 2020. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2020. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2020 will continue to be outstanding so long as the Bank continues to operate.

(ii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB43,000 million of 2021 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2021", together with Perpetual Bonds 2020, "Perpetual Bonds") in the national inter-bank bond market on 7 December 2021. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2021. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2021 will continue to be outstanding so long as the Bank continues to operate.

(iii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB30,000 million of 2023 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2023", together with Perpetual Bonds 2020 and Perpetual Bonds 2021, "Perpetual Bonds") in the national inter-bank bond market on 1 December 2023. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2023. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2023 will continue to be outstanding so long as the Bank continues to operate.

From the fifth anniversary since the issuance of the Perpetual Bonds, the Bank has the right to redeem in whole or in part the Perpetual Bonds on the annual interest payment date (including the interest payment date on the fifth year since the issuance date) subject to the approval of the NAFR and the satisfaction of the redemption preconditions. If, after the issuance, the Perpetual Bonds no longer qualify as additional Tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulation, the Bank has the right to redeem the whole but not part of the Perpetual Bonds. The investors do not have the right to sell back the Perpetual Bonds to the Bank.

The claims in respect of the Perpetual Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Perpetual Bonds and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional Tier-1 capital instruments of the Bank that rank pari passu with the Perpetual Bonds.

The coupon rate will be reset on each benchmark rate reset date (i.e., the date of every five years from the issuance date). The adjusted coupon rate will be determined based on the benchmark interest rate at the adjustment date plus the fixed spread as determined at the time of issuance. The Perpetual Bonds do not contain interest rate step-up mechanism or any other redemption incentives. The Bank has the right to cancel, in whole or in part, distributions on the Perpetual Bonds and any such cancellation will not constitute an event of default. The bond interests are non-cumulative, and any cancelled distribution is not carried to the following year. The Bank will fully consider the interests of bondholders when exercising this right. The Bank can use the cancelled bond interest for the current period at its discretion to repay other due debts. Cancellation of any distributions of the Perpetual Bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write off in whole or in part, without the need for the consent of the bond holders, the principal amount of the Perpetual Bonds. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the NAFR having concluded that without a write-off, the Bank would become non-viable; (ii) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write-off will not be restored.

After deducting the issuance expenses, the funds raised by the bonds have been used to supplement additional Tier 1 capital of the Bank in accordance with applicable laws and the approval of the relevant authorities.

34. Other equity instruments *(continued)*

(c) Relative information attributed to equity instrument holders

	30 June 2024	31 December 2023
Equity attributed to shareholders of the Bank	**1,110,213**	1,076,370
– Equity attributed to ordinary shareholders of the Bank	**959,767**	925,924
– Equity attributed to other equity instrument holders of the Bank	**150,446**	150,446
Including: Net profit	**1,975**	4,558
Total comprehensive income	**1,975**	4,558
Distributions in the period/current year	**(1,975)**	(4,558)
Cumulative undistributed dividends	**–**	–
Equity attributed to non-controlling interests	**6,812**	9,359
– Equity attributed to non-controlling holders of ordinary shares	**6,812**	6,521
– Equity attributed to non-controlling holders of perpetual debt capital (note 43(a))	**–**	2,838

35. Investment revaluation reserve

	30 June 2024	31 December 2023
Debt instruments measured at FVTOCI: investment revaluation reserve	**17,448**	10,596
Fair value gain on equity instruments designated at FVTOCI	**4,639**	3,009
Remeasurement of defined benefit scheme	**84**	82
Share of other comprehensive expense of equity-accounted investees	**1,050**	(31)
Total	**23,221**	13,656

36. Profit appropriations

(a) Dividends declared/distributed to shareholders

	Six months ended 30 June 2024	Year ended 31 December 2023
Ordinary share dividends in 2023, approved and declared (RMB1.972 per share)	**49,734**	–
Ordinary share dividends in 2022, approved and distributed (RMB1.738 per share)	**–**	43,832

(b) Proposed profit appropriations

	Six months ended 30 June 2024	Year ended 31 December 2023
Statutory surplus reserve	**–**	13,752
General reserve	**(120)**	9,010
Dividends		
– cash dividend: nil (2023: RMB1.972 per share)	**–**	49,734
Total	**(120)**	72,496

The profit appropriation for the year ended 31 December 2023 was proposed in accordance with the resolution passed at the meeting of the board of directors held on 25 March 2024 and approved by the 2023 annual general meeting held on 25 June 2024.

37. Notes to the consolidated statement of cash flows

(a) Analysis of the balances of cash and cash equivalents (including assets with original maturity within 3 months):

	30 June 2024	30 June 2023
Cash and balances with central banks	**77,773**	47,681
Balances with banks and other financial institutions	**116,579**	99,755
Placements with banks and other financial institutions	**118,538**	109,474
Amounts held under resale agreements	**307,022**	278,573
Financial investments and discounted bills	**115,994**	49,564
Total	**735,906**	585,047

(b) Reconciliation of liabilities arising from financing activities

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

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Accrued interest on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2024	21,443	34,340	124,372	1,814	26	32,616	12,675	227,286
Cash changes:								
Proceeds from the issue	142,353	26,241	16,742	–	–	1,069	–	186,405
Repayment	(22,903)	(24,133)	(40,952)	–	–	(7,893)	(2,315)	(98,196)
Interest/dividend paid	–	–	–	(2,493)	(377)	–	–	(2,870)
Non-cash changes:								
Additions of lease liabilities	–	–	–	–	–	–	2,530	2,530
Accrued interest	–	–	–	2,407	–	–	241	2,648
Dividend declared	–	–	–	–	50,111	–	–	50,111
Discount or premium amortisation	1,214	252	7	–	–	–	–	1,473
Fair value adjustments	–	1	77	–	–	(285)	–	(207)
Exchange difference	–	248	680	–	–	39	–	967
At 30 June 2024	142,107	36,949	100,926	1,728	49,760	25,546	13,131	370,147

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Accrued interest on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2023	65,719	15,987	148,674	1,533	26	22,719	13,013	267,671
Cash changes:								
Proceeds from the issue	68,608	66,504	25,201	–	–	17,303	–	177,616
Repayment	(112,584)	(48,267)	(51,146)	–	–	(7,210)	(5,053)	(224,260)
Interest/dividend paid	(2,086)	–	–	(5,396)	(48,860)	–	–	(56,342)
Non-cash changes:								
Additions of lease liabilities	–	–	–	–	–	–	4,235	4,235
Accrued interest	–	–	–	5,677	–	–	480	6,157
Dividend declared	–	–	–	–	48,860	–	–	48,860
Discount or premium amortisation	1,786	265	53	–	–	–	–	2,104
Fair value adjustments	–	3	191	–	–	(236)	–	(42)
Exchange difference	–	(152)	1,399	–	–	40	–	1,287
At 31 December 2023	21,443	34,340	124,372	1,814	26	32,616	12,675	227,286

Note： Including financial liabilities designated at fair value through profit or loss.

37. Notes to the consolidated statement of cash flows *(continued)*

(c) Significant non-cash transactions

There were no significant non-cash transactions during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

38. Operating segments

The Group's principal activities are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

The Group manages its businesses by divisions, which are organised by both business line and geographical location. The reportable segment information is as follows:

(1) Wholesale finance business

The financial services for corporate clients, government agencies and financial institutions include loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business such as placement and repurchase, asset custody business, financial market business, and other services.

(2) Retail finance business

The financial services provided to retail customers include loan and deposit services, bank card services, wealth management services, private banking and other services.

(3) Other business

Except for the business mentioned above, other business covers investment properties, subsidiaries except for CMB WLB and CMBFL, associates and joint ventures. None of these segments meet any of the quantitative thresholds so far for segment division.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss by the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and apportion according to the relevant factors.

The accounting policies of the operating segments are the same as the Group's accounting policies. Operating segment income represents income generated from external customers and inter-segment transactions are offset. No customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2024 and 2023. Internal transactions are conducted at fair value.

38. Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	Six months ended 30 June							
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
External net interest income	**14,221**	11,183	**60,639**	64,945	**29,589**	32,868	**104,449**	108,996
Internal net interest income/(expense)	**23,779**	32,905	**9,689**	1,753	**(33,468)**	(34,658)	**–**	–
Net interest income/(expense)	**38,000**	44,088	**70,328**	66,698	**(3,879)**	(1,790)	**104,449**	108,996
Net fee and commission income	**7,756**	10,454	**24,931**	30,850	**5,641**	5,787	**38,328**	47,091
Other net income	**26,266**	18,103	**680**	1,411	**1,649**	1,308	**28,595**	20,822
Operating income	**72,022**	72,645	**95,939**	98,959	**3,411**	5,305	**171,372**	176,909
Operating expenses								
– Depreciation of property and equipment and investment properties	**(4,087)**	(3,809)	**(1,285)**	(1,363)	**(201)**	(205)	**(5,573)**	(5,377)
– Depreciation of right-of-use assets	**(792)**	(791)	**(1,169)**	(1,090)	**(111)**	(212)	**(2,072)**	(2,093)
– Other	**(19,039)**	(19,755)	**(27,594)**	(26,665)	**(2,067)**	(2,482)	**(48,700)**	(48,902)
Subtotal	**(23,918)**	(24,355)	**(30,048)**	(29,118)	**(2,379)**	(2,899)	**(56,345)**	(56,372)
Reportable segment profit before expected credit losses	**48,104**	48,290	**65,891**	69,841	**1,032**	2,406	**115,027**	120,537
Expected credit losses and impairment losses of other assets	**(11,671)**	(13,283)	**(14,693)**	(18,061)	**(572)**	135	**(26,936)**	(31,209)
Share of profits of associates and joint ventures	**–**	–	**–**	–	**1,550**	1,556	**1,550**	1,556
Reportable segment profit before tax	**36,433**	35,007	**51,198**	51,780	**2,010**	4,097	**89,641**	90,884
Capital expenditure (note)	**17,565**	13,238	**975**	1,121	**40**	399	**18,580**	14,758

	Wholesale finance business		Retail finance business		Other business		Total	
	30 June 2024	31 December 2023	**30 June 2024**	31 December 2023	**30 June 2024**	31 December 2023	**30 June 2024**	31 December 2023
Reportable segment assets	**6,501,615**	6,236,513	**3,472,544**	3,358,721	**1,487,141**	1,325,116	**11,461,300**	10,920,350
Of which: Interests in associates and joint ventures	**–**	–	**–**	–	**28,996**	26,590	**28,996**	26,590
Reportable segment liabilities	**5,881,591**	5,671,256	**3,885,830**	3,562,087	**556,413**	628,708	**10,323,834**	9,862,051

Note: Capital expenditure represents the amount incurred for acquiring segment assets which are expected to be used for more than one year.

38. Operating segments *(continued)*

(b) Reconciliations of reportable segments operating income, profit or loss, assets and liabilities and other material items

	Six months ended 30 June	
	2024	2023
Operating income for reportable segments	**171,372**	176,909
Total profit before income tax for reportable segments	**89,641**	90,884

	30 June 2024	31 December 2023
Assets		
Total assets for reportable segments	**11,461,300**	10,920,350
Goodwill	**9,954**	9,954
Intangible assets	**542**	550
Deferred tax assets	**89,321**	90,557
Other unallocated assets	**13,666**	7,072
Consolidated total assets	**11,574,783**	11,028,483
Liabilities		
Total liabilities for reportable segments	**10,323,834**	9,862,051
Tax payable	**15,358**	13,597
Deferred tax liabilities	**1,646**	1,607
Other unallocated liabilities	**116,920**	65,499
Consolidated total liabilities	**10,457,758**	9,942,754

(c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government in the Chinese mainland. The Group also has branches operating in Hong Kong, New York, Singapore, Luxembourg, London and Sydney, subsidiaries operating in Hong Kong, Shenzhen, Shanghai, Beijing and Luxembourg and representative offices in New York and Taipei.

In presenting information based on geographical segments, operating income is allocated based on the locations of the branches and subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the locations of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

– "Headquarters" refers to the Group's headquarters, credit card centres and Global Markets Centre;

– "Yangtze River Delta region" refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;

– "Bohai Rim region" refers to branches in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;

– "Pearl River Delta and West Coast" refers to branches in Guangdong province and Fujian province;

– "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;

– "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;

– "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;

– "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative offices in New York and Taipei;

– "Subsidiaries" refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CMB Europe S.A., and CIGNA & CMAM, etc.

38. Operating segments *(continued)*

(c) Geographical segments *(continued)*

Geographical information	Total assets 30 June 2024	Total assets 31 December 2023	Total liabilities 30 June 2024	Total liabilities 31 December 2023	Non-current assets 30 June 2024	Non-current assets 31 December 2023	Operating income Six months ended 30 June 2024	Operating income Six months ended 30 June 2023	Profit before tax Six months ended 30 June 2024	Profit before tax Six months ended 30 June 2023
Headquarters	**5,300,814**	4,985,615	**4,379,609**	4,107,566	**56,072**	54,625	**73,713**	73,222	**38,937**	28,675
Yangtze River Delta region	**1,452,471**	1,417,890	**1,443,422**	1,404,463	**6,068**	5,995	**22,502**	24,072	**12,678**	15,618
Bohai Rim region	**927,400**	916,860	**920,169**	902,114	**4,186**	4,187	**16,053**	17,325	**9,117**	10,885
Pearl River Delta and West Coast region	**1,213,802**	1,166,744	**1,207,831**	1,156,219	**4,278**	4,125	**17,376**	17,836	**8,163**	10,413
Northeast region	**169,844**	168,687	**168,728**	166,551	**1,445**	1,440	**3,189**	3,308	**1,577**	1,736
Central region	**710,006**	676,618	**705,555**	670,811	**3,348**	3,299	**9,812**	10,318	**5,573**	6,361
Western region	**713,760**	681,255	**709,661**	674,635	**3,001**	3,051	**9,923**	10,555	**5,043**	6,089
Overseas	**219,570**	213,303	**225,105**	217,502	**859**	618	**2,112**	2,347	**1,377**	1,226
Subsidiaries	**867,116**	801,511	**697,678**	642,893	**103,000**	95,462	**16,692**	17,926	**7,176**	9,881
Total	**11,574,783**	11,028,483	**10,457,758**	9,942,754	**182,257**	172,802	**171,372**	176,909	**89,641**	90,884

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, intangible assets, right-of-use assets, goodwill, etc.

39. Contingent liabilities and commitments

(a) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card overdraft limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptance represents undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of contingent liabilities and commitments by category are set out in the following tables. The amounts reflected in the tables for commitments assume that amounts are fully advanced. The amounts reflected in the tables for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	30 June 2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	310,932	3,152	576	314,660
Of which: Financial guarantees	34,913	14	292	35,219
Non-financing letters of guarantees	276,019	3,138	284	279,441
Irrevocable letters of credit	260,445	2,459	–	262,904
Bills of acceptances	512,463	3,813	500	516,776
Irrevocable loan commitments	182,306	333	96	182,735
– with an original maturity within 1 year (inclusive)	51,084	–	1	51,085
– with an original maturity over 1 year	131,222	333	95	131,650
Credit card unused commitments	1,576,122	10,173	6	1,586,301
Other	90,759	602	–	91,361
Total	2,933,027	20,532	1,178	2,954,737

39. Contingent liabilities and commitments *(continued)*

(a) Credit commitments *(continued)*

	31 December 2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	320,170	3,940	278	324,388
Of which: Financial guarantees	44,570	1,104	3	45,677
Non-financing letters of guarantees	275,600	2,836	275	278,711
Irrevocable letters of credit	227,114	1,505	–	228,619
Bills of acceptances	485,393	2,294	500	488,187
Irrevocable loan commitments	171,198	2,285	95	173,578
– with an original maturity within 1 year (inclusive)	23,559	1	–	23,560
– with an original maturity over 1 year	147,639	2,284	95	150,018
Credit card unused commitments	1,509,253	6,400	21	1,515,674
Other	87,367	156	–	87,523
Total	2,800,495	16,580	894	2,817,969

As at 30 June 2024, Group's irrevocable letters of credit include sight letters of credit of RMB22,319 million (31 December 2023 RMB22,254 million), usance letters of credit of RMB17,657 million (31 December 2023 RMB9,361 million), and other commitments of RMB222,928 million (31 December 2023: RMB197,004 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches and subsidiaries, and onshore and offshore syndicated loans, etc.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB5,709,567 million at 30 June 2024(31 December 2023: RMB5,878,801 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group does not assume any risks on the unused credit limits for these loan commitments. As a result, such balances are not included in the above credit commitments.

	30 June 2024	31 December 2023
Credit risk-weighted assets amounts of contingent liabilities and commitments	**1,003,453**	650,343

Since 1 January 2024, the Group calculated the credit risk-weighted assets amount of its contingent liabilities and commitments in accordance with the requirements of Rules on Capital Management of Commercial Banks issued by the National Financial Regulatory Administration (NFRA). The amount within the scope approved by the former CBIRC in April 2014 is calculated using the Internal Ratings-Based Approach, and the Weighted Approach is used to cover those amounts not eligible for the Internal Ratings-Based Approach.

(b) Capital commitments

Authorised capital commitments were as follows:

	30 June 2024	31 December 2023
Contracted for	**430**	219
Authorised but not contracted for	**201**	191
Total	**631**	410

The lease commitments of the Group as a lessor are detailed in note 39(e).

(c) Outstanding litigations

At 30 June 2024, the Bank or other group entity was a defendant in some outstanding litigations with total gross claims of RMB2,989 million (31 December 2023: RMB3,205 million). The Group considers that no material losses would be incurred by the Group as a result of these outstanding litigations and therefore no provision has been made in the interim condensed consolidated financial statements.

39. Contingent liabilities and commitments *(continued)*

(d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back bonds underwritten by itself if the bond holders decide to redeem the bonds before maturity. The redemption prices for the bonds at any time before their maturity date are based on the face value plus any interest unpaid and accrued up to the redemption date. Accrued interest to the bond holders is calculated in accordance with relevant rules issued by the Ministry of Finance and the PBOC. The redemption prices may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	30 June 2024	31 December 2023
Redemption obligations	**27,677**	29,144

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

(e) Lease commitments

Operating lease commitments and financial lease commitments where the Group is a lessor at the end of the reporting period are as follows:

	30 June 2024	31 December 2023
Operating lease commitments	**24,213**	25,816
Financial lease commitments	**26,849**	12,859
Total	**51,062**	38,675

40. Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital, and instruct the Group to lend it to the specified targets on their behalf in accordance with specific terms and conditions, and the Group is contracted to disburse the loan, monitor its usage, and seek loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted loans are not assets of the Group and therefore not recognised in the unaudited consolidated statement of financial position. Income received and receivable for providing these services are recognised in the unaudited consolidated statement of income as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	30 June 2024	31 December 2023
Entrusted loans	**223,670**	221,292
Entrusted funds	**(223,670)**	(221,292)

40. Transactions on behalf of customers *(continued)*

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers by the Bank and CMBWM. The funds obtained from wealth management services are invested in investment products, including government bonds, policy bank bonds, and short term corporate debt instruments. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns fee and commission which represents the charges on customers in relation to the provision of custody, sales, and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and therefore not recognised in the unaudited consolidated statement of financial position. The funds received from customers for wealth management business that have yet to be invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated wealth management services amounted to RMB2,284,739 million as at 30 June 2024 (31 December 2023: RMB2,403,038 million).

(c) Entrusted management of insurance funds

The entrusted management of insurance funds mainly refers to the business that the Group carries out investment activities on funds entrusted by insurance companies according to the regulatory policies and the investment guidelines from insurance companies, and charges fees for providing such services.

At the end of the reporting period, the balance of entrusted funds was as follows:

	30 June 2024	31 December 2023
Entrusted management of insurance funds	**171,538**	144,963

41. Risk management

(a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group designs its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the board of directors, is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee under Board of Directors, participates in, coordinates, and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk including the credit and investment business of pre-lending (investment) evaluations, interim-lending (investment) reviewing and post-lending (investment) monitoring. In accordance with the Implementation Rules on Expected Credit Loss Approach of Commercial Banks (Yin Bao Jian Gui [2022] No.10), the Group uses the expected credit loss model to provide for credit risk losses for on-balance sheet financial assets that bear credit risk at amortised cost or at fair value and whose changes are included in other comprehensive income, as well as off-balance sheet credit risk items such as loan commitments and financial guarantee contracts.

With respect to the credit risk management of wholesale financial business, the Group optimizes credit and investment policies, continually enhances the standards on acceptance for corporate, interbank and institutional clients, and implements in key risk areas to improve the quality of credit exposure.

With respect to credit risk management of retail financial business, the Group mainly relies on the credit assessment of applicants as the basis for loan approval, which takes into consideration the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loan collection procedures.

41. Risk management *(continued)*

(a) Credit risk *(continued)*

The Group requests customers to provide collateral and guarantees when necessary. The Group has formulated systems or guidelines for the access of guarantors or collaterals, the approval of guarantee amounts, the establishment and follow-up management of guarantees. The guarantor's or collateral's ability and willingness to guarantee will be reviewed regularly to ensure that it meets the requirements of relevant laws and regulations and can effectively mitigate risks.

In respect of asset quality classification, the Group improves the classification system and refines the classification method based on Rules on Risk Classification of Financial Assets of Commercial Banks, combined with actual situation. On the basis of Five-category Classification, the Group categorises its loans on a ten-grade loan classification basis to refine internal risk classification management (normal (grades 1-5), special mention (grades 1-2), substandard, doubtful and loss).

The risks involved in contingent liabilities and commitments are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers carry out the same business activities, locate in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic factors. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated a limit management policy to monitor and analyse its loan portfolio.

Analysis of loans and advances by industry and loan portfolio is presented in Note 16.

(i) Internal credit risk rating

The Group classifies credit risk based on probability of default. The internal credit risk rating is based on the model-forecasted default risk, taking into consideration qualitative and quantitative factors such as borrower's financial situation, debt pressure, industry characteristics, etc.

(ii) Significant increase in credit risk

The Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument and other items at the reporting date with that at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating, as well as internal early warning signal, the result of 5-tier classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special-mention; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has been downgraded to certain level; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group.

For retail and credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special-mention; more than 30 days (inclusive) overdue; the customer or the debt has credit risk early warning signal; or the customer has other significant risk signals identified by the Group.

A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capability to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitments and financial guarantees, the date when the commitment becomes irrevocable is considered as the initial recognition date.

The Group considers that a debt instrument is impaired and classified as stage 3 when the debt instrument is more than 90 days (inclusive) overdue or the 5-tier classification of this debt instrument is substandard, doubtful or loss (these three categories include debt instruments with more than 90 days (inclusive) overdue).

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): the risk exposure on a debt.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

(iv) Incorporation of forward-looking information

The Group divides financial assets into different asset groups based on their different risk characteristics. According to the risk characteristics of the asset group, the Group collects external data released by authoritative institutions and internal risk data without undue cost or effort for modelling. Apart from the common economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index and Broad Money Supply, various other categories of indicators such as industry index, interest and exchange rate, and survey index are also included. Based on statistical analysis and expert judgements, the Group sets up multiple forward-looking scenarios to predict macroeconomic indicators and risk parameters. The Group sets the forecasts issued by external authoritative institutions as the forecasts of economic indicators under the baseline scenario, with reference to the professionals of the Bank and the outputs of the models. For the forecasts of economic indicators under the remaining scenarios, the Group will refer to the actual historical data for analysis and forecast. Taking GDP (year-on-year growth rate) and CPI (month-on-month increase) as an example, the forecasts for the next year adopted by the Group at 30 June 2024 under the baseline scenario are 4.70% (2023: 4.80%) and 3.00% (2023: 1.50%) respectively.

Combined with quantitative measurement and expert judgement, the Group sets the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the other scenarios as supplement. The weight of the baseline scenario of the Group as at 30 June 2024 is the highest. According to the sensitivity test results of the Group, when the weighting of the optimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 30 June 2024 will decrease by approximately 3.0% compared to the current result (at 31 December 2023: will decrease by approximately 2.8%). When the weighting of the pessimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 30 June 2024 will increase by approximately 5.5% compared to the current result (at 31 December 2023: will increase by approximately 5.6%).

The Group periodically forecasts macroeconomic indicators and calculates the ECL based on a weighted 12-month expected credit loss (stage 1) or a weighted lifetime expected credit loss (stage 2 and stage 3).

(v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The models are divided based on shared risk characteristics, and the reference indicators include the 5-tier classification, business type and collateral type.

(vi) Maximum exposure

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements is the carrying amount of the relevant financial instruments as disclosed in the unaudited consolidated statement of financial position and the contract amount of the off-balance sheet items disclosed in Note 39(a). At 30 June 2024, the amount of the Group's maximum credit risk exposure was RMB14,202,278 million (31 December 2023: RMB13,537,727 million).

(vii) Renegotiated loans and advances to customers

The carrying amount of loans and advances that were credit impaired and the terms had been renegotiated was RMB14,166 million as at 30 June 2024 (31 December 2023: RMB13,007 million).

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(viii) Non-performing loans

Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans, and loss loans. As at 30 June 2024, the Group had the balance of non-performing loans of RMB63,427 million (31 December 2023: RMB61,579 million).

(ix) Credit quality of financial instruments

The staging analyses for loans and advances to customers and debt investments at amortised cost as at the reporting date are disclosed in note 16 and note 17(b) respectively. The staging analyses for credit commitments and the expected credit loss allowances of financial guarantees and loan commitments are disclosed in note 39(a) and 31 respectively. The staging analysis for other financial instruments is as follows:

	30 June 2024							
	Carrying amount				Expected credit loss			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	584,430	–	–	584,430	–	–	–	–
Balances with banks and other financial institutions	135,076	9	11	135,096	(388)	(5)	(11)	(404)
Placements with banks and other financial institutions	356,023	–	–	356,023	(815)	–	–	(815)
Amounts held under resale agreements	307,859	–	140	307,999	(485)	–	(140)	(625)
Debt investments at FVTOCI	944,821	892	265	945,978	(6,451)	(127)	(1,247)	(7,825)

	31 December 2023							
	Principal				Expected credit loss			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	667,569	–	–	667,569	–	–	–	–
Balances with banks and other financial institutions	100,745	1	11	100,757	(211)	(1)	(11)	(223)
Placements with banks and other financial institutions	286,046	201	–	286,247	(518)	(1)	–	(519)
Amounts held under resale agreements	172,568	–	140	172,708	(449)	–	(140)	(589)
Debt investments at FVTOCI	889,105	390	241	889,736	(5,586)	(132)	(1,094)	(6,812)

Note: The balances disclosed above do not include accrued interest.

(b) Market risk

Market risk refers to the risk of loss due to changes in observable market factors such as interest rates, exchange rates, commodity prices and stock prices, resulting in changes in the fair value or future cash flows of the Group's financial instruments. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments and positions under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments can be traded without any restriction. The financial instruments under the banking book are assets and liabilities held by the Group for determinable return with relative stable market value or for the purposes of hedging the risks, which include both the Group's on-balance sheet and off-balance sheet exposures.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and decline in market value of financial instruments and positions held by the Group.

(1) Trading book

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control, and reporting, covering interest rate risk, exchange rate risk, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the board of directors, the Group manages the trading book by clearly identifying, accurately measuring, and effectively managing the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieves a reasonable balance of risk and return. The Group constantly improves the risk-adjusted return level to maximise the shareholders' value.

The trading book market risk governance organisation structure defines the responsibilities, division of labour and reporting lines of the board of directors, Risk and Capital Management Committee under the board of directors, senior management, and relevant departments of the Bank, and safeguards the achievement of management objectives. The Market Risk Management Department is responsible for the Group's trading book market risk and undertakes the task of risk policy formulation and management.

According to the business practices and market risk governance organisation structure, the Group establishes the trading book market risk limit management system. A top-level limit is set based on the risk appetite determined by the board of directors and is transmitted from top to bottom level by level. Within the scope of their authorisation, management departments at all levels allocate and set limits according to risk characteristics, product types and trading strategies, etc. The business departments carry out the business according to the authorisation and limit requirements, and the supervisory and administrative departments at all levels continuously monitor and report according to the limit management regulations.

The trading book market risk management adopts the scale index, stop loss index, sensitivity index, value at risk index, stress test index and other risk measurement indices as the limit index, and sets the limit value by comprehensively considering the risk appetite, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The Group uses valuation, sensitivity analysis, value-at-risk analysis, stress test and other measurement methods to identify and quantify risk factors in the interest rate market. The Group applies the market risk measurement model in its daily risk management and takes market risk measurement as the basis for business planning, resource allocation, financial market business operation and risk management.

(2) Banking book

According to the external regulatory requirements and the internal banking book interest rate risk management policy, the Group has built and continuously improved the banking book interest rate risk management system, established the management process of interest rate risk identification, measurement, monitoring, control, and reporting, and covered all on – and off-balance sheet business of the Bank. The Group clearly identifies, accurately measures, and effectively manages the interest rate risk of the banking book under the interest rate risk appetite of the banking book formulated by the board of directors to ensure that the net interest income (NII) and the economic value of shareholders' equity (EVE) increase steadily within the acceptable range of the banking book risk.

The Group's governance and management framework specifies the responsibilities, division of labor and reporting lines of the board of directors, senior management, designated committees, and relevant departments to ensure the effectiveness of interest rate risk management. Interest rate risk of the banking book is managed by the Asset and Liability Management Department of the Head Office. Internal Audit Department of the Head Office is responsible for independent audit.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(2) Banking book (continued)

The preference of the Group in respect of the interest rate risk in the banking book is prudent. The Group establishes a banking book interest rate risk limit management system based on the actual business and the banking book interest rate risk governance structure. The quantitative index of risk appetite set by the board of directors is the highest-level limit, which is transmitted through the limit level from top to bottom and level by level. Within the scope of their authorisation, all levels set limits and continuously monitor and report according to risk tolerance, business operation strategy and risk management objectives. The Group formulates interest rate risk management strategies and regularly tracks and reviews them based on risk measurement and monitoring results and in combination with macroeconomic and interest rate environment. The key measures for risk management of the Group include the adjustment in business volume, duration structure and interest rate structure of on-balance sheet asset and liability business and off-balance sheet derivative to offset risk exposure.

The Group has mainly adopted scenario simulation analysis, re-pricing exposure analysis and duration analysis for the regular measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in net interest income at risk and economic value of equity indicators when there is an extreme fluctuation in interest rates. The Group measures and monitors the interest rate risk of the banking book through the asset-liability management system, and the main models and parameter assumptions used in the measurement process are independently verified before being adopted and are regularly reviewed and verified after being adopted. The various indicators of interest rate risk during the reporting period showed that the interest rate risk of the banking book of the Bank was generally stable and within the set limits.

(3) The following tables indicate the next expected repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.

	30 June 2024					
	Total	3 months or less (including overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest-bearing
Assets						
Cash and balances with central banks	599,266	574,588	–	–	–	24,678
Amounts due from banks and other financial institutions	797,274	629,966	144,933	22,330	45	–
Loans and advances to customers (note (i))	6,474,719	2,079,444	3,715,766	618,878	60,631	–
Financial investments and derivative financial assets	3,321,392	432,045	404,387	1,206,351	1,215,889	62,720
Other assets (note (ii))	382,132	–	–	–	–	382,132
Total assets	11,574,783	3,716,043	4,265,086	1,847,559	1,276,565	469,530
Liabilities						
Amounts due to central bank, banks and other financial institutions	1,084,507	868,135	202,698	13,289	385	–
Deposits from customers	8,662,886	5,862,378	1,519,130	1,227,368	50,442	3,568
Financial liabilities at FVTPL and derivative financial liabilities	71,211	705	–	5,529	–	64,977
Lease liabilities	13,131	1,083	2,860	7,864	1,324	–
Debt securities issued	274,599	76,685	141,564	49,000	7,350	–
Other liabilities (note (ii))	351,424	–	–	2,667	–	348,757
Total liabilities	10,457,758	6,808,986	1,866,252	1,305,717	59,501	417,302
Asset-liability gap	1,117,025	(3,092,943)	2,398,834	541,842	1,217,064	52,228

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(3) The following tables indicate the next expected repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period. *(continued)*

	31 December 2023					
	Total	3 months or less (including overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest-bearing
Assets						
Cash and balances with central banks	682,500	658,781	–	–	–	23,719
Amounts due from banks and other financial institutions	558,381	418,055	133,899	6,414	13	–
Loans and advances to customers (note (i))	6,242,060	2,497,757	3,076,798	605,016	62,489	–
Financial investments (including derivative financial assets)	3,182,883	351,796	358,289	1,104,825	1,307,233	60,740
Other assets (note (ii))	362,659	–	–	–	–	362,659
Total assets	11,028,483	3,926,389	3,568,986	1,716,255	1,369,735	447,118
Liabilities						
Borrowings from central bank and amounts due to banks and other financial institutions	1,265,597	1,013,853	231,786	19,670	288	–
Deposits from customers	8,155,438	5,450,058	1,300,112	1,373,425	28,172	3,671
Financial liabilities at FVTPL and derivative financial liabilities	61,401	588	–	5,321	–	55,492
Lease liabilities	12,675	1,032	2,804	7,757	1,082	–
Debt securities issued	174,764	44,549	78,880	43,959	7,376	–
Other liabilities (note (ii))	272,879	187	–	2,889	–	269,803
Total liabilities	9,942,754	6,510,267	1,613,582	1,453,021	36,918	328,966
Asset-liability gap	1,085,729	(2,583,878)	1,955,404	263,234	1,332,817	118,152

Notes:

(i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 30 June 2024 and 31 December 2023, net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interest were overdue.

(ii) Accrued interest of financial assets and liabilities is included in "other assets" and "other liabilities" respectively.

(4) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 30 June 2024 and 31 December 2023.

	30 June 2024		31 December 2023	
Change in interest rates (in basis points)	**Up by 25**	**Down by 25**	Up by 25	Down by 25
(Decrease)/increase in net interest income	**(4,517)**	**4,517**	(4,118)	4,118
(Decrease)/increase in equity	**(10,030)**	**10,190**	(9,319)	9,477

The above-mentioned interest rate sensitivity analysis shows the changes in net interest income and equity in the next 12 months under the assumption of changes in interest rates in the above table. As the actual situation and assumptions may be different, the actual changes in the Group's net interest income and equity caused by the increase or decrease in interest rates may be different from the results of this sensitivity analysis.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions, which expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly in USD and HKD. The Group segregates the policy setting, execution, and supervision of foreign exchange risk management, and establishes a foreign currency risk management governance structure. This structure specifies the roles, responsibilities, and reporting lines of the board of directors, the board of supervisors, senior management, designated committees, and relevant departments of the Bank in the management of foreign exchange risk. The Group is prudent in its foreign exchange risk appetite, and would not voluntarily take foreign exchange risk, which suits the current development stage of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and suit its management needs.

(1) Trading book

The Group has established a market risk management system of the trading book, which covers exchange rate risk, to quantify the exchange rate risk of the trading book to facilitate centralised management. The structure, process, and method of exchange rate risk management of the trading book are consistent with those of the interest rate risk of the trading book.

The Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR covering interest rate, foreign exchange rate and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, and cumulative loss index in its management of foreign exchange risk. The management methods include delegation, setting limits, daily monitoring, and continuous reporting, etc.

(2) Banking book

The Group's foreign exchange risk under the banking book is centrally managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The Internal Audit Department is responsible for auditing this. The treasurer is responsible for managing the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and through approaches such as transaction limits and adjustment of plans.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB financial assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control it within an acceptable range.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit control framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk on its banking book.

The Group continues to strengthen banking book exchange rate risk monitoring and authorisation management of limits to ensure that risks are controlled within a reasonable range.

41. Risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet its maturity obligations, or to perform other payment obligations.

According to the liquidity risk management policy, the Group segregates the policy setting, execution, and supervision of liquidity risk management, and puts in place a governance framework which defines the roles, responsibilities, and reporting lines of the board of directors, the board of supervisors, senior management, designated committees, and relevant departments to ensure the effectiveness of liquidity risk management. The board of directors takes the ultimate responsibility for liquidity risk management, ensures the Group can effectively identify, measure, monitor and control liquidity risk and is responsible for determining liquidity risk level which the Group can tolerate. The Risk and Capital Management Committee under the board of directors shall perform its responsibilities in liquidity risk management according to the requirements of the board of directors. The board of supervisors is responsible for the supervision and evaluation of the performance of the board of directors and senior management in liquidity risk management and reports to the general meeting of shareholders. The senior management is responsible for the liquidity risk management work and develops a timely understanding of changes in liquidity risks and reports the same to the board of directors. The Asset and Liability Management Committee (ALCO) exercises specific liquidity risk management functions as required by the senior management. The Assets and Liability Management Department of the Head Office is a day-to-day working body of ALCO and responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Internal Audit Department of the Head Office conducts comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing its liquidity risk, which suits its current development stage. The Group's existing liquidity risk management policies and systems meet regulatory requirements and suit its own management needs.

The Group's liquidity risk management is coordinated by the Head Office with branches acting in concert. The Asset and Liability Management Department acting as the treasurer of the Group is in charge of daily liquidity risk management. According to a prudent basis under regulatory requirements, the treasurer is conducting centralised liquidity management through limit management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as medium and long-term structures. It monitors the limit indicators closely at fixed intervals.

The Group regularly conducts stress testing to assess its liquidity risk resistance under extreme circumstances. Except for the annual stress testing required by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of local and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to continuously improve its capability to handle any liquidity crisis.

41. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities, and loan commitments of the Group as at the end of the reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis.

	30 June 2024									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	599,266	599,266	77,773	180	250	2,320	–	–	518,743	–
Amounts due from banks and other financial institutions	797,274	803,186	62,647	465,932	101,412	148,145	24,971	45	–	34
Loans and advances to customers	6,474,719	7,665,193	38,475	534,926	546,776	1,940,211	2,288,738	2,290,908	–	25,159
Financial investments	3,301,364	3,883,633	7,714	234,874	162,348	470,481	1,463,756	1,518,095	25,778	587
– Financial investments at FVTPL	579,230	594,364	7,714	171,205	47,885	145,599	166,863	50,479	4,619	–
– Debt investments at amortised cost	1,754,997	2,154,577	–	28,738	41,736	188,448	792,416	1,102,654	–	585
– Debt investments at FVTOCI	945,978	1,113,533	–	34,931	72,727	136,434	504,477	364,962	–	2
– Equity investments designated at FVTOCI	21,159	21,159	–	–	–	–	–	–	21,159	–
Other assets	102,234	102,234	31,046	14,206	14,428	19,009	4,708	314	13,950	4,573
Total	11,274,857	13,053,512	217,655	1,250,118	825,214	2,580,166	3,782,173	3,809,362	558,471	30,353
Non-derivative financial liabilities and lease liabilities										
Borrowing from central bank and amounts due to banks and other financial institutions	1,084,507	1,103,330	473,526	203,071	151,815	220,145	46,240	8,533	–	–
Deposits from customers	8,662,886	8,925,428	4,568,743	584,918	793,329	1,592,171	1,333,263	53,004	–	–
Financial liabilities at FVTPL	52,146	52,230	14,849	5,477	1,162	1,142	10,225	19,375	–	–
Lease liabilities	13,131	14,047	–	414	677	2,907	8,498	1,551	–	–
Debt securities issued	274,599	288,225	–	25,168	44,906	147,576	62,745	7,830	–	–
Other liabilities	246,103	246,840	54,689	82,533	20,242	55,682	33,118	576	–	–
Total	10,333,372	10,630,100	5,111,807	901,581	1,012,131	2,019,623	1,494,089	90,869	–	–
Loan commitments	–	1,769,036	1,769,036	–	–	–	–	–	–	–

41. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities, and loan commitments of the Group as at the end of the reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis. *(continued)*

	31 December 2023									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	682,500	682,500	140,809	255	223	1,863	–	–	539,350	–
Amounts due from banks and other financial institutions	558,381	562,870	64,150	301,674	52,393	136,751	7,889	13	–	–
Loans and advances to customers	6,242,060	7,530,562	38,971	602,390	539,585	1,708,061	2,267,026	2,350,857	–	23,672
Financial investments	3,164,150	3,758,609	2,676	184,830	159,063	408,936	1,373,493	1,598,622	28,673	2,316
– Financial investments at FVTPL	526,145	530,575	2,676	134,391	56,151	134,875	156,588	36,870	9,024	–
– Debt investments at amortised cost	1,728,620	2,155,149	–	33,629	50,472	133,924	712,112	1,222,706	–	2,306
– Debt investments at FVTOCI	889,736	1,053,236	–	16,810	52,440	140,137	504,793	339,046	–	10
– Equity investments designated at FVTOCI	19,649	19,649	–	–	–	–	–	–	19,649	–
Other assets	90,873	90,873	31,314	11,445	15,314	20,884	1,975	427	5,029	4,485
Total	10,737,964	12,625,414	277,920	1,100,594	766,578	2,276,495	3,650,383	3,949,919	573,052	30,473
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to bank and other financial institutions	1,265,597	1,300,017	449,843	375,736	168,105	251,248	47,192	7,893	–	–
Deposits from customers	8,155,438	8,434,777	4,559,684	434,432	554,142	1,360,396	1,496,187	29,936	–	–
Financial liabilities at FVTPL	43,958	44,074	8,566	4,696	1,053	2,996	7,146	19,617	–	–
Lease liabilities	12,675	13,664	–	457	586	2,880	8,461	1,280	–	–
Debt securities issued	174,764	182,443	–	10,401	26,108	84,324	53,672	7,938	–	–
Other liabilities	175,135	175,135	50,536	30,287	18,080	44,377	31,439	416	–	–
Total	9,827,567	10,150,110	5,068,629	856,009	768,074	1,746,221	1,644,097	67,080	–	–
Gross loan commitments	–	1,689,252	1,689,252	–	–	–	–	–	–	–

Note: Accrued interest of financial assets and liabilities is included in "other assets" and "other liabilities" respectively.

(d) Operational risk

Operational risk arises from the loss due to deficiency in internal procedures, staffing or IT structure, as well as external events which have effect on operation, including legal risk but not strategy risk and reputation risk.

During the reporting period, through stepping up the identification, evaluation and monitoring of operational risk in key areas, and by focusing on process, policy, employee system, and existing problems of critical control segments, the Group further improves the risk management framework and method, appraisal and assessment mechanism, and strengthens economic capital allocation mechanism with the goal of enhancing the ability and effectiveness of operational risk's management of the Group. All major indexes meet the requirements of the Group's risk preference.

In view of the challenges from internal and external operations and management, the Group will, based on its risk appetite, continue to upgrade its risk management capabilities, and strengthen operational risk monitoring and controls, in order to prevent and reduce operational risk losses.

41. Risk management *(continued)*

(e) Capital management

The objectives of the Group's capital management are to:

– Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base in support of its business expansion, social responsibility and strategic planning implementation to achieve a comprehensive, coordinated and sustainable growth;

– Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;

– Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate customer pricing and decision-making, and increase capital deployment efficiency;

– Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns for shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier-1 capital instruments, eligible tier-2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under an approach stipulated by regulators. The Group and the Bank submit the required information to the NAFR every quarter.

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all branches of the Bank. As at 30 June 2024, the Group's subsidiaries that were within the capital adequacy ratio calculation included: CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CIGNA & CMAM and CMB Europe S.A.

Since 1 January 2024, the Group has calculated its capital adequacy ratio in accordance with the NFRA's *the Rules on Capital Management of Commercial Banks*. According to the approval and requirements of implementing the advanced method of capital measurement by the former CBIRC on April 18, 2014 and the NFRA's relevant provisions of the Notice on implement of *Rules on Capital Management of Commercial Banks* (國家金融監督管理總局關於實施〈商譽銀行資本管理辦法〉相關事項的通知) (Jin Gui [2023] No.9), within the approved scope, the Group could calculate corporation and financial institution risk exposure using the Foundation Internal Ratings-Based Approach, retail risk exposure using the Advanced Internal Ratings-Based Approach, market risk and operational risk using the Standardised Approach. At the same time, the National Financial Regulatory Administration (NFRA) or its agencies implemented a transition period for commercial banks that were approved to adopt the Advanced Measurement Approach. During the transition period, commercial banks should follow *Rules on Capital Management of Commercial Banks* to carry out capital measurement.

The Group's capital management focuses on capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resistance. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of factors such as strategic development planning, business expansion status, and risk movement trends.

41. Risk management *(continued)*

(f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purposes. The Group's derivatives can be divided into financial instruments that are held for fair value hedge and cash flow hedging purposes and that are at fair value through profit or loss.

The Group formulates appropriate hedging strategies and uses proper tools in light of the risk profile of interest rates or foreign exchange rates associated with its assets and liabilities, as well as its analysis and judgement regarding future movements of interest rates or foreign exchange rates.

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from RMB loans and interbank assets or liabilities. In fair value hedge, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from bond investments measured at fair value through other comprehensive income.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturity at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period and do not represent the amounts at risk.

	30 June 2024						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	388,366	809,593	765,426	4,947	1,968,332	7,245	(7,394)
Interest rate swaps	387,822	809,345	765,426	4,947	1,967,540	7,241	(7,394)
Bond futures	544	248	–	–	792	4	–
Currency derivatives	899,562	855,241	66,807	133	1,821,743	11,896	(10,666)
Forwards	43,933	16,257	357	133	60,680	232	(293)
Foreign exchange swaps	612,615	557,795	57,391	–	1,227,801	9,260	(8,319)
Futures	1,499	2,051	–	–	3,550	–	–
Options	241,515	279,138	9,059	–	529,712	2,404	(2,054)
Other derivatives	31,257	21,388	283	36	52,964	732	(595)
Equity options purchased	13,391	10,501	–	36	23,928	541	–
Equity options written	13,391	10,501	–	–	23,892	–	(397)
Commodity trading swaps	3,835	386	53	–	4,274	191	(190)
Credit default swaps	640	–	230	–	870	–	(8)
Fair value hedge derivatives							
Interest rate derivatives	–	–	400	–	400	–	(7)
Interest rate swaps	–	–	400	–	400	–	(7)
Currency derivatives	–	1,871	7,575	–	9,446	97	(398)
Foreign exchange swaps	–	1,871	7,575	–	9,446	97	(398)
Cash flow hedge derivatives							
Interest rate derivatives	1,243	5,984	3,071	349	10,647	58	(5)
Interest rate swaps	1,243	5,984	3,071	349	10,647	58	(5)
Total	1,320,428	1,694,077	843,562	5,465	3,863,532	20,028	(19,065)

41. Risk management *(continued)*

(f) Use of derivatives *(continued)*

	31 December 2023						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	323,413	805,040	676,727	1,791	1,806,971	5,328	(5,314)
Interest rate swaps	323,239	805,030	676,727	1,791	1,806,787	5,327	(5,314)
Bond futures	174	–	–	–	174	1	–
Interest rate options	–	10	–	–	10	–	–
Currency derivatives	664,819	717,287	39,675	1,199	1,422,980	11,692	(10,372)
Forwards	35,148	17,293	257	1,199	53,897	375	(480)
Foreign exchange swaps	426,525	394,675	30,310	–	851,510	8,853	(7,824)
Futures	1,949	3,503	–	–	5,452	–	–
Options	201,197	301,816	9,108	–	512,121	2,464	(2,068)
Other derivatives	135,119	1,553	52	35	136,759	1,485	(1,300)
Equity options purchased	63,675	293	–	35	64,003	1,110	–
Equity options written	63,675	293	–	–	63,968	–	(876)
Commodity trading swaps	7,769	327	52	–	8,148	375	(354)
Credit default swaps	–	640	–	–	640	–	(70)
Fair value hedge derivatives							
Interest rate derivatives	–	–	513	2,838	3,351	–	(123)
Interest rate swaps	–	–	513	2,838	3,351	–	(123)
Currency derivatives	–	753	7,529	–	8,282	123	(295)
Foreign exchange swaps	–	753	7,529	–	8,282	123	(295)
Cash flow hedge derivatives							
Interest rate derivatives	1,752	3,685	2,890	369	8,696	105	(38)
Interest rate swaps	1,752	3,685	2,890	369	8,696	105	(38)
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	213	–	–	–	213	–	(1)
Interest rate swaps	213	–	–	–	213	–	(1)
Total	1,125,316	1,528,318	727,386	6,232	3,387,252	18,733	(17,443)

There was no ineffective portion of cash flow hedges during the six months ended 30 June 2024 and 2023.

The credit risk weighted amounts in respect of these derivatives are as follows:

	30 June 2024	31 December 2023
Default risk weighted assets of counterparties	**4,779**	2,586
Credit valuation adjustment risk weighted assets	**2,258**	2,410
Total	**7,037**	4,996

Since 1 January 2024, the risk weighted amounts in respect of derivatives are calculated in accordance with *Rules on Capital Management of Commercial Banks*. The amounts within the scope approved by the former CBIRC in April 2014 are calculated using the Internal Ratings-Based Approach, and the Weighted Approach is adopted to calculate those that are not eligible for the Internal Ratings-Based approach.

41. Risk management *(continued)*

(g) Fair value information

(i) Methods of determining fair value of financial instruments

Several of the Group's accounting policies and disclosure requirements stipulate the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that takes the responsibility for overseeing all significant fair value measurements including the three levels of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRSs, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

– Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

– Level 2 inputs: other than quoted prices included in level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities inputs;

– Level 3 inputs: inputs that are unobservable for assets or liabilities.

The Group recognises transfers among levels of the fair value hierarchy at the end of the reporting period during which transfers take place.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis

The following tables present the fair value information and the fair value hierarchy, at the end of the current interim reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date:

	30 June 2024			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	16,413	547,117	3,738	567,268
– Debt securities	14,893	239,072	325	254,290
– Long position in precious metal contracts	156	–	–	156
– Equity investments	1,332	1,017	2,104	4,453
– Fund investments	32	302,922	1,085	304,039
– Wealth management products	–	4,072	–	4,072
– Other	–	34	224	258
Financial investments designated at FVTPL	154	11,808	–	11,962
– Debt securities	154	11,808	–	11,962
Derivative financial assets	–	20,028	–	20,028
Loans and advances to customers at FVTPL	–	40,553	3,751	44,304
Debt investments at FVTOCI	176,666	779,345	–	956,011
Loans and advances to customers at FVTOCI	–	394,083	142,727	536,810
Equity investments designated at FVTOCI	11,910	1,870	7,379	21,159
Total	205,143	1,794,804	157,595	2,157,542
Liabilities				
Financial liabilities held for trading	23,449	728	–	24,177
– Financial liabilities related to precious metal	23,449	–	–	23,449
– Short position on bonds	–	728	–	728
Financial liabilities designated at FVTPL	5,383	20,928	1,658	27,969
– Debt securities issued	5,383	–	–	5,383
– Other	–	20,928	1,658	22,586
Derivative financial liabilities	–	19,065	–	19,065
Total	28,832	40,721	1,658	71,211

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

The following tables present the fair value information and the fair value hierarchy, at the end of the current interim reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date: *(continued)*

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	18,311	490,795	4,160	513,266
– Debt securities	14,923	246,526	359	261,808
– Long position in precious metal contracts	1,604	–	–	1,604
– Equity investments	1,752	341	2,392	4,485
– Fund investments	32	241,091	1,181	242,304
– Wealth management products	–	2,729	–	2,729
– Other	–	108	228	336
Financial investments designated at FVTPL	756	12,123	–	12,879
– Debt securities	756	12,123	–	12,879
Derivative financial assets	–	18,733	–	18,733
Loans and advances to customers at FVTPL	–	66,701	3,729	70,430
Debt investments at FVTOCI	140,869	758,233	–	899,102
Loans and advances to customers at FVTOCI	–	404,417	120,762	525,179
Equity investments designated at FVTOCI	10,006	2,305	7,338	19,649
Total	169,942	1,753,307	135,989	2,059,238
Liabilities				
Financial liabilities held for trading	15,748	380	–	16,128
– Financial liabilities related to precious metal	15,748	–	–	15,748
– Short position on bonds	–	380	–	380
Financial liabilities designated at FVTPL	5,179	20,826	1,825	27,830
– Certificates of deposit issued	–	212	–	212
– Debt securities issued	5,179	–	–	5,179
– Other	–	20,614	1,825	22,439
Derivative financial liabilities	–	17,443	–	17,443
Total	20,927	38,649	1,825	61,401

During the six months ended 30 June 2024 and 2023, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

(1) Basis of determining the market prices for recurring fair value measurements categorised as Level 1

Bloomberg, etc. are used for financial instruments with quoted prices in an active market.

(2) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised as Level 2

Fair value of RMB denominated bonds whose value is available on China Bond's website on the valuation date is measured using the latest available valuation results.

Fair value of foreign currency bonds without quoted prices in an active market is measured by using the comprehensive valuations provided by Bloomberg, etc.

Fair value of foreign exchange forward contracts in derivative financial instruments is measured by discounting the differences between the contract prices and market future prices of the foreign exchange forward contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of option contracts such as foreign exchange options, commodity options and equity options is measured by using the Black-Scholes model, based on market data such as risk-free interest rate, underlying market prices and price volatility of foreign exchange, commodities, and equity contracts. The above market data used are quoted prices in an active market, provided by Bloomberg, Refinitiv, Wind and other market information providers.

Fair value of interest rate swaps, foreign exchange swaps, and non-option commodity contracts in derivative financial instruments is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of the reporting period. The discount rates used are the related currency denominated swap yield curve as at the end of the reporting period.

Observable quoted price in market or valuation techniques applicable at present are used as the basis of determining the value of equity investments measured at FVTPL, investment funds and wealth management products.

The fair value of discounted bills at FVTOCI and at FVTPL in the Chinese mainland is measured based on the rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange Corporation Ltd. The Group uses the 10-day average discount rate as the basis for calculating the value of discounted bills; which can either be measured by discounted cash flow approach. The discount rates used are determined by factors such as credit rating of the loan customer provided by external credit rating agencies, customer industry, term to maturity of the loan, loan currency and the issuer credit spread.

The fair value of equity investments designated at FVTOCI is measured by using the comprehensive valuations on Bloomberg or discounted cash flow approach using the relevant yield curve of China Bond at the end of the reporting period.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations on Bloomberg.

The fair value of "Other" under financial investments measured at FVTPL is measured based on the net asset values.

The fair value of other financial liabilities designated at FVTPL is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3

	Fair value as at 30 June 2024	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	**842**	Market approach	Net assets, liquidity discount
Equity investments designated at FVTOCI	**77**	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	**6,460**	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	**3,751**	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	**142,727**	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	**1,377**	Market approach	Liquidity discount
– Equity investments	**492**	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	**235**	Net asset value approach	Net assets, liquidity discount
– Debt securities	**325**	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	**1,084**	Net fund value approach	Net assets
– Fund investments	**1**	Market approach	Liquidity discount
– Other	**185**	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Other	**39**	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	**1,658**	Net fund value approach	Net assets

	Fair value as at 31 December 2023	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	2,742	Market approach	Net assets, liquidity discount
Equity investments designated at FVTOCI	71	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	4,525	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	3,729	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	120,762	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	1,520	Market approach	Liquidity discount
– Equity investments	642	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	230	Net asset value approach	Net assets, liquidity discount
– Debt securities	359	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	1,180	Net fund value approach	Net assets
– Fund investments	1	Market approach	Liquidity discount
– Other	184	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Other	44	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	1,825	Net fund value approach	Net assets, liquidity discount

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3 (continued)

1) Valuation of financial instruments with significant unobservable inputs

The following tables show the movements from the beginning to be the end of the reporting period for Level 3 financial instruments:

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2024	4,160	3,729	120,762	7,338	135,989
Profit or loss					
– In profit or loss	(176)	90	(100)	–	(186)
– In other comprehensive income	–	–	(248)	(14)	(262)
Addition for the period	63	–	216,978	72	217,113
Disposals or settlement on maturity	(131)	(70)	(194,665)	(5)	(194,871)
Transfer out of level 3	(214)	–	–	–	(214)
Exchange difference	36	2	–	(12)	26
At 30 June 2024	3,738	3,751	142,727	7,379	157,595
Total unrealised losses included in the consolidated statement of income for assets held at the end of the reporting period	(112)	(52)	–	–	(164)

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2023	4,714	4,991	100,430	7,390	117,525
Profit or loss					
– In profit or loss	(14)	117	(103)	–	–
– In other comprehensive income	–	–	(145)	(131)	(276)
Addition for the year	553	70	325,509	77	326,209
Disposals or settlement on maturity	(596)	(1,451)	(304,929)	(1)	(306,977)
Transfer out of level 3	(560)	–	–	–	(560)
Exchange difference	63	2	–	3	68
At 31 December 2023	4,160	3,729	120,762	7,338	135,989
Total unrealised losses and gains included in the consolidated statement of income for assets held at the end of the reporting period	(98)	14	–	–	(84)

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3 (continued)

1) Valuation of financial instruments with significant unobservable inputs (continued)

Financial liabilities at fair value through profit or loss	2024	2023
Balance as at 1 January	**1,825**	2,647
In loss	**(185)**	(122)
Addition for the period/year	**133**	–
Disposals and settlement on maturity	**(154)**	(739)
Exchange difference	**39**	39
Balance as at 30 June/31 December	**1,658**	1,825
Total unrealised losses included in the consolidated statement of income for liabilities held at the end of the reporting period	**(185)**	(122)

During the six months ended 30 June 2024 and 2023, there were no significant transfers among different levels for financial instruments which are measured at fair value on a recurring basis.

During the six months ended 30 June 2024 and 2023, the Group did not significantly change the valuation techniques for the financial assets and liabilities disclosed above which are measured at fair value on a recurring basis.

(iii) Financial assets and financial liabilities that are not measured at fair value

(1) Financial assets

The Group's financial assets that are not measured at fair value mainly include balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortised cost and investments at amortised cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets not measured at fair value mature within 1 year, and their carrying values approximate to their fair values. Loans and advances are stated at amortised cost less allowances for impairment losses (Note 16). Loans and advances at amortised cost are mostly priced at floating rates with reference to Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowances are made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances approximates to their fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed bonds is disclosed in Note 17(b).

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed below:

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets using Bloomberg, etc. For Level 2, the latest valuation results released by China Bond's website are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which is measured using the published comprehensive valuation by Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	30 June 2024					31 December 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	**1,754,997**	**1,847,331**	**55,439**	**1,743,207**	**48,685**	1,728,620	1,791,963	61,918	1,659,705	70,340

Note: The above financial assets do not include accrued interest.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(iii) Financial assets and financial liabilities that are not measured at fair value *(continued)*

(2) Financial liabilities

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximated to their fair value at the end of the reporting period, except for the financial liabilities set out below:

	30 June 2024					31 December 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt securities issued	95,543	94,714	–	94,714	–	119,193	118,924	–	118,924	–
Total	95,543	94,714	–	94,714	–	119,193	118,924	–	118,924	–

Note: The above financial liabilities do not include accrued interest.

42. Material related party transactions

(a) Information about material related parties

Details of the Bank's major shareholders and their group companies, and subsidiaries of the Bank are as follows:

Company name	place of registration	Issued and fully paid capital (million)	No. of Shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Merchants Group Ltd. (CMG)	Beijing	RMB16,900	7,559,427,375	29.97% (note (i,viii))	–	Transportation, shipping agency, warehousing and storage, leasing, building and facility manufacturing, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited liability	Miao Jianmin
– China Merchants Steam Navigation Co., Ltd. (CMSN)	Beijing	RMB17,000	3,289,470,337	13.04% (note(ii))	–	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited liability	Miao Jianmin
– Shenzhen Yan Qing Investment and Development Co., Ltd.	Shenzhen	RMB600	1,258,542,349	4.99%	–	Invest and set up business of industrial, domestic commercial, and material supply and marketing industries, etc.	Shareholder	Limited liability	Sun Xian
– Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600	944,013,171	3.74%	–	Invest and set up business of industrial, domestic commercial, and material supply and marketing industries, etc.	Shareholder	Limited liability	Sun Xian
– China Merchants Financial Holdings Co., Ltd.	Shenzhen	RMB7,778	1,147,377,415	4.55%	–	Invest and set up business of industrial, domestic commercial, and material supply and marketing industries, etc.	Shareholder	Limited liability	Miao Jianmin
– Best Winner Investment Ltd.	British Virgin Islands	USD1	386,924,063	1.53%	–	–	Shareholder	Joint stock limited company	–
– China Merchants Union (BVI) Ltd.	British Virgin Islands	USD0.06	477,903,500	1.89%	–	–	Shareholder	Limited liability	–

42. Material related party transactions *(continued)*

(a) Information about material related parties *(continued)*

Details of the Bank's major shareholders and their group companies, and subsidiaries of the Bank are as follows: *(continued)*

Company name	place of registration	Issued and fully paid capital (million)	No. of Shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
– China Merchants Industry Development (Shenzhen) Co., Ltd.	Shenzhen	USD10	55,196,540	0.22%	–	Invest and set up business of industrial, enterprise management consulting and investment consulting, etc.	Shareholder	Limited liability	Wang Xiaoding
China COSCO Shipping Corporation Limited.	Shanghai	RMB11,000	2,515,193,034	9.97% (note(iii))	–	International shipping business, supporting services to international shipping, imports and exports of goods and technology, international freight forwarding agent, etc.	Shareholder's parent company	Limited liability	Wan Min
– China Ocean Shipping Co., Ltd.	Beijing	RMB16,191	1,574,729,111	6.24%	–	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited liability	Wan Min
– COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191	696,450,214	2.76%	–	Shipping business	Shareholder	Limited liability	Shou Jian
– Guangzhou COSCO Shipping Haining Technology Co., Ltd.	Guangzhou	RMB52	103,552,616	0.41%	–	Business services	Shareholder	Limited liability	Chen Jianyao
– COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399	75,617,340	0.30%	–	Shipping business, leasing business, ship repairing and building, etc.	Shareholder	Limited liability	Zhao Bangtao
– COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500	54,721,930	0.22%	–	Leasing business, financing business, insurance business, etc.	Shareholder	Limited liability	Zhang Mingwen
– Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299	10,121,823	0.04%	–	Ship purchasing and marketing business, shipping agency, leasing business, shipping business, etc.	Shareholder	Limited liability	Lin Rui
China Communications Construction Group Limited.	Beijing	RMB7,274	422,770,418	1.68% (note(iv))	–	General contraction for construction	Shareholder's parent company	Limited liability	Wang Tongzhou
– China Communications Construction Company Limited.	Beijing	RMB16,166	201,089,738	0.80%	–	General contraction for construction, leasing and repair, technical consulting service, imports and exports, investment and management business	Shareholder	Joint stock limited company	Wang Tongzhou
China Insurance Security Fund Co., Ltd.	Beijing	RMB100	324,197,012	1.29% (note(v))	–	Collecting, managing and operating China Insurance Security Fund, monitoring risk in the insurance industry, participating in risk solution of insurance industry, taking over and disposing of liquidation assets, etc.	Shareholder's parent company	Limited liability	Ji Yuhua

42. Material related party transactions *(continued)*

(a) Information about material related parties *(continued)*

Details of the Bank's major shareholders and their group companies, and subsidiaries of the Bank are as follows: *(continued)*

Company name	place of registration	Issued and fully paid capital (million)	No. of Shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
– Dajia Life Insurance Co., Ltd.	Beijing	RMB30,790	324,197,012	1.29%	–	Life insurance, health insurance, accident insurance, and other personal insurance services, etc.	Shareholder	Joint stock limited company	He Xiaofeng
Shanghai Automotive Industry Corporation (Group)	Shanghai	RMB21,749	310,125,822	1.23% (note(vi))	–	Production and sale of vehicles, asset management business, domestic trade business, consulting service	Shareholder's parent company	Limited liability	Chen Hong
– SAIC Motor Corporation Limited	Shanghai	RMB11,575	310,125,822	1.23%	–	Production and sale of vehicles, consulting service, imports and exports	Shareholder	Joint stock limited company	Wang Xiaoqiu
CMB International Capital Holdings Corporation Limited (CMBIC)	Hong Kong	HKD4,129	–	–	100.00%	Investment bank and investment management	Subsidiary	Limited liability	Wang Liang
CMB Financial Leasing Co., Ltd. (CMBFL)	Shanghai	RMB12,000	–	–	100.00%	Finance lease	Subsidiary	Limited liability	Zhong Desheng
CMB Wing Lung Bank Limited (CMB WLB)	Hong Kong	HKD1,161	–	–	100.00%	Banking	Subsidiary	Limited liability	Wang Liang
China Merchants Fund Management Co., Ltd. (CMFM)	Shenzhen	RMB1,310	–	–	55.00%	Fund management	Subsidiary	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd. (CMBWM)	Shenzhen	RMB5,556	–	–	90.00%	Asset management	Subsidiary	Limited liability	Wu Jianbing
China Merchants Bank (Europe) S.A. (CMB Europe S.A)	Luxembourg	EUR100	–	–	100.00%	Banking	Subsidiary	Limited liability	Mao Xuejun
Cigna & CMB Asset Management Company Limited (CIGNA & CMAM)	Beijing	RMB500	–	–	Note (vii)	Asset management	Subsidiary	Limited liability	Wang Xiaoqing

Notes:

(i) CMG held 29.97% of the Bank indirectly (31 December 2023: 29.97%) through its subsidiaries as at 30 June 2024.

(ii) As the largest direct shareholder, CMSN, a subsidiary of CMG, held 13.04% of the Bank as at 30 June 2024 (31 December 2023: 13.04%).

(iii) China COSCO Shipping Corporation Ltd. held 9.97% of the Bank (31 December 2023: 9.97%) through its subsidiaries as at 30 June 2024.

(iv) China Communications Construction Group Limited ("China Communications Construction Group") held 1.68% of the Bank indirectly as at 30 June 2024 through its subsidiaries (31 December 2023: 1.68%).

(v) China Insurance Security Fund Co., Ltd. ("China Insurance Security Fund") held 1.29% of the Bank indirectly as at 30 June 2024 (31 December 2023: 3.08%) through its 98.23% holding in Dajia Life Insurance Co., Ltd.

(vi) Shanghai Automotive Industry Corporation (Group) ("Shanghai Automotive Industry Group") held 1.23% of the Bank indirectly as at 30 June 2024 through its subsidiary (31 December 2023: 1.23%).

(vii) CIGNA & CMAM is an indirectly controlled subsidiary of the Bank, with 87.3458% held by CIGNA & CMB Life Insurance Co., Ltd., a joint venture of the Bank, and 12.6542% held by CMBIC, a subsidiary of the Bank.

(viii) The sum of the direct holding percentage of CMG's shareholdings in the Bank and the sum of the above-mentioned relevant percentages may differ slightly due to rounding.

42. Material related party transactions *(continued)*

(a) Information about material related parties *(continued)*

The registered capital of the Group's related parties is as follows:

Name of related party	30 June 2024		31 December 2023	
CMG	RMB	16,900,000,000	RMB	16,900,000,000
CMSN	RMB	17,000,000,000	RMB	17,000,000,000
Shenzhen Yan Qing Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
China Merchants Financial Holdings Co., Ltd.	RMB	7,778,000,000	RMB	7,778,000,000
Best Winner Investment Ltd.	USD	1	USD	1
China Merchants Union (BVI) Limited	USD	60,000	USD	60,000
China Merchants Industry Development (Shenzhen) Co., Ltd.	USD	10,000,000	USD	10,000,000
China COSCO Shipping Corporation Limited.	RMB	11,000,000,000	RMB	11,000,000,000
China Ocean Shipping Co., Ltd.	RMB	16,191,351,300	RMB	16,191,351,300
COSCO Shipping (Guangzhou) Co., Ltd.	RMB	3,191,200,000	RMB	3,191,200,000
Guangzhou COSCO Shipping Haining Technology Co., Ltd.	RMB	52,000,000	RMB	52,000,000
COSCO Shipping (Shanghai) Co., Ltd.	RMB	1,398,941,000	RMB	1,398,941,000
COSCO Shipping Investment Holdings Co., Ltd.	HKD	500,000,000	HKD	500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	RMB	299,020,000	RMB	299,020,000
China Communications Construction Group Limited.	RMB	7,274,023,830	RMB	7,274,023,830
China Communications Construction Company Limited	RMB	16,165,711,425	RMB	16,165,711,425
China Insurance Security Fund Co., Ltd.	RMB	100,000,000	RMB	100,000,000
Dajia Life Insurance Co., Ltd.	RMB	30,790,000,000	RMB	30,790,000,000
Shanghai Automotive Industry Corporation (Group)	RMB	21,749,175,737	RMB	21,749,175,737
SAIC Motor Corporation Limited	RMB	11,575,299,445	RMB	11,683,461,365
CMBIC	HKD	4,129,000,000	HKD	4,129,000,000
CMBFL	RMB	12,000,000,000	RMB	12,000,000,000
CMB WLB	HKD	1,160,950,575	HKD	1,160,950,575
CMFM	RMB	1,310,000,000	RMB	1,310,000,000
CMBWM	RMB	5,555,555,555	RMB	5,555,555,555
CMB Europe S.A.	EUR	100,000,000	EUR	100,000,000
CIGNA & CMAM	RMB	500,000,000	RMB	500,000,000

42. Material related party transactions *(continued)*

(b) Terms and conditions for related party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, deposit taking, securities trading, providing agency and trust services, and off-balance sheet transactions. In the opinion of the directors, the Group enters into such material related party transactions under normal commercial terms. Interest rates on loans and deposits are strictly set in accordance with the deposit and loan interest rate management regulations published by the PBOC, and such banking transactions are priced based on the market prices at the time of transactions:

	Six months ended 30 June 2024	Year ended 31 December 2023
Short-term loans	**3.45%**	3.55% to 3.65%
Medium to long-term loans	**3.45% to 4.20%**	3.55% to 4.30%
Demand deposits	**0.35%**	0.35%
Time deposits	**1.10% to 2.75%**	1.10% to 2.75%

There were no loans and advances granted to related parties that were credit impaired during the period (2023: None).

(c) Shareholders and their related companies

The Bank's largest shareholder, CMG, through CMSN and its related companies held 29.97% (31 December 2023: 29.97%) of the Bank's shares as at 30 June 2024, among which 13.04% of the shares were directly held by CMSN (31 December 2023: 13.04%).

The Group's transactions and balances with CMSN and its related companies are disclosed as follows:

	30 June 2024	31 December 2023
On-balance sheet:		
– Amounts held under resale agreements	**–**	2,942
– Loans and advances to customers	**57,546**	46,466
– Financial investments	**11,127**	12,159
– Deposits from banks and other financial institutions	**27,935**	26,119
– Deposits from customers	**65,064**	59,227
– Lease liabilities	**208**	170
Off-balance sheet:		
– Irrevocable guarantees	**3,954**	3,510
– Irrevocable letters of credit	**1,137**	971
– Bills of acceptances	**359**	289

	Six months ended 30 June	
	2024	2023
Interest income	**1,100**	1,111
Interest expense	**(656)**	(719)
Net fee and commission income	**282**	1,024
Operating expenses	**(89)**	(61)
Other net income	**73**	21

42. Material related party transactions *(continued)*

(d) Companies that share common directors, supervisors or senior management with the Bank (other than those disclosed in Note 42 (c)) and these personnel can control or exercise significant influence over the companies

	30 June 2024	31 December 2023
On-balance sheet:		
– Loans and advances to customers	**8,980**	9,360
– Financial investments	**50**	2,116
– Deposits from banks and other financial institutions	**7**	1,683
– Placements from banks and other financial institutions	**–**	300
– Deposits from customers	**11,960**	12,304
Off-balance sheet:		
– Irrevocable guarantees	**86**	310

	Six months ended 30 June	
	2024	2023
Interest income	**216**	335
Interest expense	**(81)**	(303)
Net fee and commission (expenses)/income	**(4)**	76
Operating expenses	**(128)**	(180)
Other net income	**–**	4

(e) Associates and joint ventures other than those disclosed in Note 42(c)

	30 June 2024	31 December 2023
On-balance sheet:		
– Placements with banks and other financial institutions	**7,800**	17,500
– Loans and advances to customers	**6,577**	5,771
– Deposits from banks and other financial institutions	**491**	894
– Deposits from customers	**678**	731

	Six months ended 30 June	
	2024	2023
Interest income	**409**	247
Interest expense	**(20)**	(12)
Net fee and commission income	**1,316**	1,621
Operating expenses	**(5)**	(1)
Other net income	**1**	–

42. Material related party transactions *(continued)*

(f) Other major shareholders holding more than 5% of shares of the Bank and exercising significant influence over the Bank

	30 June 2024	31 December 2023
On-balance sheet:		
– Placements with banks and other financial institutions	**800**	600
– Loans and advances to customers	**44,360**	38,949
– Financial investments	**590**	995
– Deposits from banks and other financial institutions	**2,822**	3,908
– Deposits from customers	**19,913**	20,537
– Lease liabilities	**20**	27
Off-balance sheet:		
– Irrevocable guarantees	**12,799**	12,146
– Irrevocable letters of credit	**4,252**	3,530
– Bills of acceptances	**7,820**	6,325

	Six months ended 30 June	
	2024	2023
Interest income	**747**	735
Interest expense	**(220)**	(232)
Net fee and commission income	**113**	80
Other net income	**212**	124

(g) Subsidiaries

	30 June 2024	31 December 2023
On-balance sheet:		
– Balances with banks and other financial institutions	**2,549**	2,204
– Placements with banks and other financial institutions	**31,180**	26,404
– Loans and advances to customers	**13,609**	12,442
– Financial investments	**3,267**	3,711
– Deposits from banks and other financial institutions	**5,888**	3,578
– Placements from banks and other financial institutions	**189**	–
– Deposits from customers	**3,997**	6,056
Off-balance sheet:		
– Irrevocable letters of credit	**36**	1,289
– Bills of acceptances	**–**	1,009

	Six months ended 30 June	
	2024	2023
Interest income	**676**	333
Interest expense	**(63)**	(61)
Net fee and commission income	**81**	123
Operating expenses	**(980)**	(678)
Other net income	**224**	105

All significant balances and transactions between the Bank and its subsidiaries have been eliminated in these consolidated financial statements.

43. Non-controlling interests

Non-controlling interests represent the interests that the Group does not hold in the subsidiaries, the Group does not have any subsidiary with significant non-controlling interests during the reporting period.

(a) Perpetual debt capital

CMB WLB, the Group's subsidiary, issued perpetual debt of USD400 million on 24 January 2019 and fully redeemed the perpetual debt in the current period. Movements of the perpetual debt capital are as follows:

	Principal	**Distributions/ Paid**	**Total**
At 1 January 2024	**2,838**	**–**	**2,838**
Redemption in the period	**(2,886)**	**–**	**(2,886)**
Distributions in the period	**–**	**93**	**93**
Paid in the period	**–**	**(93)**	**(93)**
Exchange difference	**48**	**–**	**48**
At 30 June 2024	**–**	**–**	**–**

	Principal	Distributions/ Paid	Total
At 1 January 2023	2,787	–	2,787
Distributions in 2023	–	182	182
Paid in 2023	–	(182)	(182)
Exchange difference	51	–	51
At 31 December 2023	2,838	–	2,838

There is no maturity for the instruments and the payments of distribution can be cancelled at the discretion of the issuer. Cancelled interest is non-cumulative. There is no contractual obligation to deliver cash to other parties. During the six months ended 30 June 2024 and the year end 31 December 2023, CMB WLB did not cancel any payment of distribution and the corresponding amount was paid to the perpetual debt holders accordingly.

44. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. Such transfers give rise to full or partial derecognition of the financial assets concerned when derecognition criteria are met fully or partially. When the Group retains substantially all the risks and rewards of these transferred assets, the transfers do not qualify for derecognition. As a result, the Group continues to recognise these transferred assets.

44. Transfers of financial assets *(continued)*

Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire certain investments at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, the Group derecognises the transferred credit assets in their entirety. During the six months ended 30 June 2024, the Group has transferred loans amounting to RMB10,148 million (six months ended 30 June 2023: RMB11,376 million) in securitisation arrangements, as well as substantially all the risks and rewards associated with the loans. The full amount of such securitised loans was then derecognised.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets, otherwise the financial assets are derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the six months ended 30 June 2024, there were nil as of new securitised credit assets in which the Group retained the continuing involvement (six months ended 30 June 2023: Nil). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability was recognised in other assets and other liabilities in the unaudited consolidated statement of financial position and amounted to RMB5,274 million as at 30 June 2024 (31 December 2023: RMB5,274 million).

Transfers of credit assets to third parties

During the six months ended 30 June 2024, in addition to securitisation transactions, the Group transferred credit assets amounting to nil (six months ended 30 June 2023: RMB710 million) to independent third parties directly. The Group determined that these transferred assets qualified for full derecognition, since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. Instead, it recognises a financial liability for cash received as collateral.

45. Interests in unconsolidated structured entities

The scope of the Group's consolidated financial statements is determined on a control basis. Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to affect the amount of its return.

The Group has the power over structured entities, and the other investors have no substantive rights. In the meantime, the Group is entitled to variable returns, and will consolidate entities, in which the Group has the right to affect the amount of its return.

45. Interests in unconsolidated structured entities *(continued)*

In addition to the above-mentioned structured entities that have been included in the Group's consolidated financial statements, the equity information on structured entities that are not consolidated by the Group is as follows:

(a) Interests in the structured entities sponsored by third parties

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, asset-backed securities and investments in funds, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following tables set out an analysis of the balance of interests held by the Group in the structured entities sponsored by third parties and an analysis of the line items in the unaudited consolidated statements of financial position as at 30 June 2024 and 31 December 2023:

	30 June 2024				
	Carrying amount				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	29,850	–	29,850	29,850
Trust-beneficiary rights	185	19,557	–	19,742	19,742
Asset-backed securities	126	1,934	31,791	33,851	33,851
Fund investments	288,295	–	–	288,295	288,295
Wealth management products	678	–	–	678	678
Total	289,284	51,341	31,791	372,416	372,416

	31 December 2023				
	Carrying amount				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	35,275	–	35,275	35,275
Trust beneficiary rights	184	25,020	–	25,204	25,204
Asset-backed securities	320	1,073	17,983	19,376	19,376
Fund investments	227,477	–	–	227,477	227,477
Wealth management products	580	–	–	580	580
Total	228,561	61,368	17,983	307,912	307,912

The maximum exposures of investments in funds, trust beneficiary rights, asset management schemes, wealth management products and asset-backed securities are the carrying amounts of these assets.

45. Interests in unconsolidated structured entities *(continued)*

(b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and asset management schemes. 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 issuance of investment products to investors. Interests of the Group in these unconsolidated structured entities are limited to the fees and commissions charged for management services provided.

As at 30 June 2024, the amount of the unconsolidated non-principal-guaranteed wealth management products sponsored by the Group was RMB2,443,536 million (31 December 2023: RMB2,548,929 million).

As at 30 June 2024, the amount of the unconsolidated funds sponsored by the Group was RMB1,296,280 million (31 December 2023: RMB1,237,828 million).

As at 30 June 2024, the amount of the unconsolidated asset management schemes sponsored by the Group was RMB297,809 million (31 December 2023: RMB289,215 million).

As at 30 June 2024, the amount held under resale agreements transacted between the Group and the non-principal-guaranteed wealth management products sponsored by the Group totaled RMB16,680 million (31 December 2023: RMB25,701 million). The above transactions were conducted in accordance with normal business terms and conditions.

As at 30 June 2024, the amount of the Group's sponsored unconsolidated non-principal-guaranteed wealth management products held by the Group was RMB3,394 million (31 December 2023: RMB2,149 million).

As at 30 June 2024, the amount of the Group's sponsored unconsolidated funds held by the Group was RMB15,744 million (31 December 2023: RMB14,827 million).

During the six months ended 30 June 2024, the amount of fee and commission income the Group received from such non-principal-guaranteed wealth management products was RMB4,588 million (six months ended 30 June of 2023: RMB5,893 million).

During the six months ended 30 June 2024, the amount of fee and commission income the Group received from such unconsolidated funds was RMB3,685 million (six months ended 30 June 2023: RMB2,686 million).

During the six months ended 30 June 2024, the amount of fee and commission income the Group received from such unconsolidated asset management schemes was RMB246 million (six months ended 30 June 2023: RMB272 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2024 with a maturity date before 30 June 2024 was RMB161,997 million (six months ended 30 June 2023: RMB192,463 million).

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(A) Capital Adequacy Ratio

The Group's capital adequacy ratio was prepared solely in accordance with the NFRA's *Rules on Capital Management of Commercial Banks*. The bases used herein may differ from those adopted in Hong Kong or other countries and regions.

	30 June 2024	31 December 2023
Core tier-1 capital adequacy ratio	**13.86%**	13.73%
Tier-1 capital adequacy ratio	**16.09%**	16.01%
Capital adequacy ratio	**17.95%**	17.88%
Components of capital base		
Core tier-1 capital:		
Qualifying portion of share capital	**25,220**	25,220
Qualifying portion of capital reserve	**65,550**	65,547
Surplus reserve	**108,699**	108,700
General reserve	**141,514**	141,184
Retained earnings	**583,788**	563,114
Qualifying portion of non-controlling interests	**–**	–
Other (note (i))	**26,353**	16,994
Total core tier-1 capital	**951,124**	920,759
Regulatory deductions from core tier-1 capital	**13,312**	13,451
Net core tier-1 capital	**937,812**	907,308
Additional tier-1 capital (note (ii))	**150,446**	150,446
Net tier-1 capital	**1,088,258**	1,057,754
Tier-2 capital:		
Qualifying portion of tier-2 capital instruments and their premium	**–**	–
Surplus provision for loans impairment	**126,000**	122,175
Qualifying portion of non-controlling interests	**–**	1,558
Total tier-2 capital	**126,000**	123,733
Regulatory deductions from core tier-2 capital	**–**	–
Net tier-2 capital	**126,000**	123,733
Net capital	**1,214,258**	1,181,487
Total risk-weighted assets (taking into consideration the capital floor requirements)	**6,765,309**	6,608,021

Notes:

(i) Under the *NFRA's Rules on the Capital Management of Commercial Banks*, other includes exchange reserve in the unaudited consolidated financial statements, etc.

(ii) The Group's additional tier-1 capital includes preference shares, qualifying portion of non-controlling interests, etc.

As at 30 June 2024, the Group's core tier-1 capital adequacy ratio was 11.64%, tier-1 capital adequacy ratio was 13.51%, capital adequacy ratio was 14.60%, net capital was RMB1,176,354 million and total risk-weighted assets were RMB8,056,196 million, using the Weighted Approach for credit risk, the Standardised Approach for market risk and the Standardised Approach for operational risk in the calculations.

(B) Leverage Ratio

In accordance with the NFRA's *Rules on Capital Management of Commercial Banks*, the Group's leverage ratio is shown below. The basis used herein may differ from those adopted in Hong Kong or other countries and regions.

The difference between regulatory items and accounting items:

		30 June 2024	31 March 2024
1	Total consolidated assets as per published financial statements	**11,574,783**	11,520,226
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(58,822)**	(56,104)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**–**	–
4	Adjustments for derivative financial instruments	**14,972**	13,696
5	Adjustment for securities financing transactions	**536**	1,534
6	Adjustment for off-balance sheet items	**2,286,695**	2,084,094
7	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	**–**	–
8	Adjustment for unsettled financial assets	**(90)**	(237)
9	Adjustments for eligible cash pooling transactions	**–**	–
10	Adjustments for temporary exemption of central bank reserves (if applicable)	**–**	–
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	**–**	–
12	Other adjustments	**(13,312)**	(13,270)
13	Leverage ratio exposure measure	**13,804,762**	13,549,939

Leverage ratio, net tier-1 capital, adjusted on-balance sheet and off-balance sheet assets and other information:

		30 June 2024	31 March 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	**11,509,916**	11,540,667
2	Less: Specific and general provisions associated with on-balance sheet exposures deducted in determining Tier 1 capital	**(320,472)**	(320,060)
3	Less: Asset amounts deducted in determining Basel III Tier 1 capital	**(13,312)**	(13,269)
4	Adjusted on-balance sheet exposures (excluding derivatives and SFTs)	**11,176,132**	11,207,338
Derivative exposures			
5	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**6,453**	7,100
6	Add-on amounts for potential future exposure associated with all derivatives transactions	**27,813**	25,033
7	Gross-up for derivatives collateral provided where deducted from the balance sheet assets	**–**	–
8	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	**–**	–
9	Less: Exempted central counterparty leg of client-cleared trade exposures	**–**	–
10	Effective notional amount of written credit derivatives	**606**	907
11	Less: Adjusted effective notional deductions for written credit derivatives	**(1)**	(1)
12	Derivative exposures	**34,871**	33,039

(B) Leverage Ratio *(Continued)*

		30 June 2024	31 March 2024
Securities financing transaction exposures			
13	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	**306,528**	223,934
14	Less: netted amounts of cash payables and cash receivables of gross SFT assets	**–**	–
15	Counterparty credit risk exposure for SFT assets	**536**	1,534
16	Agent transaction exposures	**–**	–
17	Total securities financing transaction exposures	**307,064**	225,468
Other off-balance sheet exposures			
18	Off-balance sheet exposure at gross notional amount	**10,218,577**	10,076,907
19	Less: adjustments for conversion to credit equivalent amounts	**(7,911,437)**	(7,973,349)
20	Less: Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital	**(20,445)**	(19,464)
21	Off-balance sheet items	**2,286,695**	2,084,094
Capital and total exposures			
22	Tier 1 capital	**1,088,258**	1,098,515
23	Total exposures	**13,804,762**	13,549,939
Leverage ratio			
24	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	**7.88%**	8.11%
24a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	**7.88%**	8.11%
25	National minimum leverage ratio requirement	**4.00%**	4.00%
26	Applicable leverage buffers	**0.375%**	0.375%
Disclosure of mean values			
27	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**120,353**	154,200
27a	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**306,528**	223,934
28	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**13,618,587**	13,480,205
28a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**13,618,587**	13,480,205
29	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**7.99%**	8.15%
29a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**7.99%**	8.15%

(C) Liquidity coverage ratio

The Group prepares and discloses information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries and regions. The average liquidity coverage ratio of the Group was 171.71% in the second quarter of 2024, an increase of 10.75 percentage points over the previous quarter, which was mainly caused by the increase in the stock of high quality liquid assets. The Group's liquidity coverage ratio at the end of the second quarter of 2024 was 187.85%, which was in line with the regulatory requirements. The breakdown of the Group's average value of each item of liquidity coverage ratio in the second quarter of 2024 is set out below:

(Expressed in millions of Renminbi except the percentage)

Serial No.		Unweighted amount (average value)	Weighted amount (average value)
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**		**2,127,795**
Cash outflows			
2	Retail and small business customers' deposits, of which:	3,986,256	354,860
3	Stable deposits	875,302	43,765
4	Less stable deposits	3,110,954	311,095
5	Unsecured wholesale funding, of which:	4,337,308	1,478,670
6	Operational deposits (excluding correspondent banks)	2,469,988	610,193
7	Non-operational deposits (including all counterparties)	1,850,741	851,898
8	Unsecured debt issuance	16,579	16,579
9	Secured funding		12,089
10	Additional requirements, of which:	2,239,734	563,538
11	Cash outflows arising from derivative contract and other transactions arising from related collateral requirements	453,540	453,540
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,786,194	109,998
14	Other contractual obligations to extend funds	121,449	121,449
15	Other contingent funding obligations	3,762,527	112,381
16	**Total cash outflows**		**2,642,987**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	211,560	210,810
18	Contractual inflows from fully performing loans	1,110,718	752,580
19	Other cash inflows	452,919	452,486
20	**Total cash inflows**	**1,775,197**	**1,415,876**
			Adjusted value
21	**Total stock of high quality liquid assets**		**2,127,795**
22	**Net cash outflows**		**1,227,109**
23	**Liquidity coverage ratio (%)**		**171.71%**

Notes:

(i) The data in the above table is a simple arithmetic average of the 91-day value.

(ii) The high quality liquid assets in the above table comprise cash, central bank reserve available under stress conditions, as well as the bonds that meet the definition of Tier 1 and Tier 2 assets set out in the "Measures for the Liquidity Risk Management of Commercial Banks".

(D) Net stable funding ratio

The Group prepares and discloses information on Net Stable Funding ratio in accordance with the "Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries and regions. The Group's Net Stable Funding Ratio at the end of the second quarter of 2024 was 132.85%, representing an decrease of 0.24 percentage points as compared with the previous quarter, which has been held in basically. The breakdown of the Group's Net Stable Funding Ratio in the last two quarters is set out below:

30 June 2024

(Expressed in millions of Renminbi except the percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Available stable funding (ASF) item						
1	Capital	1,101,631	–	–	–	1,101,631
2	Regulatory capital	1,101,631	–	–	–	1,101,631
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers	2,249,641	1,971,035	37,509	5,970	3,883,419
5	Stable deposits	894,228	6,878	545	1,169	857,738
6	Less stable deposits	1,355,413	1,964,157	36,964	4,801	3,025,681
7	Wholesale funding	2,716,193	2,476,068	268,015	271,760	2,697,610
8	Operational deposits	2,556,865	–	–	–	1,278,433
9	Other wholesale funding	159,328	2,476,068	268,015	271,760	1,419,177
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	3,218	228,849	87,694	127,335	144,157
12	NSFR derivative liabilities				27,025	
13	All other liabilities and equity not included in the above categories	3,218	228,849	87,694	100,310	144,157
14	Total ASF					7,826,817
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					359,450
16	Deposits held at other financial institutions for operational purposes	42,784	8,774	4	–	26,514
17	Performing loans and securities	162,524	2,672,858	1,414,512	3,906,401	5,048,257
18	Performing loans to financial institutions secured by Level 1 HQLA	–	282,334	–	–	42,350
19	Performing loans to financial institutions secured by non-Level 1 HQLA or unsecured performing loans to financial institutions	187	768,396	83,806	40,895	198,244
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,402,676	1,169,629	2,357,657	3,256,324
21	With a risk weight of less than or equal to 35%	–	136,410	83,091	169,184	219,720
22	Performing residential mortgages, of which:	–	26,396	26,899	1,316,621	1,143,850
23	With a risk weight of less than or equal to 35%	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	162,337	193,056	134,178	191,228	407,489
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	27,018	78,003	31,651	118,297	230,391

(D) Net stable funding ratio *(continued)*

30 June 2024 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
27	Physical traded commodities, including gold	11,349				9,646
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				427	363
29	NSFR derivative assets				28,971	1,946
30	Derivative additional requirement				5,642	5,642
31	All other assets not included in the above categories	15,669	78,003	31,651	88,899	212,794
32	Off-balance sheet items				6,038,262	226,936
33	Total RSF					5,891,548
34	Net Stable Funding Ratio (%)					132.85%

31 March 2024

(Expressed in millions of Renminbi except the percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Available stable funding (ASF) item						
1	Capital	1,111,834	–	–	–	1,111,834
2	Regulatory capital	1,111,834	–	–	–	1,111,834
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customer	2,301,202	1,792,164	42,790	4,594	3,772,045
5	Stable deposits	892,652	5,007	561	1,146	854,455
6	Less stable deposits	1,408,550	1,787,157	42,229	3,448	2,917,590
7	Wholesale funding	2,515,377	2,702,950	383,254	240,110	2,684,528
8	Operational deposits	2,473,371	–	–	–	1,236,685
9	Other wholesale funding	42,006	2,702,950	383,254	240,110	1,447,843
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	3,176	177,744	66,250	151,404	160,743
12	NSFR derivative liabilities				23,786	
13	All other liabilities and equity not included in the above categories	3,176	177,744	66,250	127,618	160,743
14	Total ASF					7,729,150

(D) Net stable funding ratio *(continued)*

31 March 2024 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					402,846
16	Deposits held at other financial institutions for operational purposes	39,144	8,389	4	–	24,066
17	Performing loans and securities	103,261	2,483,168	1,405,909	3,895,890	4,951,472
18	Performing loans to financial institutions secured by Level 1 HQLA	–	206,028	–	–	30,904
19	Performing loans to financial institutions secured by non-Level 1 HQLA or unsecured performing loans to financial institutions	173	723,516	106,886	31,132	193,306
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,379,167	1,184,930	2,369,054	3,261,542
21	With a risk weight of less than or equal to 35%	–	202,815	152,067	171,017	288,602
22	Performing residential mortgages, of which:	–	25,890	26,644	1,314,371	1,141,876
23	With a risk weight of less than or equal to 35%	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	103,088	148,567	87,449	181,333	323,844
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	8,217	72,556	35,435	111,443	208,329
27	Physical traded commodities, including gold	2,210				1,878
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				321	273
29	NSFR derivative assets				26,901	3,115
30	Derivative additional requirement				4,997	4,997
31	All other assets not included in the above categories	6,007	72,556	35,435	84,221	198,066
32	Off-balance sheet items				5,979,315	220,923
33	Total RSF					5,807,636
34	Net Stable Funding Ratio (%)					133.09%

Notes:

(i) The Group calculates Net Stable Funding Ratio in accordance with the "Measures for the Liquidity Risk Management of Commercial Banks" and relevant statistical regulations.

(ii) Items to be reported in the "no maturity" bucket include, but not limited to, items such as capital with perpetual maturity, no maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

(iii) The item 30 "Derivative additional requirement" should be the derivative liabilities amount, which is the NSFR derivative liabilities amount before deducting the variable margin. It should not be distinguished by term and its unweighted amount is not included in the item 26 "Other Assets".

(E) International claims

The Group is principally engaged in business operations within the Chinese mainland and regards all claims on third parties outside the Chinese mainland and claims in foreign currencies on third parties within the Chinese mainland as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

International claims are disclosed by different countries or geographical areas. 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 is transferred only when the claims are guaranteed by a party in country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2024			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currency transactions in the Chinese mainland	107,386	4,112	137,065	248,563
Asia Pacific excluding the Chinese mainland	63,931	25,679	219,180	308,790
– of which attributed to Hong Kong	22,394	22,021	200,002	244,417
Europe	21,321	1,891	22,352	45,564
North and South America	57,274	136,934	23,631	217,839
Total	249,912	168,616	402,228	820,756

	31 December 2023			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currency transactions in the Chinese mainland	105,171	2,079	132,845	240,095
Asia Pacific excluding the Chinese mainland	49,161	19,653	199,166	267,980
– of which attributed to Hong Kong	24,986	17,202	181,581	223,769
Europe	19,866	1,598	21,029	42,493
North and South America	68,925	119,692	17,584	206,201
Total	243,123	143,022	370,624	756,769

(F) Loans and advances to customers overdue for more than 90 days

(i) By geographical segments

	30 June 2024	31 December 2023
Headquarters	**12,853**	13,308
Yangtze River Delta region	**9,434**	7,613
Bohai Rim region	**5,045**	4,863
Pearl River Delta and Western Taiwan Straits Economic Zone	**7,635**	5,342
Northeast region	**1,427**	1,433
Central region	**4,901**	5,307
Western region	**3,856**	4,538
Outside the Chinese mainland	**792**	638
Subsidiaries	**3,801**	2,780
Total	**49,744**	45,822

(ii) By overdue period

	30 June 2024	31 December 2023
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	**13,589**	11,476
– between 6 and 12 months (inclusive)	**13,610**	11,598
– over 12 months	**22,545**	22,748
Total	**49,744**	45,822
As a percentage of total gross loans and advances:		
– between 3 and 6 months (inclusive)	**0.20%**	0.17%
– between 6 and 12 months (inclusive)	**0.20%**	0.18%
– over 12 months	**0.34%**	0.35%
Total	**0.74%**	0.70%

(iii) Collateral information

	30 June 2024	31 December 2023
Secured portion of overdue loans and advances	**18,323**	17,141
Unsecured portion of overdue loans and advances	**31,421**	28,681
Fair value of collateral held against overdue loans and advances	**64,852**	47,613

The amount of the Group's loans and advances to financial institutions overdue for more than 90 days as at 30 June 2024 was RMB1 million (31 December 2023: RMB1 million).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the Hong Kong Monetary Authority (the "HKMA").

Loans and advances with a specific repayment date are classified as overdue when either the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments of a loan is overdue, the whole amount of the loan is classified as overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions.

The collateral of the Group includes cash deposit, shares, land use right, property, motor vehicles and other equipment, etc. The fair value of collateral is estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(G) Rescheduled loans and advances to customers

	30 June 2024		31 December 2023	
	Amount	% of total loans and advances	Amount	% of total loans and advances
Rescheduled loans and advances to customers (Note)	**14,166**	**0.21%**	13,007	0.20%
Less:				
– rescheduled loans and advances overdue for more than 90 days	**8,851**	**0.13%**	6,673	0.10%
Rescheduled loans and advances overdue for less than 90 days	**5,315**	**0.08%**	6,334	0.10%

Note: Represents the restructured non-performing loans.

The amount of the Group's rescheduled loans and advances to financial institutions as at 30 June 2024 was RMB1 million (31 December 2023: Nil).

(H) Non-bank exposures in the Chinese mainland

The Bank is a commercial bank incorporated in the Chinese mainland with its banking business primarily conducted in the Chinese mainland. As of 30 June 2024 and 31 December 2023, most of the Bank's exposures arose from businesses with the Chinese mainland non-bank institutions or individuals. Analyses of various types of exposures by counterparty have been disclosed in the notes to the interim condensed consolidated financial statements.

(I) Currency concentrations other than RMB

	30 June 2024			
	USD	HKD	Other	Total
		(in millions of RMB)		
Non-structural position				
Spot assets	**710,062**	**202,174**	**65,405**	**977,641**
Spot liabilities	**678,418**	**201,431**	**69,584**	**949,433**
Forward purchased	**616,312**	**30,930**	**33,474**	**680,716**
Forward written	**657,762**	**15,787**	**34,492**	**708,041**
Net option position	**12,175**	**(113)**	**5,029**	**17,091**
Net long position	**2,369**	**15,773**	**(168)**	**17,974**
Net structural position	**13,735**	**36,119**	**151**	**50,005**

	31 December 2023			
	USD	HKD	Other	Total
		(in millions of RMB)		
Non-structural position				
Spot assets	601,745	31,474	47,462	680,681
Spot liabilities	553,972	18,032	90,942	662,946
Forward purchased	417,752	6,195	76,916	500,863
Forward written	476,337	7,311	38,999	522,647
Net option position	12,236	(79)	3,562	15,719
Net long position	1,424	12,247	(2,001)	11,670
Net structural position	8,481	41,314	1,552	51,347

The net option position is calculated using the delta equivalent approach required by the HKMA. The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign exchange.

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