



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

Stock Code: 01988



2024
INTERIM REPORT



IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors, and the Directors, Supervisors and Senior Management of the Bank warrant the truthfulness, accuracy and completeness of the contents of this Interim Report and there are no misstatements, misleading representations or material omissions in this Interim Report, and shall assume several and joint liability.

This Interim Report was considered and approved on 29 August 2024 at the 3rd meeting of the 9th session of the Board of Directors of the Bank. Of the 14 Directors who were entitled to attend the meeting, 10 Directors attended the meeting in person, and 4 Directors participated in the meeting by teleconference or video conference. 6 Supervisors of the Bank attended the meeting as non-voting delegates.

The interim financial reports of the Bank were not audited.

GAO Yingxin (Chairman), WANG Xiaoyong (President), LI Bin (person in charge of finance and accounting), and ZHANG Lanbo (person in charge of the accounting department) declare to warrant the truthfulness, accuracy and completeness of the financial reports included in this Interim Report.

The interim profit distribution plan for 2024 was approved by the Board of Directors, pursuant to which, on the basis of the total number of shares of the Bank as at the record dates of profit distribution, a cash dividend of RMB1.30 (tax inclusive) will be distributed to all shareholders of the Bank for every 10 shares held. The above profit distribution plan is subject to approval of the shareholders' general meeting of the Bank.

Unless otherwise specified, all amounts in this Interim Report are denominated in RMB.

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

Material Risk Warning: The Bank has not found any material risks that will adversely affect the Bank's future development strategy and business objectives. The Bank has taken active measures to effectively manage various risks. For details, please refer to the relevant contents under "Chapter 3 Management Discussion and Analysis" of this Report.



CONTENTS

Important Notice	
Contents	1
Definitions	2
Chapter 1 Bank Profile	3
Chapter 2 Summary of Accounting Data and Financial Indicators	6
Chapter 3 Management Discussion and Analysis	10
I. Overview of Operations	10
II. Conditions of the Industry	11
III. Analysis of Major Items of Statement of Profit or Loss	13
IV. Analysis of Major Items of Statement of Financial Position	22
V. Qualitative Analysis of Loans	28
VI. Analysis of Capital Adequacy Ratio	34
VII. Liquidity Indicators	36
VIII. Segment Report	37
IX. Other Financial Information	39
X. Operational Concerns	40
XI. Review of Main Businesses	44
XII. Risk Management	69
XIII. Prospects	79
Chapter 4 Changes in Share Capital and Information on Shareholders	81
Chapter 5 Information on Preference Shares	91
Chapter 6 Corporate Governance	93
Chapter 7 Environmental and Social Responsibilities	113
Chapter 8 Major Events	115
Financial Reports	120



DEFINITIONS

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

Bank, Company, China Minsheng Bank, Minsheng Bank	China Minsheng Banking Corp., Ltd.
Group	the Bank and its subsidiaries
Minsheng Financial Leasing	Minsheng Financial Leasing Co., Ltd.
Minsheng Royal Fund	Minsheng Royal Fund Management Co., Ltd.
CMBC International	CMBC International Holdings Limited
CMBC Wealth Management	CMBC Wealth Management Co., Ltd.
NFRA	National Financial Regulatory Administration
PBOC	The People's Bank of China
CSRC	China Securities Regulatory Commission
former CBIRC	former China Banking and Insurance Regulatory Commission
former CBRC	former China Banking Regulatory Commission
former CIRC	former China Insurance Regulatory Commission
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on SEHK
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 as set out in Appendix C3 to the Hong Kong Listing Rules
Articles of Association	the Articles of Association of China Minsheng Banking Corp., Ltd.
Reporting Period	the period from 1 January 2024 to 30 June 2024

CHAPTER 1 BANK PROFILE

1. Registered Chinese Name of the Company: 中國民生銀行股份有限公司 (Abbreviation: 中國民生銀行)
Registered English Name of the Company: CHINA MINSHENG BANKING CORP., LTD. (Abbreviation: CMBC)
2. Legal Representative of the Company: GAO Yingxin
3. Authorised Representatives of the Company: YEUNG Chi Wai, Jason, CHEUNG Yuet Fan
4. Board Secretary: LI Bin
Company Secretary: CHEUNG Yuet Fan
Representative of Securities Affairs: WANG Honggang
5. Mailing Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal Code: 100031
Telephone: 86-10-58560975; 86-10-58560824
Facsimile: 86-10-58560720
Email: cmbc@cmbc.com.cn
Hotline for Service Supervision: 86-95568
Hotline for Credit Card Service Supervision: 86-400 66 95568
6. Registered and Office Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal Code: 100031
Website: www.cmbc.com.cn
Email: cmbc@cmbc.com.cn
7. Branch Office and Place of Business in Hong Kong: Flat 3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

CHAPTER 1 BANK PROFILE

8. Newspapers and Websites for Publishing Interim Report of the Company: China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com) and Securities Times (www.stcn.com)
- Stock Exchange Website for Publishing A Share Interim Report of the Company: www.sse.com.cn
- Stock Exchange Website for Publishing H Share Interim Report of the Company: www.hkexnews.hk
- Place for Collection of the Interim Reports: Office of the Board of the Bank
9. Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office
- Legal Adviser as to Hong Kong Law: Clifford Chance
10. Domestic Accounting Firm: PricewaterhouseCoopers Zhong Tian LLP
- Office Address: 42/F, New Bund Centre, No. 588 Dongyu Road, Pudong New Area, Shanghai, China
- Signing Accountants: LI Tieying, ZOU Yan
- International Accounting Firm: PricewaterhouseCoopers
- Office Address: 22/F, Prince's Building, 10 Chater Road, Central, Hong Kong
11. A Share Registrar: China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
- Office Address: No. 188 Yanggao Nan Road, Pudong New Area, Shanghai
- H Share Registrar: Computershare Hong Kong Investor Services Limited
- Office Address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- Domestic Preference Share Registrar: China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
12. Places of Listing, Stock Names and Stock Codes:
- A Shares: SSE Stock Name: MINSHENG BANK; Stock Code: 600016
- H Shares: SEHK Stock Name: MINSHENG BANK; Stock Code: 01988
- Domestic Preference Shares: SSE Stock Name: Minsheng Preference 1; Stock Code: 360037

CHAPTER 1 BANK PROFILE

13. Initial Date of Registration: 7 February 1996
Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14. Date of Registration for Subsequent Change: 20 November 2007
Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15. Unified Social Credit Code: 91110000100018988F
16. Business Summary of the Company

Formally established in Beijing in 1996, the Bank is the first national joint-stock commercial bank in China primarily initiated and founded by the non-state-owned enterprises (NSOEs).

Upon the approval of relevant regulatory authorities, the Bank operates the following commercial banking businesses: taking deposits from the public, granting short-, mid- to long-term loans, handling domestic and foreign settlements; accepting and discounting negotiable instruments, and issuing financial bonds; issuing, settling and underwriting government bonds as an agent; buying and selling government bonds and financial bonds; operating interbank borrowing and lending; buying and selling foreign exchange, and buying and selling foreign exchange as an agent; settling and selling foreign exchange; operating bank card business; providing letter of credit services and guaranty; receiving and paying funds as an agent; providing safe deposit box service; operating other businesses approved by the banking regulatory authority of the State Council; operating insurance business as a sideline agent; selling securities investment funds and providing custody services for securities investment funds. (The market entity independently chooses and operates businesses in accordance with laws. Operations of sideline insurance agency, sales of securities investment funds, custody of securities investment funds, and businesses subject to approvals according to laws shall be carried out upon approvals of relevant authorities and within the approved scopes. It is not allowed to operate businesses prohibited or restricted by national and municipal industry policies.)

For the main changes of the Bank's business philosophy during the Reporting Period, please refer to "Chapter 3 Management Discussion and Analysis".

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. Major Accounting Data and Financial Indicators

	January to June 2024	January to June 2023	Changes of the Reporting Period over the corresponding period of the previous year	January to June 2022
Operating results (RMB million)			Increase/ decrease (%)	
Operating income	65,589	69,868	-6.12	72,736
Net interest income	48,582	51,334	-5.36	54,823
Net non-interest income	17,007	18,534	-8.24	17,913
Operating expenses	21,453	22,179	-3.27	21,947
Impairment losses on credit	20,551	22,210	-7.47	23,960
Profit before income tax	23,476	24,747	-5.14	26,519
Net profit attributable to holders of equity shares of the Bank	22,474	23,777	-5.48	24,638
Net cash flow from operating activities	-283,843	108,631	Negative for the period	81,922
Data per share (RMB)				
Basic earnings per share	0.43	0.46	-6.52	0.49
Diluted earnings per share	0.43	0.46	-6.52	0.49
Net cash flow per share from operating activities	-6.48	2.48	Negative for the period	1.87
Profitability indicators (%)			Changes in percentage points	
Return on average assets (annualised)	0.60	0.64	-0.04	0.70
Return on weighted average equity (annualised)	7.04	7.88	-0.84	8.66
Cost-to-income ratio	31.36	30.25	1.11	28.96
Net fee and commission income to operating income ratio	14.71	15.51	-0.80	13.56
Net interest spread (annualised)	1.26	1.41	-0.15	1.56
Net interest margin (annualised)	1.38	1.48	-0.10	1.65

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	30 June 2024	31 December 2023	Changes from the end of the previous year to the end of the Reporting Period	31 December 2022
Scale indicators (RMB million)			Increase/ decrease (%)	
Total assets	7,551,013	7,674,965	-1.62	7,255,673
Total loans and advances to customers	4,423,227	4,384,877	0.87	4,141,144
Of which: Corporate loans and advances	2,673,597	2,617,355	2.15	2,399,276
Personal loans and advances	1,749,630	1,767,522	-1.01	1,741,868
Allowance for impairment losses on loans	96,868	97,444	-0.59	98,868
Total liabilities	6,941,371	7,037,164	-1.36	6,642,859
Total deposits from customers	4,064,732	4,283,003	-5.10	3,993,527
Of which: Corporate deposits	2,772,848	3,068,931	-9.65	2,966,375
Personal deposits	1,286,184	1,206,587	6.60	1,020,544
Other deposits	5,700	7,485	-23.85	6,608
Share capital	43,782	43,782	-	43,782
Total equity attributable to holders of equity shares of the Bank	596,141	624,602	-4.56	599,928
Total equity attributable to holders of ordinary shares of the Bank	541,141	529,602	2.18	504,928
Net assets per share attributable to holders of ordinary shares of the Bank (RMB)	12.36	12.10	2.15	11.53
Asset quality indicators (%)			Changes in percentage points	
NPL ratio	1.47	1.48	-0.01	1.68
Allowance to NPLs	149.26	149.69	-0.43	142.49
Allowance to total loans	2.19	2.22	-0.03	2.39
Capital adequacy ratio indicators (RMB million)			Increase/ decrease (%)	
Net capital base	712,171	755,416	-5.72	725,136
Of which: Net core tier-1 capital	541,692	533,852	1.47	505,978
Net other tier-1 capital	55,826	96,036	-41.87	96,021
Net tier-2 capital	114,653	125,528	-8.66	123,137
Risk-weighted assets	5,790,742	5,750,072	0.71	5,517,289
			Changes in percentage points	
Core tier-1 capital adequacy ratio (%)	9.35	9.28	0.07	9.17
Tier-1 capital adequacy ratio (%)	10.32	10.95	-0.63	10.91
Capital adequacy ratio (%)	12.30	13.14	-0.84	13.14
Total equity to total assets ratio (%)	8.07	8.31	-0.24	8.45

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Notes:

1. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.
2. Earnings per share and return on weighted average equity: calculated according to the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) 《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》(2010年修訂)) and other regulations. The effect of the distribution of dividends for preference shares and perpetual bond interest was taken into account in calculating the above indicators.
3. Cost-to-income ratio = (operating expenses and other operating expenses – tax and surcharges)/operating income.
4. Net interest spread = average return ratio on interest-earning assets – average cost ratio of interest-bearing liabilities.
5. Net interest margin = net interest income/average balance of interest-earning assets.
6. Total loans and advances to customers, total deposits from customers and the compositions of which did not include accrued interests.
7. Allowance for impairment losses on loans includes allowance for impairment losses on loans measured at amortised cost, and allowance for impairment losses on loans at fair value through other comprehensive income.
8. Other deposits include issuing certificates of deposit, outward remittance and remittance payables.
9. The transaction costs for the issuance of equity instruments are reclassified from the carrying amount of the adjusted equity instruments to the capital reserve.
10. NPL ratio = total NPLs/total loans and advances to customers.
11. Allowance to NPLs and allowance to total loans were calculated according to the Notice on Adjusting the Regulatory Requirements on Allowance for Impairment Losses on Loans of Commercial Banks (Yin Jian Fa [2018] No. 7) 《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發〔2018〕7號)). As at the end of the Reporting Period, the regulatory standards for allowance to NPLs and allowance to total loans applicable to the Group and the Bank were 140% and 2.1%, respectively. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

II. Supplementary Accounting Data and Financial Indicators

Important indicators (%)	Benchmark	30 June 2024	31 December 2023	31 December 2022
Liquidity ratio (RMB and foreign currency)	≥25	68.05	66.63	51.30
Liquidity ratio (RMB)	≥25	66.46	64.05	46.83
Liquidity ratio (Foreign currency)	≥25	99.67	157.07	145.10
Liquidity coverage ratio	≥100	140.61	146.06	134.89
Net stable funding ratio	≥100	104.78	106.91	104.55
Leverage ratio	≥4 before 2023; ≥4.125 starting from 2023	6.92	7.43	7.46
Percentage of loans to the single largest loan customer	≤10	3.28	3.44	2.17
Percentage of loans to the top ten loan customers	≤50	11.04	10.45	11.17

Notes:

- The above data were calculated based on the relevant regulations of China's banking regulatory authorities.
- Percentage of loans to the single largest loan customer = total loans to the single largest loan customer/net capital base.
- Percentage of loans to the top ten loan customers = total loans to the top ten loan customers/net capital base.

Migration ratio of loans (%)	30 June 2024	31 December 2023	31 December 2022
Pass	1.68	1.69	2.22
Special-mentioned	34.70	29.74	34.46
Substandard	61.92	45.06	65.39
Doubtful	96.67	46.63	52.14

Note: The migration ratio of loans was the information of the Bank and was calculated according to the Notice of China Banking and Insurance Regulatory Commission on Revising the Definition and Calculation Formula for the Basic Indicators of Off-site Supervision of the Banking Industry (Yin Bao Jian Fa [2022] No. 2) 《中國銀保監會關於修訂銀行業非現場監管基礎指標定義及計算公式的通知》(銀保監發〔2022〕2號)). The data as at 30 June 2024 was the annualised data.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview of Operations

During the Reporting Period, the Bank held on to the customer-centric philosophy, continued to take high-quality development as the top priority, maintained its strategic focus, returned to business origins, and adhered to the principles of seeking progress while maintaining stability and promoting stability through progress. Around the work mainstay of “seizing opportunities, optimising structure, controlling risks and promoting growth”, the Bank enhanced resilience, stabilised interest margin, and improved quality and effectiveness, so as to create differentiated market competitiveness. The Bank strengthened the execution of strategies, continued to promote the implementation of supporting reform tasks, proactively innovated business models, constantly improved product and service capabilities, and advanced digital transformation and refined management, in a bid to strengthen internal momentum for seeking progress while maintaining stable operations, and accelerate the transformation of various reform achievements into business performance. Meanwhile, the Bank vigorously provided more support for the “five major sectors” and the “three major projects”, and promoted the high-quality development of the Bank in the process of facilitating the development of the real economy and supporting economic transformation and upgrading.

The asset-liability structure was continuously optimised, and the foundation of high-quality development was consolidated. On the asset side, the Bank optimised the asset structure, improved the efficiency of asset allocation, and enhanced the quality and effectiveness of serving the real economy. As at the end of the Reporting Period, total assets of the Group amounted to RMB7,551,013 million, representing a decrease of RMB123,952 million, or 1.62%, as compared with the end of the previous year. Of which, total loans and advances to customers amounted to RMB4,423,227 million, representing an increase of RMB38,350 million, or 0.87%, as compared with the end of the previous year, and accounted for 58.58% of total assets, representing an increase of 1.45 percentage points as compared with the end of the previous year. The loans to key fields and key regions maintained relatively rapid growth. The growth rates of loans to key fields of the Bank, such as the manufacturing industry, inclusive small business and green sector, were all higher than the growth rates of other loans. The loans to key regions, such as Beijing-Tianjin-Hebei, the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area, the Chengdu-Chongqing economic circle and Fujian, accounted for 65.00%, representing a further increase as compared with the end of the previous year. On the liability side, the Bank actively responded to the changes in the market environment, took the initiative to reduce high-cost liabilities, and optimised the liability structure. As at the end of the Reporting Period, total liabilities of the Group amounted to RMB6,941,371 million, representing a decrease of RMB95,793 million, or 1.36%, as compared with the end of the previous year. Of which, total deposits from customers amounted to RMB4,064,732 million, representing a decrease of RMB218,271 million, or 5.10%, as compared with the end of the previous year. Personal deposits maintained steady growth and accounted for 31.64% of total deposits from customers, representing an increase of 3.47 percentage points as compared with the end of the previous year.

The operating income decreased as compared with the corresponding period of the previous year, and the net interest margin tended to be stable as compared with the previous quarter. The Group actively responded to the changes in the business environment, promoted steady development of operations, and optimised business structure. As a result, the net interest income improved as compared with the previous quarter, and the decrease in the net interest margin narrowed. During the Reporting Period, the daily

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

average balance of interest-earning assets of the Group amounted to RMB7,064,515 million, representing an increase of 1.27% as compared with the corresponding period of the previous year. The net interest margin was 1.38%, representing a decrease of 10BP as compared with the corresponding period of the previous year, and its decrease narrowed by 7BP as compared with the corresponding period of the previous year. The Group realised a net interest income of RMB48,582 million, representing a decrease of 5.36% as compared with the corresponding period of the previous year. Of which, the net interest income in the second quarter amounted to RMB24,320 million, representing an increase as compared with the previous quarter. In terms of net non-interest income, affected by the cut of agency sales fees of wealth management products, the income from agency sales business decreased as compared with the corresponding period of the previous year. Meanwhile, since volatility in the capital market impacted the gains or losses from changes in fair value, the Group recorded a net non-interest income of RMB17,007 million, representing a decrease of RMB1,527 million, or 8.24%, as compared with the corresponding period of the previous year. During the Reporting Period, the operating income of the Group amounted to RMB65,589 million, representing a decrease of RMB4,279 million, or 6.12%, as compared with the corresponding period of the previous year. The net profit attributable to holders of equity shares of the Bank amounted to RMB22,474 million, representing a decrease of RMB1,303 million, or 5.48%, as compared with the corresponding period of the previous year.

The risk control system and capability building were strengthened, and the asset quality remained stable in general. During the Reporting Period, the Group implemented the risk preferences of “maintaining stability and prudence, staying active and comprehensive, optimising structure and improving quality”, took risk prevention and control capabilities as the boundary of its business development, comprehensively reinforced the internal risk control system, prudently mitigated risks in key fields, and solidly advanced normalised management of asset quality. As at the end of the Reporting Period, total NPLs and the NPL ratio of the Group decreased as compared with the end of the previous year, and the allowance to NPLs was generally stable. Total NPLs of the Group amounted to RMB64,899 million, representing a decrease of RMB198 million as compared with the end of the previous year. The NPL ratio was 1.47%, representing a decrease of 0.01 percentage points as compared with the end of the previous year. The allowance to NPLs was 149.26%, representing a slight decrease of 0.43 percentage points as compared with the end of the previous year.

II. Conditions of the Industry

In the first half of 2024, China's economy continued to recover and rebound as a whole, but there were still challenges against steady economic growth. Internationally, the external environment became more complicated and severer. To be specific, the momentum of global economic growth was weak, inflation showed a trend of falling from a high level but remained sticky, the economic growth and monetary policies diverged in major economies, and the stabilisation of exchange rate still suffered from high pressure. Domestically, the economy achieved a good start, the contribution of exports to economic growth increased, service consumption was booming, and the CPI turned positive as compared with the corresponding period of the previous year. However, there were still several constrains including weak growth momentum of the traditional economy, continued reach for the bottom in the real estate market, slowdown in the growth rate of fixed asset investment, overall low prices, insufficient effective demands and weak social expectations. Therefore, the foundation for a stable recovery of domestic economy still needed to be consolidated.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Facing multiple internal and external challenges, China's macro-economic policies adhered to seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old, with a focus on expanding domestic demand, boosting confidence and preventing risks. The proactive fiscal policy was properly intensified and improved in quality and effectiveness. More proactive financial budget arrangements were made throughout the year, and RMB1 trillion ultra-long special treasury bonds were additionally issued to specially support the implementation of major national strategies and the security capability building in key fields, thus to boost investment and consumption, optimise debt structure, and lay a foundation for the long-term high-quality development. The prudent monetary policy was flexible, appropriate, precise and effective. In the first half of the year, the across-the-board required reserve ratio cuts and the targeted interest rate cuts were implemented. The loan prime rate (LPR) for loans over 5 years significantly decreased by 0.25 percentage points. The pledged supplementary lending (PSL) of RMB500 billion was issued to support "three major projects". In addition, combined policies were introduced to stabilise the real estate industry, and a relending plan of RMB500 billion for sci-tech innovation and technical renovation and a relending of RMB300 billion for affordable housing were launched. These efforts aimed to make better use of the dual functions in total scale and structure of monetary policy instruments, and to make effective counter-cyclical adjustments. A new round of large-scale equipment renewals and trade-in of old consumer goods was advanced, and the transmission from production to consumption was smoothed. The market-oriented interest rate formation and transmission mechanism was improved, the approach of attracting savings deposit with high interest rates through manual increment of interests was prohibited, the fair competition order of the deposit market was protected, and the steady and moderate cost reduction was promoted for corporate financing and household credit. In the process of economic recovery, the changes in long-term yields were emphasised to prevent maturity mismatch and interest rate risk. The RMB exchange rate was kept basically stable at a reasonable and balanced level. Comprehensive measures were taken, deviations were corrected and expectations were stabilised to resolutely prevent the risk of exchange rate overshooting.

During the Reporting Period, the banking industry closely followed the policies of the CPC Central Committee and the State, consolidated effective support for the real economy, actively implemented the regulatory requirements of "abolishing the false figures and preventing capital idling", focused on enhancing the quality and effectiveness of services, and realised multiple targets of "keeping moderate total scale, taking a balanced pace, optimising structure and reducing cost". In the first half of the year, RMB loans cumulatively increased by RMB13.27 trillion. As at the end of June, the balance of RMB loans increased by 8.8% as compared with the corresponding period of the previous year. The effect of balanced credit placement was evident, and the capital needs of business entities of the real economy were matched in a more effective manner. The credit structure was continuously optimised. Efforts were made to better support the "five major sectors", major strategies, key fields and weak links, accelerate the development of new quality productive forces, and promote the restoration of supply and demand in the real estate market. The interest rates of new loans continued to fall, and the interest rates of housing mortgage loans were reduced at a faster pace to benefit business entities and stimulate the vitality of micro entities. With the approach of "manual increment of interests" being prohibited, the deposit costs of the banking industry were effectively controlled, and the liability structure was adjusted and optimised, thereby facilitating the marginal improvement in the net interest margin in the second quarter. However, the banking industry was still under

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

pressure in general. Supported by a package of policies to stabilise the real estate sector and dissolve debts, the risks in key fields remained stable, and the capabilities of commercial banks in resisting and mitigating risks remained at a relatively high level. The empowerment of fintech was enhanced, the cross-industry and trans-boundary capability was improved in an all-round manner, and the quality and effectiveness of financial services were continuously elevated.

III. Analysis of Major Items of Statement of Profit or Loss

(I) Changes of major items of statement of profit or loss

During the Reporting Period, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB22,474 million, representing a decrease of RMB1,303 million, or 5.48%, as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2024	January to June 2023	Change (%)
Operating income	65,589	69,868	-6.12
Of which: Net interest income	48,582	51,334	-5.36
Net non-interest income	17,007	18,534	-8.24
Operating expenses	21,453	22,179	-3.27
Impairment losses on credit	20,551	22,210	-7.47
Impairment losses on other assets	109	732	-85.11
Profit before income tax	23,476	24,747	-5.14
Less: Income tax expenses	767	775	-1.03
Net profit	22,709	23,972	-5.27
Of which: Net profit attributable to holders of equity shares of the Bank	22,474	23,777	-5.48
Profit or loss attributable to non-controlling interests	235	195	20.51

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Operating income

During the Reporting Period, the operating income of the Group amounted to RMB65,589 million, representing a decrease of RMB4,279 million, or 6.12%, as compared with the corresponding period of the previous year.

The amounts, proportions and changes of major items of the Group's operating income are as follows:

Item (RMB million)	January to June 2024		January to June 2023		Change (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Net interest income	48,582	74.07	51,334	73.47	-5.36
Interest income	127,963	195.09	133,080	190.47	-3.85
Of which: Interest income from loans and advances to customers	89,312	136.17	92,399	132.25	-3.34
Interest income from financial investments	28,396	43.29	29,791	42.64	-4.68
Interest income from long-term receivables	3,438	5.24	3,301	4.72	4.15
Interest income from placements with banks and other financial institutions	3,095	4.72	3,717	5.32	-16.73
Interest income from balances with central bank	2,212	3.37	2,422	3.47	-8.67
Interest income from balances with banks and other financial institutions	792	1.21	619	0.88	27.95
Interest income from financial assets held under resale agreements	718	1.09	831	1.19	-13.60
Interest expenditure	-79,381	-121.02	-81,746	-117.00	-2.89
Net non-interest income	17,007	25.93	18,534	26.53	-8.24
Net fee and commission income	9,645	14.71	10,836	15.51	-10.99
Other net non-interest income	7,362	11.22	7,698	11.02	-4.36
Total	65,589	100.00	69,868	100.00	-6.12

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) Net interest income and net interest margin

During the Reporting Period, the net interest income of the Group amounted to RMB48,582 million, representing a decrease of RMB2,752 million, or 5.36%, as compared with the corresponding period of the previous year. The net interest margin of the Group was 1.38%.

Item (RMB million)	January to June 2024			January to June 2023		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
Interest-earning assets						
Total loans and advances to customers	4,409,846	89,312	4.07	4,229,271	92,399	4.41
By type of loans						
Of which: Corporate loans and advances	2,650,674	48,531	3.68	2,493,913	48,689	3.94
Personal loans and advances	1,759,172	40,781	4.66	1,735,358	43,710	5.08
By term of loans						
Of which: Short-term loan	1,946,600	39,383	4.07	1,896,043	40,223	4.28
Mid- to long-term loans	2,463,246	49,929	4.08	2,333,228	52,176	4.51
Financial investments	1,918,911	28,396	2.98	1,907,269	29,791	3.15
Balances with central bank	288,440	2,212	1.54	324,969	2,422	1.50
Placements with banks and other financial institutions	185,043	3,095	3.36	248,378	3,717	3.02
Long-term receivables	115,671	3,438	5.98	112,922	3,301	5.89
Financial assets held under resale agreements	62,994	718	2.29	83,699	831	2.00
Balances with banks and other financial institutions	83,610	792	1.90	69,499	619	1.80
Total	7,064,515	127,963	3.64	6,976,007	133,080	3.85

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Item (RMB million)	January to June 2024			January to June 2023		
	Average balance	Interest expenses	Average cost ratio (%)	Average balance	Interest expenses	Average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	4,173,941	46,447	2.24	4,174,426	48,146	2.33
Of which: Corporate deposits	2,950,136	32,754	2.23	3,067,652	35,732	2.35
Demand	951,752	5,542	1.17	1,077,897	7,368	1.38
Time	1,998,384	27,212	2.74	1,989,755	28,364	2.87
Personal deposits	1,223,805	13,693	2.25	1,106,774	12,414	2.26
Demand	315,300	340	0.22	293,975	409	0.28
Time	908,505	13,353	2.96	812,799	12,005	2.98
Balances from banks and other financial institutions	1,121,880	13,548	2.43	1,469,862	17,363	2.38
Debt securities issued	726,528	9,362	2.59	610,837	8,350	2.76
Borrowings from central bank and other financial institutions and others	440,050	6,526	2.98	276,858	4,576	3.33
Financial assets sold under repurchase agreements	132,163	1,542	2.35	119,735	1,379	2.32
Placements from banks and other financial institutions	101,286	1,956	3.88	110,018	1,932	3.54
Total	6,695,848	79,381	2.38	6,761,736	81,746	2.44
Net interest income		48,582			51,334	
Net interest spread			1.26			1.41
Net interest margin			1.38			1.48

Note: In this table, outward remittance and remittance payables are included in corporate demand deposits; issuance of certificates of deposit is included in corporate time deposits.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The impacts of changes in scale and changes in interest rate on interest income and interest expenses of the Group are as follows:

Item (RMB million)	Changes in scale from the corresponding period of the previous year to January to June 2024	Changes in interest rate from the corresponding period of the previous year to January to June 2024	Net increase/ decrease
Changes in interest income:			
Total loans and advances to customers	3,945	-7,032	-3,087
Financial investments	182	-1,577	-1,395
Balances with central bank	-272	62	-210
Placements with banks and other financial institutions	-948	326	-622
Long-term receivables	80	57	137
Financial assets held under resale agreements	-206	93	-113
Balances with banks and other financial institutions	126	47	173
Subtotal	2,907	-8,024	-5,117
Changes in interest expenses:			
Deposits from customers	-6	-1,693	-1,699
Deposits from banks and other financial institutions	-4,111	296	-3,815
Debt securities issued	1,581	-569	1,012
Borrowings from central bank and other financial institutions and others	2,697	-747	1,950
Financial assets sold under repurchase agreements	143	20	163
Placements from banks and other financial institutions	-153	177	24
Subtotal	151	-2,516	-2,365
Changes in net interest income	2,756	-5,508	-2,752

Note: Change in scale is measured by the change of average balance; change in interest rate is measured by the change of average interest rate.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. Interest income

During the Reporting Period, the interest income of the Group amounted to RMB127,963 million, representing a decrease of RMB5,117 million, or 3.85%, as compared with the corresponding period of the previous year.

(1) Interest income from loans and advances to customers

During the Reporting Period, the interest income from loans and advances to customers of the Group amounted to RMB89,312 million, representing a decrease of RMB3,087 million, or 3.34%, as compared with the corresponding period of the previous year, mainly due to the year-on-year decrease of 34BP in the average return ratio of loans and advances to customers, which led to a decrease of RMB7,032 million in interest income as compared with the corresponding period of the previous year.

(2) Interest income from financial investments

During the Reporting Period, the interest income from financial investments of the Group amounted to RMB28,396 million, representing a decrease of RMB1,395 million, or 4.68%, as compared with the corresponding period of the previous year, mainly due to the year-on-year decrease of 17BP in the average return ratio of financial investments, which led to a decrease of RMB1,577 million in interest income as compared with the corresponding period of the previous year.

(3) Interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements

During the Reporting Period, the interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB4,605 million, representing a decrease of RMB562 million, or 10.88%, as compared with the corresponding period of the previous year, mainly due to the decrease in the daily average scale of placements with banks and other financial institutions, which led to a decrease of RMB948 million in interest income as compared with the corresponding period of the previous year.

(4) Interest income from long-term receivables

During the Reporting Period, the interest income from long-term receivables of the Group amounted to RMB3,438 million, representing an increase of RMB137 million, or 4.15%, as compared with the corresponding period of the previous year.

(5) Interest income from balances with central bank

During the Reporting Period, the interest income from balances with central bank of the Group amounted to RMB2,212 million, representing a decrease of RMB210 million, or 8.67%, as compared with the corresponding period of the previous year.

2. Interest expenses

During the Reporting Period, the interest expenses of the Group amounted to RMB79,381 million, representing a decrease of RMB2,365 million, or 2.89%, as compared with the corresponding period of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(1) Interest expenses on deposits from customers

During the Reporting Period, the interest expenses on deposits from customers of the Group amounted to RMB46,447 million, representing a decrease of RMB1,699 million, or 3.53%, as compared with the corresponding period of the previous year, mainly due to the year-on-year decrease of 9BP in the average cost ratio of deposits, which led to a decrease of RMB1,693 million in interest expenses.

(2) Interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

During the Reporting Period, the interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB17,046 million, representing a decrease of RMB3,628 million, or 17.55%, as compared with the corresponding period of the previous year, mainly due to the decrease in the daily average scale of deposits from banks and other financial institutions, which led to a decrease of RMB4,111 million in interest expenses.

(3) Interest expenses on debt securities issued

During the Reporting Period, the interest expenses on debt securities issued of the Group amounted to RMB9,362 million, representing an increase of RMB1,012 million, or 12.12%, as compared with the corresponding period of the previous year, mainly due to the increase in the daily average scale of debt securities issued, which led to an increase of RMB1,581 million in interest expenses.

(4) Interest expenses on borrowings from central bank and other financial institutions and other interest expenses

During the Reporting Period, the interest expenses on borrowings from central bank and other financial institutions and other interest expenses of the Group amounted to RMB6,526 million, representing an increase of RMB1,950 million, or 42.61%, as compared with the corresponding period of the previous year, mainly due to the increase in the daily average scale of borrowings from central bank and other financial institutions, which led to an increase of RMB2,697 million in interest expenses.

(IV) Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB17,007 million, representing a decrease of RMB1,527 million, or 8.24%, as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2024	January to June 2023	Change (%)
Net fee and commission income	9,645	10,836	-10.99
Other net non-interest income	7,362	7,698	-4.36
Total	17,007	18,534	-8.24

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. Net fee and commission income

During the Reporting Period, the net fee and commission income of the Group was RMB9,645 million, representing a decrease of RMB1,191 million, or 10.99%, as compared with the corresponding period of the previous year, mainly due to the impact of the fee rate reduction in the agency sales of insurance and fund, which led to the decrease in the fee and commission income from retail wealth management as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2024	January to June 2023	Change (%)
Fee and commission income	11,458	13,441	-14.75
Of which: Bank card services	5,217	5,276	-1.12
Agency services	2,299	4,008	-42.64
Trust and other fiduciary services	1,739	2,331	-25.40
Settlement and clearance services	1,019	1,096	-7.03
Credit commitments	546	556	-1.80
Others	638	174	266.67
Fee and commission expense	1,813	2,605	-30.40
Net fee and commission income	9,645	10,836	-10.99

2. Other net non-interest income

During the Reporting Period, the Group realised other net non-interest income of RMB7,362 million, representing a decrease of RMB336 million, or 4.36%, as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2024	January to June 2023	Change (%)
Net trading gain	4,001	2,848	40.48
Net gain from investment securities	1,854	3,609	-48.63
Other net operating income	1,507	1,241	21.43
Total	7,362	7,698	-4.36

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(V) Operating expenses

During the Reporting Period, the operating expenses of the Group amounted to RMB21,453 million, representing a decrease of RMB726 million, or 3.27%, as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2024	January to June 2023	Change (%)
Staff costs (including Directors' emoluments)	12,243	13,100	-6.54
Depreciation and amortisation	3,343	3,118	7.22
Tax and surcharges	882	1,043	-15.44
Short-term lease expenses, low-value lease expenses and property management expenses	424	459	-7.63
Business expenses/office expenses and others	4,561	4,459	2.29
Total	21,453	22,179	-3.27

(VI) Impairment losses on credit

During the Reporting Period, the impairment losses on credit of the Group amounted to RMB20,551 million, representing a decrease of RMB1,659 million, or 7.47%, as compared with the corresponding period of the previous year.

Item (RMB million)	January to June 2024	January to June 2023	Change (%)
Loans and advances to customers	18,123	19,435	-6.75
Financial assets measured at amortised cost	1,787	1,908	-6.34
Long-term receivables	512	529	-3.21
Financial assets at fair value through other comprehensive income	-78	397	Negative for the period
Others	207	-59	Negative for the corresponding period of the previous year
Total	20,551	22,210	-7.47

(VII) Income tax expenses

During the Reporting Period, the income tax expenses of the Group amounted to RMB767 million, representing a decrease of RMB8 million, or 1.03%, as compared with the corresponding period of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB7,551,013 million, representing a decrease of RMB123,952 million, or 1.62%, as compared with the end of the previous year.

Item (RMB million)	30 June 2024		31 December 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	4,423,227	58.58	4,384,877	57.13
Add: Accrued interests on loans	37,795	0.50	35,824	0.47
Less: Allowance for impairment losses on loans at amortised cost	96,201	1.27	96,793	1.26
Net loans and advances to customers	4,364,821	57.81	4,323,908	56.34
Net financial investments	2,274,436	30.12	2,272,142	29.60
Cash and balances with central bank	289,136	3.83	390,367	5.09
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	264,339	3.50	338,229	4.41
Long-term receivables	123,042	1.63	119,434	1.56
Property and equipment	61,357	0.81	60,490	0.79
Others	173,882	2.30	170,395	2.21
Total	7,551,013	100.00	7,674,965	100.00

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 RMB4,423,227 million, representing an increase of RMB38,350 million, or 0.87%, as compared with the end of the previous year. Total loans and advances to customers accounted for 58.58% of total assets, representing an increase of 1.45 percentage points as compared with the end of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Financial investments

As at the end of the Reporting Period, total financial investments of the Group amounted to RMB2,263,566 million, representing an increase of RMB5,480 million, or 0.24%, as compared with the end of the previous year, and accounted for 29.98% of total assets, representing an increase of 0.56 percentage points as compared with the end of the previous year.

Item (RMB million)	30 June 2024		31 December 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Financial assets measured at amortised cost	1,519,573	67.13	1,521,395	67.38
Of which: Bonds	1,473,712	65.10	1,472,756	65.22
Trust and asset management plans	33,631	1.49	34,670	1.54
Other investments	12,230	0.54	13,969	0.62
Financial assets at fair value through profit and loss	325,974	14.40	320,547	14.19
Of which: Bonds	158,043	6.98	146,091	6.47
Trust and asset management plans	19,007	0.84	17,185	0.76
Investment funds	125,080	5.53	131,557	5.82
Equity instruments	16,250	0.72	19,637	0.87
Other investments	7,594	0.33	6,077	0.27
Financial assets at fair value through other comprehensive income	418,019	18.47	416,144	18.43
Of which: Bonds	409,695	18.10	407,673	18.05
Equity instruments	8,324	0.37	8,471	0.38
Total	2,263,566	100.00	2,258,086	100.00

The bonds held by the Group in terms of issuers are as follows:

Item (RMB million)	30 June 2024		31 December 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Government	1,330,369	65.17	1,269,814	62.66
Policy banks	144,901	7.10	143,326	7.07
Banks and non-banking financial institutions	242,552	11.88	246,955	12.19
Corporates	323,628	15.85	366,425	18.08
Total	2,041,450	100.00	2,026,520	100.00

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Financial bonds held by the Bank were mainly policy financial bonds and financial bonds of commercial banks. The top ten financial bonds in terms of par value are as follows:

Item (RMB million)	Par value	Coupon rate (%)	Maturity	Allowance for impairment losses
2021 financial bonds	5,890	3.30	3 March 2026	0.87
2021 financial bonds	5,850	2.83	10 September 2026	0.95
2020 financial bonds	5,840	3.34	14 July 2025	1.01
2023 financial bonds	5,520	2.52	25 May 2028	0.71
2020 financial bonds	4,640	3.23	10 January 2025	0.42
2022 financial bonds	4,000	2.77	24 October 2032	0.62
2024 financial bonds	4,000	1.61	22 April 2025	0.45
2022 financial bonds	3,270	2.69	16 June 2027	0.45
2022 financial bonds	3,067	3.58	21 November 2032	–
2024 financial bonds	3,060	2.43	19 March 2027	2.45
Total	45,137			7.93

3. Balances and placements with banks and other financial institutions and financial assets held under resale agreements

As at the end of the Reporting Period, the balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB264,339 million, representing a decrease of RMB73,890 million, or 21.85%, as compared with the end of the previous year, and accounted for 3.50% of total assets, representing a decrease of 0.91 percentage points as compared with the end of the previous year.

4. Derivative financial instruments

Item (RMB million)	30 June 2024			31 December 2023		
	Nominal amount	Fair value		Nominal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives	2,590,720	16,177	14,514	2,554,436	22,130	22,011
Interest rate derivatives	2,175,528	1,688	615	1,916,448	1,733	676
Precious metal derivatives	115,012	2,449	9,619	70,252	908	6,585
Others	1,782	38	–	1,352	26	4
Total		20,352	24,748		24,797	29,276

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB6,941,371 million, representing a decrease of RMB95,793 million, or 1.36%, as compared with the end of the previous year.

Item (RMB million)	30 June 2024		31 December 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Deposits from customers	4,137,534	59.61	4,353,281	61.86
Of which: Total deposits from customers (excluding accrued interest)	4,064,732	58.56	4,283,003	60.86
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,358,575	19.57	1,433,192	20.37
Debt securities issued	855,678	12.33	675,826	9.60
Borrowings from central bank and other financial institutions	415,130	5.98	442,169	6.28
Others	174,454	2.51	132,696	1.89
Total	6,941,371	100.00	7,037,164	100.00

1. Deposits from customers

As at the end of the Reporting Period, total deposits from customers of the Group amounted to RMB4,064,732 million, representing a decrease of RMB218,271 million, or 5.10%, as compared with the end of the previous year. In respect of customer structure, the proportions of corporate deposits and personal deposits in total deposits were 68.22% and 31.64%, respectively. In respect of maturity structure, the proportions of demand deposits and time deposits in total deposits were 31.47% and 68.39%, respectively.

Item (RMB million)	30 June 2024		31 December 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits	2,772,848	68.22	3,068,931	71.65
Of which: Demand deposits	876,931	21.57	1,024,828	23.93
Time deposits	1,895,917	46.65	2,044,103	47.72
Personal deposits	1,286,184	31.64	1,206,587	28.17
Of which: Demand deposits	402,206	9.90	295,892	6.91
Time deposits	883,978	21.74	910,695	21.26
Certificates of deposit	3,247	0.08	4,976	0.12
Outward remittance and remittance payables	2,453	0.06	2,509	0.06
Total	4,064,732	100.00	4,283,003	100.00

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

As at the end of the Reporting Period, the deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,358,575 million, representing a decrease of RMB74,617 million, or 5.21%, as compared with the end of the previous year, mainly due to the decrease in the deposits from banks along with steady increase in debt securities issued.

3. Debt securities issued

As at the end of the Reporting Period, debt securities issued by the Group amounted to RMB855,678 million, representing an increase of RMB179,852 million, or 26.61%, as compared with the end of the previous year, mainly due to the increase in the scale of interbank negotiable certificates of deposit (IBNCD).

(III) Analysis of liability quality

The Bank continued to consolidate the foundation of liability quality management, formulated a series of rules related to liability quality management such as the Administrative Measures on Liability Quality of China Minsheng Bank 《中國民生銀行負債質量管理辦法》, established a liability quality management system in line with the scale and complexity of its liabilities, and clarified responsibilities of the Board, the Senior Management, the relevant functional departments and institutions in liability quality management. The Board and the Senior Management of the Bank implemented effective management of and monitoring on liability quality. The Board undertook the ultimate responsibility for liability quality management, while the Senior Management took on specific management duties.

During the Reporting Period, the Bank constantly optimised the development strategies of liability business based on changes in internal and external business environments, and continuously improved the liability quality management. Firstly, the Bank strengthened the cultivation of basic customers, consistently improved the product system, steadily pushed ahead with settlement and payroll agency as prioritised tasks, consolidated the development foundation of deposit business, and promoted the adjustment of deposit structure in an in-depth manner. Secondly, the Bank proactively strengthened self-discipline, regulated deposit business behaviours, improved internal and external pricing mechanisms, and effectively controlled liability costs, so as to promote the coordinated development of scale and price of liability business. Thirdly, the Bank intensified refined management, reinforced monitoring and analysis of liability quality, and dynamically adjusted management strategies in light of the overall situation of assets and liabilities and market conditions, in order to ensure steady operations.

During the Reporting Period, the Group maintained safe and sound liability quality, and the liability quality management indicators remained within a reasonable range. Of which, all regulatory indicators conformed to the regulatory requirements. As at the end of the Reporting Period, the net stable funding ratio of the Group was 104.78%, and the liquidity coverage ratio was 140.61%. During the Reporting Period, the cost ratio of interest-bearing liabilities of the Group was 2.38%.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB609,642 million, representing a decrease of RMB28,159 million, or 4.42%, as compared with the end of the previous year. Of which, total equity attributable to holders of equity shares of the Bank amounted to RMB596,141 million, representing a decrease of RMB28,461 million, or 4.56%, as compared with the end of the previous year.

Item (RMB million)	30 June 2024	31 December 2023	Change (%)
Share capital	43,782	43,782	–
Other equity instruments	55,000	95,000	-42.11
Of which: Preference shares	20,000	20,000	–
Perpetual bonds	35,000	75,000	-53.33
Reserves	216,299	214,175	0.99
Of which: Capital reserve	58,111	58,111	–
Surplus reserve	58,805	58,805	–
General reserve	95,391	95,237	0.16
Other reserves	3,992	2,022	97.43
Retained earnings	281,060	271,645	3.47
Total equity attributable to holders of equity shares of the Bank	596,141	624,602	-4.56
Non-controlling interests	13,501	13,199	2.29
Total	609,642	637,801	-4.42

(V) Off-balance sheet items

Item (RMB million)	30 June 2024	31 December 2023	Change (%)
Bank acceptances	464,786	476,334	-2.42
Unused credit card commitments	510,741	514,685	-0.77
Guarantees	136,628	130,996	4.30
Letters of credit	113,735	107,030	6.26
Irrevocable credit commitments	43,742	50,575	-13.51
Capital commitments	13,106	13,339	-1.75
Leasing commitments	140	113	23.89

Note: Leasing commitments refer to leasing payments related to leasing contracts already signed by the Group but not yet commenced in implementation.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

V. Qualitative Analysis of Loans

(I) Loan distribution by five-category classification

As at the end of the Reporting Period, total NPLs of the Group amounted to RMB64,899 million, representing a decrease of RMB198 million as compared with the end of the previous year. The NPL ratio was 1.47%, representing a decrease of 0.01 percentage points as compared with the end of the previous year. Total special-mentioned loans amounted to RMB122,913 million, representing an increase of RMB4,386 million as compared with the end of the previous year. The proportion of special-mentioned loans was 2.78%, representing an increase of 0.08 percentage points as compared with the end of the previous year.

Item (RMB million)	30 June 2024		31 December 2023		
	Amount	% of total	Amount	% of total	Change (%)
Performing loans	4,358,328	98.53	4,319,780	98.52	0.89
Of which: Pass	4,235,415	95.75	4,201,253	95.82	0.81
Special-mentioned	122,913	2.78	118,527	2.70	3.70
NPLs	64,899	1.47	65,097	1.48	-0.30
Of which: Substandard	25,543	0.58	26,978	0.61	-5.32
Doubtful	17,017	0.38	18,004	0.41	-5.48
Loss	22,339	0.51	20,115	0.46	11.06
Total	4,423,227	100.00	4,384,877	100.00	0.87

(II) Loan distribution by product types

As at the end of the Reporting Period, total corporate loans (including discounted bills) of the Group amounted to RMB2,673,597 million, representing an increase of RMB56,242 million as compared with the end of the previous year, accounting for 60.44% of total loans, representing an increase of 0.75 percentage points as compared with the end of the previous year. Total personal loans amounted to RMB1,749,630 million, representing a decrease of RMB17,892 million as compared with the end of the previous year, accounting for 39.56% of total loans, representing a decrease of 0.75 percentage points as compared with the end of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, total corporate NPLs (including discounted bills) of the Group amounted to RMB35,268 million, representing a decrease of RMB2,974 million as compared with the end of the previous year, and the NPL ratio was 1.32%, representing a decrease of 0.14 percentage points as compared with the end of the previous year. Total personal NPLs amounted to RMB29,631 million, representing an increase of RMB2,776 million as compared with the end of the previous year, and the NPL ratio was 1.69%, representing an increase of 0.17 percentage points as compared with the end of the previous year.

Item (RMB million)	30 June 2024				31 December 2023			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Corporate loans and advances	2,673,597	60.44	35,268	1.32	2,617,355	59.69	38,242	1.46
Of which: Discounted bills	241,395	5.46	-	-	277,579	6.33	-	-
Personal loans and advances	1,749,630	39.56	29,631	1.69	1,767,522	40.31	26,855	1.52
Of which: Loans to micro and small enterprises (MSEs)	650,731	14.71	8,965	1.38	651,788	14.86	7,811	1.20
Residential mortgage	540,118	12.21	4,470	0.83	546,300	12.46	3,684	0.67
Credit card overdrafts	474,966	10.74	15,388	3.24	487,973	11.13	14,531	2.98
Others ^(Note)	83,815	1.90	808	0.96	81,461	1.86	829	1.02
Total	4,423,227	100.00	64,899	1.47	4,384,877	100.00	65,097	1.48

Note: Others include comprehensive consumer loans, automobile loans and other personal loans.

(III) Loan distribution by industries

The Group adhered to high-quality development, thoroughly implemented the spirit of the Central Financial Work Conference, supported the “five major sectors” of finance, and continued to increase support for the key fields such as the manufacturing industry, inclusive finance, green and low-carbon development, rural revitalisation, sci-tech innovation, and consumer finance. Taking the new rules for capital management as the benchmark and reference, the Bank guided credit resources to lean towards businesses with lower capital occupation weights, and constantly adjusted and optimised the credit structure to realise capital-intensive transformation. As at the end of the Reporting Period, the corporate loan business of the Group was mainly concentrated in the industries of leasing and commercial services, manufacturing, and real estate. Of which, total loans to the leasing and commercial services industry amounted to RMB551,841 million, representing a decrease of RMB5,033 million as compared with the end of the previous year. Total loans to the manufacturing industry amounted to RMB505,553 million, representing an increase of RMB40,461 million as compared with the end of the previous year. Total loans to the real estate industry amounted to RMB340,400 million, representing a decrease of RMB5,898 million as compared with the end of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, the corporate NPLs of the Group were mainly concentrated in the industries of real estate, manufacturing and leasing and commercial services. Total NPLs of the three major industries amounted to RMB27,750 million, accounting for 78.68% of total corporate NPLs. The increase in NPLs was due to the real estate industry factors and the deteriorated business operations of some customers, which led to increases in NPLs of RMB969 million and RMB329 million in the real estate industry and the water, environment and public utilities management industry, respectively, as compared with the end of the previous year. Total NPLs of other industries decreased by RMB4,272 million as compared with the end of the previous year, and the asset quality remained stable or tended to get better.

Item (RMB million)	30 June 2024				31 December 2023			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Corporate loans and advances								
Leasing and commercial services	551,841	12.47	3,790	0.69	556,874	12.70	6,418	1.15
Manufacturing	505,553	11.43	5,953	1.18	465,092	10.61	5,984	1.29
Real estate	340,400	7.69	18,007	5.29	346,298	7.90	17,038	4.92
Wholesale and retail	302,001	6.83	2,836	0.94	286,014	6.52	3,880	1.36
Water, environment and public utilities management	172,905	3.91	843	0.49	170,648	3.89	514	0.30
Transportation, storage and postal service	168,471	3.81	516	0.31	168,187	3.84	469	0.28
Financial services	147,281	3.33	374	0.25	165,194	3.77	372	0.23
Production and supply of electric power, heat, gas and water	138,355	3.13	–	–	130,512	2.98	–	–
Construction	130,797	2.96	734	0.56	119,477	2.72	1,229	1.03
Mining	66,139	1.49	1,669	2.52	69,034	1.57	1,698	2.46
Information transmission, software and information technology services	42,630	0.96	176	0.41	42,602	0.97	268	0.63
Scientific research and technical services	30,405	0.69	50	0.16	22,216	0.50	17	0.08
Agriculture, forestry, animal husbandry and fishery	21,993	0.50	67	0.30	21,376	0.49	53	0.25
Others	54,826	1.24	253	0.46	53,831	1.23	302	0.56
Subtotal	2,673,597	60.44	35,268	1.32	2,617,355	59.69	38,242	1.46
Personal loans and advances	1,749,630	39.56	29,631	1.69	1,767,522	40.31	26,855	1.52
Total	4,423,227	100.00	64,899	1.47	4,384,877	100.00	65,097	1.48

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Loan distribution by geographical regions

Around the national strategy for the development of major regions and the strategy of regional coordinated development, the Group took the initiative to integrate itself into the mainstream economy of various regions, focused on distinctive sectors in each region, and enhanced credit policy support and credit placements to some regions. In the meantime, it also took into account the coordinated business development of other regions. As at the end of the Reporting Period, total loans of the Group to the Yangtze River Delta, the Pearl River Delta and the Bohai Rim ranked top three, being RMB1,136,666 million, RMB712,879 million and RMB681,068 million, respectively, accounting for 25.70%, 16.12% and 15.40%, respectively. In terms of increase in loans, total loans to the Pearl River Delta and the Central Region increased by RMB23,153 million and RMB18,084 million, respectively, as compared with the end of the previous year.

As at the end of the Reporting Period, the NPLs of the Group were mainly concentrated in the Head Office, the Western Region and the Yangtze River Delta, total NPLs of which amounted to RMB16,910 million, RMB12,654 million and RMB12,225 million, respectively, accounting for 64.39% of total NPLs. Of which, the NPLs of the Head Office mainly came from credit card business. In terms of increase in NPLs, it was higher in the Head Office and institutions outside the Chinese mainland and subsidiaries, which increased by RMB756 million and RMB580 million, respectively, as compared with the end of the previous year, and the NPL ratio increased by 0.24 and 0.21 percentage points, respectively, as compared with the end of the previous year.

Item (RMB million)	30 June 2024				31 December 2023			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Head Office	480,433	10.86	16,910	3.52	492,829	11.24	16,154	3.28
Yangtze River Delta	1,136,666	25.70	12,225	1.08	1,125,915	25.68	12,070	1.07
Pearl River Delta	712,879	16.12	6,714	0.94	689,726	15.73	8,061	1.17
Bohai Rim	681,068	15.40	7,074	1.04	701,020	15.99	7,039	1.00
Northeastern Region	98,690	2.23	1,280	1.30	100,418	2.29	1,159	1.15
Central Region	527,173	11.92	5,039	0.96	509,089	11.61	5,420	1.06
Western Region	666,740	15.07	12,654	1.90	660,499	15.06	12,771	1.93
Institutions outside the Chinese mainland and subsidiaries	119,578	2.70	3,003	2.51	105,381	2.40	2,423	2.30
Total	4,423,227	100.00	64,899	1.47	4,384,877	100.00	65,097	1.48

Note: For details of the geographical distribution of institutions of the Group, please refer to Note V "Segment Information" to the financial statements.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(V) Loan distribution by types of collateral

As at the end of the Reporting Period, the total secured loans of the Group amounted to RMB2,297,068 million, representing a decrease of RMB63,868 million as compared with the end of the previous year, accounting for 51.93% of total loans. Total unsecured loans amounted to RMB1,296,099 million, representing an increase of RMB46,699 million as compared with the end of the previous year, accounting for 29.30% of total loans. Total guaranteed loans amounted to RMB830,060 million, representing an increase of RMB55,519 million as compared with the end of the previous year, accounting for 18.77% of total loans. Due to the impact of increases in NPLs in corporate real estate industry loans and mortgage loans, the total NPLs of secured loans increased by RMB2,499 million as compared with the end of the previous year, and the NPL ratio increased by 0.14 percentage points as compared with the end of the previous year. The quality of loans secured by other means remained stable as a whole.

Item (RMB million)	30 June 2024				31 December 2023			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Unsecured loans	1,296,099	29.30	19,299	1.49	1,249,400	28.50	20,031	1.60
Guaranteed loans	830,060	18.77	11,141	1.34	774,541	17.66	10,350	1.34
Secured loans	2,297,068	51.93	34,459	1.50	2,360,936	53.84	34,716	1.47
Of which: Secured by tangible assets other than monetary assets	1,756,861	39.72	32,484	1.85	1,757,179	40.07	29,985	1.71
Secured by monetary assets	540,207	12.21	1,975	0.37	603,757	13.77	4,731	0.78
Total	4,423,227	100.00	64,899	1.47	4,384,877	100.00	65,097	1.48

(VI) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of total loans to the top ten loan customers of the Group was RMB78,617 million, accounting for 1.78% of total loans and advances to customers and 11.04% of net capital base. The top ten loan customers are as follows:

Item (RMB million)	Amount	% of total loans	% of net capital base
Customer A	23,370	0.53	3.28
Customer B	8,000	0.18	1.12
Customer C	7,847	0.18	1.10
Customer D	6,800	0.16	0.96
Customer E	6,610	0.15	0.93
Customer F	5,450	0.12	0.77
Customer G	5,296	0.12	0.74
Customer H	5,249	0.12	0.74
Customer I	5,000	0.11	0.70
Customer J	4,995	0.11	0.70
Total	78,617	1.78	11.04

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, total restructured loans of the Group amounted to RMB26,057 million, representing an increase of RMB3,099 million as compared with the end of the previous year, accounting for 0.59% of total loans and advances to customers, representing an increase of 0.07 percentage points as compared with the end of the previous year. Total overdue loans amounted to RMB96,283 million, representing an increase of RMB8,379 million as compared with the end of the previous year, accounting for 2.18% of total loans and advances to customers, representing an increase of 0.18 percentage points as compared with the end of the previous year.

Item (RMB million)	30 June 2024		31 December 2023	
	Amount	% of total	Amount	% of total
Restructured loans ^(Note 1)	26,057	0.59	22,958	0.52
Of which: Restructured loans overdue for more than 90 days	10,721	0.24	12,759	0.29
Overdue loans ^(Note 2)	96,283	2.18	87,904	2.00
Of which: Overdue within 3 months	27,913	0.63	27,853	0.63
Overdue from 3 months up to 1 year	34,581	0.78	32,354	0.74
Overdue from 1 year up to 3 years	27,876	0.63	22,471	0.51
Overdue more than 3 years	5,913	0.14	5,226	0.12

Notes:

1. Restructured loans are loans that the loan agreement has been adjusted by the Group in favour of the debtor, or provision of refinancing for the debtor's existing debts, including granting new loans for repayment of previous debts, new debt financing, etc., in order to enable the debtor who has financial difficulty to repay.
2. Overdue loans are loans that the repayment of principal or interest is overdue for one or more days.

(VIII) Repossessed assets

Item (RMB million)	30 June 2024	31 December 2023
Repossessed assets	5,474	5,299
Of which: Real estate and land use right	2,660	2,927
Motor vehicles	2,732	2,287
Others	82	85
Allowance for impairment losses	680	752

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IX) Changes in allowance for impairment losses on loans

Item (RMB million)	30 June 2024	31 December 2023
Opening balance	97,444	98,868
Charge for the period, net	18,123	39,816
Write-offs and transfer out during the period	-22,429	-48,806
Recoveries	4,740	9,343
Others	-1,010	-1,777
Ending balance	96,868	97,444

Method for assessing allowance for impairment losses on loans:

According to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments 《企業會計準則第22號—金融工具確認和計量》, the Bank calculates the allowance for impairment losses on loans with the expected credit loss model as the basis and the forward-looking information as reference. Of which, for retail loans and corporate loans in phase 1 and phase 2, the allowance for impairment losses is calculated based on risk parameters such as probability of default of customers and loss given default. For corporate loans in phase 3, the allowance for impairment losses is calculated based on the expected recovery of cash flow. In line with the requirements of the Implementation Rules for Expected Credit Loss Approach of Commercial Banks (Yin Bao Jian Gui [2022] No. 10) 《商業銀行預期信用損失法實施管理辦法》(銀保監規〔2022〕10號)), the Bank reviewed and optimised the expected credit loss model on a regular basis, and updated forward-looking information and relevant parameters in a timely manner.

VI. Analysis of Capital Adequacy Ratio

(I) Capital adequacy ratio

Starting from 2024, the Group calculated its capital adequacy ratio (the “CAR”) in accordance with the Capital Rules for Commercial Banks 《商業銀行資本管理辦法》(the “Capital Rules”) and other relevant regulatory provisions. The calculation of CAR covers the Bank and the financial institutions directly or indirectly invested by the Bank in accordance with the requirements of the Capital Rules. During the Reporting Period, the minimum requirements of the NFRA on the Group and the Bank’s core tier-1 CAR, tier-1 CAR and the CAR were 5%, 6%, and 8%, respectively. Based on the aforesaid minimum capital requirements, provisions of reserve capital, counter-cyclical capital and additional paid-in capital should also be made at the ratios of 2.5%, 0%, and 0.25%, respectively. During the Reporting Period, the core tier-1 CAR, tier-1 CAR, and the CAR of the Group and the Bank should be no less than 7.75%, 8.75%, and 10.75%, respectively.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, the core tier-1 CAR, tier-1 CAR and the CAR of the Group were 9.35%, 10.32% and 12.30%, respectively, representing an increase of 0.07 percentage points, a decrease of 0.63 percentage points and a decrease of 0.84 percentage points, respectively, as compared with the end of the previous year. Among the investees in which the Bank holds the majority equity interest or the right of control, there was one rural bank having regulatory capital shortfall of RMB364 million. The table below sets out the CAR of the Group and the Bank:

Item (RMB million)	30 June 2024		31 December 2023	
	The Group	The Bank	The Group	The Bank
Net core tier-1 capital	541,692	507,912	533,852	500,186
Net tier-1 capital	597,518	562,909	629,888	595,144
Total net capital base	712,171	674,284	755,416	717,080
Core tier-1 capital	548,339	528,600	537,693	518,265
Core tier-1 capital deductions	-6,647	-20,688	-3,841	-18,079
Other tier-1 capital	55,826	55,000	96,036	94,962
Other tier-1 capital deductions	-	-3	-	-4
Tier-2 capital	114,653	111,380	125,528	121,945
Tier-2 capital deductions	-	-5	-	-9
Total risk-weighted assets	5,790,742	5,514,988	5,750,072	5,471,667
Of which: Credit risk-weighted assets	5,449,014	5,187,167	5,413,859	5,159,864
Market risk-weighted assets	59,103	59,924	65,225	56,493
Operational risk-weighted assets	282,625	267,897	270,988	255,310
Core tier-1 CAR (%)	9.35	9.21	9.28	9.14
Tier-1 CAR (%)	10.32	10.21	10.95	10.88
CAR (%)	12.30	12.23	13.14	13.11

Note: The Capital Rules for Commercial Banks has taken effect on 1 January 2024. The data as at 30 June 2024 in the above table was calculated according to the above rules, and the data as at 31 December 2023 was calculated according to the Capital Rules for Commercial Banks (Provisional).

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Leverage ratio

As at the end of the Reporting Period, the leverage ratio of the Group was 6.92%, representing a decrease of 0.54 percentage points as compared with the end of March 2024. The leverage ratio of the Group is as follows:

Item (RMB million)	30 June 2024	31 March 2024	31 December 2023	30 September 2023
Leverage ratio (%)	6.92	7.46	7.43	7.43
Net tier-1 capital	597,518	643,625	629,888	622,222
On-and off-balance sheet assets after adjustment	8,638,358	8,628,216	8,479,272	8,371,927

Note: The Capital Rules for Commercial Banks has taken effect on 1 January 2024. The data of 2024 in the above table was calculated according to the above rules, and the data of 2023 was calculated according to the Administrative Measures on Leverage Ratio for Commercial Banks.

For details of the regulatory capital indicators, please refer to the 2024 Interim Pillar III Information Disclosure Report of China Minsheng Banking Corp., Ltd. 《中國民生銀行股份有限公司2024年半年度第三支柱信息披露報告》 in the section headed “Investors Relations – Announcements and Disclosures – Regulatory Capital” on the Bank’s website (www.cmbc.com.cn).

VII. Liquidity Indicators

(I) Liquidity coverage ratio

As at the end of the Reporting Period, the liquidity coverage ratio of the Group was 140.61%, 40.61 percentage points higher than the regulatory requirement, indicating that the Group had an adequate reserve of high-quality current assets and maintained its liquidity stability.

Item (RMB million)	30 June 2024	31 December 2023
Liquidity coverage ratio (%)	140.61	146.06
High-quality current assets	1,087,109	1,125,729
Net cash outflow in 30 days	773,127	770,717

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Net stable funding ratio

As at the end of the Reporting Period, the net stable funding ratio of the Group was 104.78%, 4.78 percentage points higher than the regulatory requirement, indicating that the available stable funding sources of the Group was capable to support the sustainable and stable business development.

Item (RMB million)	30 June 2024	31 March 2024	31 December 2023
Net stable funding ratio (%)	104.78	104.99	106.91
Stable funding available	4,313,586	4,438,363	4,408,200
Stable funding required	4,116,880	4,227,307	4,123,164

VIII. Segment Report

The business segments of the Group are categorised as corporate banking, retail banking and others for the purposes of management, reporting and evaluation. The geographical segments are categorised into 8 sections including the Head Office, the Yangtze River Delta, the Pearl River Delta, the Bohai Rim, Northeastern Region, Central Region, Western Region, and the institutions outside the Chinese mainland and subsidiaries for the purposes of management, reporting and evaluation.

(I) Segment operating results by business line

Item (RMB million)	30 June 2024	January-June 2024	
	Total assets	Operating income	Profit before income tax
Corporate banking	4,722,383	31,833	16,973
Retail banking	1,860,240	29,973	7,728
Others	910,559	3,783	-1,225
Total	7,493,182	65,589	23,476

Item (RMB million)	31 December 2023	January-June 2023	
	Total assets	Operating income	Profit before income tax
Corporate banking	4,746,660	34,570	16,697
Retail banking	1,869,630	31,601	10,134
Others	1,004,083	3,697	-2,084
Total	7,620,373	69,868	24,747

Note: Total assets exclude deferred income tax assets.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Segment operating results by geographical region

Item (RMB million)	30 June	January-June 2024	
	2024 Total assets	Operating income	Profit before income tax
Head Office	3,151,158	22,685	4,641
Yangtze River Delta	1,189,535	10,734	2,755
Pearl River Delta	789,619	7,438	3,970
Bohai Rim	1,330,581	8,009	4,123
Northeastern Region	150,852	1,344	725
Central Region	578,793	5,618	2,887
Western Region	675,957	4,940	2,128
Institutions outside the Chinese mainland and subsidiaries	451,865	4,821	2,247
Inter-region adjustment	-825,178	-	-
Total	7,493,182	65,589	23,476

Item (RMB million)	31 December	January-June 2023	
	2023 Total assets	Operating income	Profit before income tax
Head Office	3,369,881	22,020	4,627
Yangtze River Delta	1,260,635	12,044	4,038
Pearl River Delta	758,206	8,401	4,664
Bohai Rim	1,490,154	8,625	2,410
Northeastern Region	154,292	843	-832
Central Region	563,519	5,945	3,424
Western Region	667,749	7,468	4,639
Institutions outside the Chinese mainland and subsidiaries	397,135	4,522	1,777
Inter-region adjustment	-1,041,198	-	-
Total	7,620,373	69,868	24,747

Note: Total assets exclude deferred income tax assets.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

IX. Other Financial Information

(I) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk control and protect the legitimate rights and interests of investors and all relevant parties, the Bank has formulated the Administrative Measures Regarding Account Valuation of Financial Instruments at Fair Value of China Minsheng Bank 《中國民生銀行金融工具公允價值入賬估值管理辦法》 based on the Accounting Standards for Business Enterprises 《企業會計準則》, and established a clear and effective governance structure and internal control procedures, expanding the scope of fair value measurement to cover certain financial assets and financial liabilities, and clarifying and refining the policies, methods and procedures for fair value measurement. To enhance the rationality and reliability of fair value measurement, the Bank has assigned specific working responsibilities for the management of fair value measurement to the Board, the Board of Supervisors, the Senior Management and execution bodies at various levels, so as to continuously strengthen research on the fair value measurement of its asset and liability businesses and improve internal valuation capabilities, gradually optimise the valuation models and systems, and to strengthen the verification of parameters obtained externally. Moreover, the Bank has taken corresponding internal control measures over the fair value measurement process, conducted double-checking system for the measurement of fair value, and adopted a valuation procedure of fair value featuring multiple checks and early-warning and monitoring on valuation results. Furthermore, by continuously supervising and checking the measurement scope, methodology and procedures of fair value, the audit departments have constantly improved internal control within the Bank.

The Bank has adopted new accounting standards including the International Financial Reporting Standard 9: Financial Instruments 《國際財務報告準則第9號：金融工具》 (IFRS9) and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments 《企業會計準則第22號—金融工具確認和計量》, the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets 《企業會計準則第23號—金融資產轉移》, the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting 《企業會計準則第24號—套期會計》 and the Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement 《企業會計準則第39號—公允價值計量》 promulgated by the Ministry of Finance. During the Reporting Period, the Bank completed the SPPI test, product classification, valuation, and impairment assessment of financial instruments, and conducted fair value measurement in accordance with the new accounting standards.

2. Financial instruments measured at fair value

For details of the scope of the Bank's financial instruments measured at fair value, measurement methodologies and relevant parameters, please refer to Note XI "Fair Value of Financial Instruments" to the financial statements.

(II) Overdue and outstanding liabilities

As at the end of the Reporting Period, the Group had no material outstanding liabilities that were overdue.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) Cash flow

During the Reporting Period, the Group's net cash flow from operating activities was RMB-283,843 million, and the net inflow decreased by RMB392,474 million as compared with the corresponding period of the previous year, mainly due to the decrease in net inflow of deposits from customers as a result of the optimised liability structure, the reduction of high-cost deposits and the increase in the issuance of IBNCD to replace deposits from banks and other financial institutions. The net cash flow from investment activities amounted to RMB34,359 million, and the net outflow decreased by RMB37,052 million as compared with the corresponding period of the previous year, mainly due to the increases in cash received from recovery of investments and investment income. The net cash flow from financing activities amounted to RMB125,005 million, and the net outflow decreased by RMB166,422 million as compared with the corresponding period of the previous year, mainly due to the increase in cash received from issuance of debt securities as a result of the increase in the issuance of IBNCD.

Item (RMB million)	January- June 2024	January- June 2023	Change
Net cash flow from operating activities	-283,843	108,631	Net inflow decreasing by 392,474
Of which: Net cash flow from deposits from customers	-218,271	247,934	Net inflow decreasing by 466,205
Net cash flow from loans and advances to customers	-55,966	-265,774	Net outflow decreasing by 209,808
Net cash flow from investment activities	34,359	-2,693	Net outflow decreasing by 37,052
Of which: Cash received from recovery of investments and investment income	1,136,478	833,127	Inflow increasing by 303,351
Cash paid for investments	-1,099,682	-833,348	Outflow increasing by 266,334
Net cash flow from financing activities	125,005	-41,417	Net outflow decreasing by 166,422
Of which: Cash received from issuance of debt securities	780,546	506,253	Inflow increasing by 274,293
Cash for repaying debts	-606,378	-530,375	Outflow increasing by 76,003

X. Operational Concerns

(I) Continuous optimisation of asset structure

During the Reporting Period, the Group strengthened its strategic orientation, adhered to the principle of seeking progress while maintaining stability, deepened the adjustment of its asset structure, and consolidated the momentum of sustainable development. Firstly, the Group optimised the allocation of resources, enhanced coordinated management, accelerated the circulation and transaction of bond assets, controlled the scale of low-yielding assets, and steadily enlarged the size and significantly increased the proportion of general loans. Secondly, the Group focused on key areas of the real economy, strengthened

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

resource guarantee, promoted balanced credit placement, and enhanced capital efficiency. As at the end of the Reporting Period, the growth rates of green credit, loans to the manufacturing industry, and the inclusive small business loans of the Bank were 12.71%, 8.75%, and 5.55%, respectively, all higher than the average growth rates of various loans.

In the next stage, the Group will continue to promote the optimisation of asset structure and the improvement of operation quality and efficiency. Focusing on the “five major sectors”, the Group will actively explore potential effective demands, further refine customer development, continue to increase support for key areas, and constantly enhance the capability of financial services in serving the real economy.

(II) Net interest margin

In the first half of the year, the net interest margin of the Group was 1.38%, representing a decrease of 10BP as compared with the corresponding period of the previous year, mainly due to the year-on-year decrease in the pricing of new loans as a result of the LPR cut and insufficient effective credit demand, along with the decrease in the return on assets arising from the lowered interest rate of existing mortgage loans. Although the year-on-year improvement of the cost ratio on the liability side was weaker than the decrease in the asset return ratio on the asset side, the rigid trend has become better, mainly due to the improved competition order in the deposit market and the continuous low level of fund interest rate in the second quarter, which will further support net interest margin subsequently. At the same time, the Group strove to enhance capital efficiency and increase the proportion of credit assets to relieve the downward pressure of net interest margin.

In the second half of the year, the Group will continue to return to the service origin, continuously improve its capability to serve the high-quality development of the real economy, constantly optimise asset structure, improve the quality of assets and liabilities, and strengthen refined management, so as to relieve the downward pressure of net interest margin. On the asset side, around the “five major sectors”, the Group will actively seek growth point of credit assets and enhance the efficiency of asset operation. On the liability side, the Group will continue to consolidate the liability foundation, promote the growth of settlement-based deposits, and increase the proportion of demand deposits in liabilities. At the same time, the Group will flexibly arrange the introduction of interbank liabilities according to the trend of fund interest rate, and guide the cost ratio of interest-bearing liabilities to go down.

(III) Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB17,007 million, representing a decrease of RMB1,527 million, or 8.24%, as compared with the corresponding period of the previous year. Of which, the net fee and commission income of the Group decreased by RMB1,191 million as compared with the corresponding period of the previous year, mainly due to the year-on-year decrease in the fee and commission income from retail wealth management business as a result of fee rate reduction for agency sales of insurances and funds. In addition, affected by capital market fluctuations and other factors, the Group’s other net non-interest income decreased by RMB336 million as compared with the corresponding period of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Formation and collection and disposal of non-performing assets

The Bank continued to improve the quality and effectiveness of credit risk management, optimised the credit placement structure around key national strategic areas, and promoted the effective diversification of the Bank's asset portfolio in terms of industries, regions, customers and products. The Bank enhanced its professional capability of investigation and approval, and strictly examined the first source of repayment. The Bank effectively implemented the three-level post-loan and post-investment management mechanism of "execution, management and supervision", and accelerated the construction of digital and intelligent post-loan management platform, in order to improve post-loan management. The Bank strengthened risk monitoring, early-warning and active exit management, established a reporting mechanism for material credit risk of legal person customers, and strictly prevented large-amount exposure. During the Reporting Period, the formation rate of NPLs¹ (annualised) of the Bank was 1.27%, representing a decrease of 0.20 percentage points as compared with the corresponding period of the previous year, going down at a steady pace.

The Bank proactively responded to the changing situation faced by the collection and disposal of non-performing assets, adhered to the philosophy of managing non-performing assets, applied collection and disposal strategies in a classified manner, and took multiple measures for disposal. During the Reporting Period, the Bank collected and disposed a total of RMB28,150 million non-performing assets, including RMB27,625 million NPLs. Divided by disposal method, RMB3,743 million were collected in cash, RMB3,958 million were securitised, RMB1,855 million were transferred, RMB17,730 million were written off, and RMB339 million were collected and disposed through repossession and other methods. RMB525 million non-credit non-performing assets were also collected and disposed. Meanwhile, the Bank accelerated the recovery of assets that had been written off to actively replenish operating profits. During the Reporting Period, the Bank recovered RMB5,113 million written-off assets, representing an increase of 20.31% as compared with the corresponding period of the previous year.

In the next stage, the Bank will proactively take measures to respond to the changes in risk situation, continue to strengthen the full-process credit risk management, and deepen the implementation of the risk management mechanism of three lines of defense. The Bank will advance the optimisation of credit structure and the implementation of portfolio risk management targets throughout the year, and promote antecedent risk management in accordance with the requirements of early identification, early-warning, early exposure, and early disposal, to effectively control new risk exposures. The Bank will continue to intensify the collection and disposal of non-performing assets, strive to improve the collection and disposal quality and effectiveness, and give full play to the role of asset preservation in stopping and reducing losses, thereby maintaining the overall stability of asset quality.

¹ Formation rate of NPLs = New NPLs of the period/total loans and advances to customers as at the beginning of the period × annualised coefficient.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(V) Risk management and control of the real estate industry

The Group attached great importance to the risk prevention in the real estate sector and implemented relevant national policies and regulatory requirements concerning the real estate industry. Following the general principles of “stabilising total amount, adjusting structures, strengthening management and controlling risks”, and based on the new model for real estate development, the Group maintained a steady scale, optimised business structure, and supported the “three major projects” such as affordable housing and rental housing with financial services. Meanwhile, the Group earnestly implemented the urban real estate financing coordination mechanism, ensured housing project delivery, effectively distinguished the credit risks of the group and the project, and equally met the reasonable financing needs of real estate enterprises of different ownerships. The Bank strengthened risk management and control, adopted multiple measures and effectively managed projects in their durations in a layered and classified manner.

As at the end of the Reporting Period, the balance of corporate credit business with credit risks assumed by the Group in relation to real estate, such as loans, off-balance sheet credit, standard debt investment, non-standard debt investment and bond investment, was RMB408,460 million, representing a decrease of RMB11,214 million, or 2.67%, as compared with the end of the previous year. Of which, the balance of loans to the real estate industry was RMB340,400 million, representing a decrease of RMB5,898 million, or 1.70%, as compared with the end of the previous year, and accounted for 83.34%. The new loans were mainly placed to high-quality projects of steady customers and in high-quality regions. The real estate business with credit risks assumed by the Group was mainly project financing. The projects were mainly concentrated in tier-1 and tier-2 cities and were secured by collaterals such as project lands and projects under construction, and additional equity pledges of the project companies and guarantees of their group companies. The risks of real estate business were generally controllable. As at the end of the Reporting Period, the balance of NPLs of corporate real estate business of the Group amounted to RMB18,007 million, representing an increase of RMB969 million as compared with the end of the previous year. The NPL ratio was 5.29%, representing an increase of 0.37 percentage points as compared with the end of the previous year.

As at the end of the Reporting Period, the balance of businesses not assuming credit risks in relation to the real estate industry of the Group, such as net-worth wealth management, entrusted loans, and debt financing instruments with the Bank as the leading underwriter, amounted to RMB55,498 million, representing a decrease of RMB9,111 million, or 14.10%, as compared with the end of the previous year. The business scale was small on the whole.

In the next stage, the Group will continue to strictly implement the national decisions and deployments and regulatory requirements concerning the real estate industry, advance the implementation of the central government’s task of ensuring housing project delivery and the urban real estate financing coordination mechanism, meet the reasonable financing needs of real estate enterprises, and promote risk mitigation in an orderly manner, so as to support the steady and healthy development of the real estate market.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Capital management

During the Reporting Period, the Group took “enhancing efficiency, creating value, strengthening constraints, optimising structure, strengthening endogenous accumulation and replenishing reasonably” as the principle of capital management, continuously adjusted the asset-liability structure, fully guaranteed credit placement, guided the reasonable and effective allocation of resources, and promoted strategic transformation and value enhancement. As at the end of the Reporting Period, the Group’s core tier-1 CAR, tier-1 CAR and CAR were 9.35%, 10.32% and 12.30%, respectively, remaining stable in general.

With the official implementation of additional regulatory requirements on systemically important banks and the Capital Rules, the Group will continue to follow regulatory trends, strengthen capital constraints, optimise the structure of capital occupation, and improve capital efficiency. At the same time, the Bank will continue to improve the capital replenishment mechanism, actively expand financing channels, replenish capital in due time and appropriate amount, and improve the capital adequacy level and risk resistance capability of the Group.

XI. Review of Main Businesses

(I) Corporate banking business

1. Strategic measures

During the Reporting Period, the Bank constantly carried out marketing system reform of corporate business, deepened the layered and classified customer marketing services, solidly pursued integrated operation and comprehensive services, and strengthened the business system consisting of multiple drivers of “strategic customer group + basic customer group + small business customer group + institutional customer group” and with two wings of “basic products + eco-finance”, so as to consolidate the sustainable development foundation of corporate business. Meanwhile, the Bank actively integrated itself into the great picture of national development, thoroughly implemented the spirit of the Central Financial Work Conference, and gave more financial support to sci-tech finance, green finance, rural revitalisation, high-end manufacturing and other important fields of the real economy, in an effort to contribute to the development of “five major sectors” and fulfill the Bank’s social responsibility.

During the Reporting Period, the corporate business of the Bank maintained steady development. As at the end of the Reporting Period, the balance of corporate deposits of the Bank amounted to RMB2,757,943 million, representing a decrease of RMB296,477 million, or 9.71%, as compared with the end of the previous year. The balance of general corporate loans amounted to RMB2,436,368 million, representing an increase of RMB90,193 million, or 3.84%, as compared with the end of the previous year.

2. Customer groups

(1) The management and development of strategic clients was deepened continuously, demonstrating growing driving force.

During the Reporting Period, the Bank implemented the integrated management of micro, small and medium enterprises (MSMEs), large enterprises and individual customers around “points, chains and ecosystems” of strategic clients, and achieved phased results in three aspects:

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Firstly, the Bank deepened point-based management. During the Reporting Period, led by high-level marketing, the Bank maintained steady growth in loan scale. As at the end of the Reporting Period, the balance of loans (including discounted bills) to strategic clients at the Head Office and branch levels amounted to RMB1,213,854 million, representing an increase of RMB39,466 million, or 3.36%, as compared with the end of the previous year.

Secondly, the Bank enhanced chain-based development. During the Reporting Period, the Bank continued to organise the supply chain finance customer conventions (客商大會) with the theme of “Supply Chain-Based Development (以鏈為基綻放光芒)”. A total of 30 conventions were hosted during the Reporting Period, enabling the precise acquisition of marketing clues of customers along the supply chains. Meanwhile, the Bank strengthened the driving force of strategic clients and pushed marketing clues to the small and medium-sized enterprise (SME) customer group to acquire customers. The rate of successful customer conversion reached more than 20%. As at the end of the Reporting Period, the balance of supply chain business of strategic clients amounted to RMB144,046 million, representing an increase of RMB19,864 million as compared with the end of the previous year. The number of core enterprises of strategic clients was 1,718, representing an increase of 280 as compared with the end of the previous year. The number of financing corporate clients along the supply chains of strategic clients was 23,627, representing an increase of 6,738 as compared with the end of the previous year.

Thirdly, the Bank enhanced ecosystem-based development. As at the end of the Reporting Period, the scale of payroll agency of strategic clients amounted to RMB22,819 million. During the Reporting Period, the Bank witnessed 392 newly contracted corporate clients for payroll agency, representing an increase of 187 as compared with the corresponding period of the previous year, which brought in 103,300 new individual customers for payroll agency, representing an increase of 2,200 as compared with the corresponding period of the previous year.

(2) The management of SME basic customer group was continuously reinforced, speeding up the building of distinctive advantages.

During the Reporting Period, the Bank took SME business as the “No. 1 project” of the corporate business line, adhered to long-termism, returned to the origin of serving customers, and accompanied customers to increase value, intensified the “value-oriented, risk-focused, and technology-supported” approach, enhanced customer group management with concrete efforts, and improved the ecosystem-based, digital and comprehensive services, striving to become the host bank for SMEs. It continued to consolidate the foundation of SME customer group, and build distinctive advantages.

Firstly, in terms of the model-based customer acquisition, the Bank focused on “points, chains, ecosystems and parks” and distinctive industries, and created an industry map of SMEs, to improve the effectiveness of customer acquisition and expansion under the guidance of planning. Secondly, in terms of effective enhancement of customer value, the Bank deepened the strategy of the host bank, introduced differentiated product packages by relying on the platform of E-Minsheng Family (民生e家), and expanded the businesses of payroll agency and settlement. Thirdly, in terms of customer loyalty enhancement through

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

digital means, the Bank advanced digital precise marketing, optimised marketing models for batch customer acquisition, and enhanced the empowerment of digital tools. Fourthly, in terms of comprehensive value enhancement of customers, the Bank enriched the forms of marketing activities, promoted the activity of Park Visits (園區萬里行), and deepened the development of platforms in collaboration with JD.com and Liando Group, thereby enhancing the Bank's brand influence in SMEs.

As at the end of the Reporting Period, the balance of credit to SMEs of the Bank amounted to RMB904,235 million, representing an increase of 7.36% as compared with the end of the previous year. The number of SME credit customers was 32,923, representing an increase of 16.78% as compared with the end of the previous year.

The Bank proactively implemented the national strategy of building technology power, and enhanced support for sci-tech enterprises represented by the dedicated, refined, distinctive and innovative (DRDI) enterprises. Firstly, the Bank enriched the products of "Equity Investment, Debt Financing, Wealth Management and Wisdom Consulting (投、融、富、慧)" in the Easy Innovation (易創) product system, and optimised the online unsecured loan product of "E-Easy Innovation Loan (易創E貸)". Secondly, the Bank improved the establishment of the "Sparks Platform (螢火平台)". Thirdly, the Bank continued to host series marketing activities such as "Minsheng Sci-Tech Finance (科技金融•民生相伴)". As at the end of the Reporting Period, the Bank provided in-depth services for more than 100 thousand sci-tech enterprises and over 23 thousand DRDI customers.

(3) Primary-level marketing for the institutional customer group was enhanced, steadily promoting high-quality business development.

The Bank regarded high-quality and sustainable development as the main operating target, and was committed to becoming the preferred bank of administrative bodies, public institutions, social organisations and other institutional customers at all levels in terms of comprehensive financial services. As at the end of the Reporting Period, the number of institutional customers of the Bank amounted to 37,252, representing an increase of 8.98% as compared with the end of the previous year.

The Bank strengthened qualification development while enhancing primary-level marketing. During the Reporting Period, the Bank signed the entrusted agency agreement with the Ministry of Finance on the centralised payment for the central finance and the state treasury, and newly added 25 local-level finance-related qualifications. The Bank established the layered and classified customer marketing mechanism. On the basis of business exploration of primary-level administrative and public institutions, hospitals, schools, sports, publication and other segmented fields, the Bank further consolidated the foundation of institutional customers with customer needs as the service target.

The Bank optimised comprehensive services while fulfilling social responsibility. The Head Office established a special working programme, continuously conducted marketing services of medical insurance business in key areas, and proactively supported local medical insurance reforms in various regions. During the Reporting Period, the Bank signed 1 new strategic cooperation agreement with the local government to provide comprehensive financial services and support.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. Businesses and products

(1) Policy business: comprehensively implementing national strategic deployments and continuously elevating the quality and effectiveness of serving the real economy

The Bank proactively implemented the strategic deployment of “green finance”, integrated the green development strategy into all aspects of operation and management, reinforced the building of professional service capability of green finance, and improved the quality and effectiveness of serving the green and low-carbon transformation of the economy and society. Firstly, the Bank continued to focus on key fields such as clean energy, low-carbon transformation, clean production, green building, and ecological governance, and provided comprehensive services covering full industry chains. Secondly, the Bank continued to enrich and iterate the product and service system of “Minsheng Carbon Peak and Carbon Neutrality (民生峰和)”, and enhanced the innovation of product and comprehensive service models under segmented scenarios. The Bank strengthened the promotion and application of innovative products such as “carbon rights-pledged financing”, “Emission Reduction Loan (減排貸)”, “Photovoltaic Loan (光伏貸)” and “Minsheng E-Carbon Loan (民生碳e貸)”. It launched innovative loan products that pegged to sustainable development to encourage enterprises to improve their sustainability performance. It also released the “Exploring the Development of Carbon Market Together (同心碳路)”, a financial service solution for the Chinese Certified Emission Reduction (CCER) market, empowering the carbon market development and expansion. Thirdly, the Bank intensified the marketing in key regions including Beijing-Tianjin-Hebei, Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, the Chengdu-Chongqing economic circle, and Fujian, as well as the marketing targeted at local distinctive customer groups, so as to jointly facilitate local green and low-carbon development.

As at the end of the Reporting Period, the balance of green credit of the Bank amounted to RMB297,829 million, representing an increase of 12.71% as compared with the end of the previous year, with higher growth rate than the average of all other loans. With the outstanding performance in green and low-carbon fields, the Bank was awarded the “Low-carbon Case of 2024 (2024年度低碳案例)” by the China News Service.

The Bank accelerated the integrated industry chain-based development around the rural revitalisation customer group. During the Reporting Period, guided by the spirit of the Central Economic Work Conference and the Central Rural Work Conference and according to the requirements of credit policies and risk strategies, the Bank focused on leading agricultural enterprises and supply chains, key sectors and industrial parks and accelerated the in-depth and integrated industry chain-based development of customer groups related to agriculture, rural areas and farmers. Firstly, the Bank continued to focus on leading enterprise in the five sectors of grain, milk, meat, liquor and cotton, promoted the product model replication of Agriculture and Animal Husbandry Loan (農牧貸), Cotton Grower Loan (棉農貸) and Agricultural Reclamation and Agricultural Loan Express (農墾農貸通) in the industry leaders and main production areas, to expand business to a higher level. Secondly, relying on the eco-finance products such as E-Procurement (採購e) and Goods Ordering Fast Loan (訂貨快貸), the Bank facilitated the development of downstream dealer financing business in the high-quality food, grain and oil industries. Thirdly, the Bank continued to improve the innovation and application of scenario-based products, increased credit placement to agriculture and rural areas, and

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

expanded business in industries with rural characteristics and advantages and county-level economies, in a bid to promote the high-quality development of rural revitalisation-related business. As at the end of the Reporting Period, the balance of loans related to agriculture, rural areas and farmers² of the Bank amounted to RMB304,076 million, representing an increase of RMB17,753 million, or 6.20%, as compared with the end of the previous year.

Significant achievements have been made in finance serving the manufacturing industry. The Bank resolutely implemented the strategic deployments of the CPC Central Committee and the State Council in “building China into a leading manufacturer”, “working on the major sector of sci-tech finance” and large-scale equipment renewals, attached great importance to expanding the mid- to long-term loans to the manufacturing industry and supporting the project financing of sci-tech enterprises, and continued to increase support for key areas such as advanced manufacturing and equipment renewal. The Bank incorporated manufacturing and sci-tech innovation finance as strategic businesses into its mid- to long-term development plan, carried out forward-looking deployment, and strengthened resource investment in key areas. Focusing on major projects of the mid- to long-term development of manufacturing industry, equipment renewal and sci-tech finance, the Bank established a rapid distribution and feedback mechanism for the projects in the list to accelerate their implementation. Around the “leading enterprises” of the key industry chains of the manufacturing industry, the Bank constantly enhanced support for supply chain financing. Through the combined application of multiple products such as pre-project loans, project loans, syndicated loans and asset-backed financing, the Bank offered full-life cycle empowerment and integrated services for high-quality manufacturing projects.

As at the end of the Reporting Period, the balance of loans to the manufacturing industry of the Bank amounted to RMB504,057 million, representing an increase of 8.75% as compared with the end of the previous year, and accounted for 11.44% of total loans of the Bank, representing an increase of 0.84 percentage points as compared with the end of the previous year.

(2) Basic products: accelerating the iteration and upgrading of basic products to create the ultimate customer service experience

The Bank continuously optimised the account and settlement product and service system. During the Reporting Period, the Bank advanced the standardisation of account opening, optimised the coordinated contract signing function of “E-Account Opening (開戶e) + basic products”, and launched customised account services. Focusing on the business needs of high-frequency payment and settlement of enterprises, the Bank built the brand of “Minsheng Treasury Cloud (民生財資雲)”, providing one-stop digital solutions for treasury management of enterprises. During the Reporting Period, the daily average balance of general deposits of settlement customers³ of the Bank amounted to RMB1,275,875 million, representing an increase of RMB54,372 million, or 4.45%, as compared with the previous year.

² In accordance with the requirements of the PBOC, the Bank began to implement the new standard for loans related to agriculture, rural areas and farmers from June 2024, and the data for the comparison period was updated accordingly.

³ In 2024, the Bank adjusted the standard for daily average deposits of settlement customers, excluding some deposits of non-settlement active customers, and adjusted the base of 2023 accordingly.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank empowered enterprises' operation and development with scenario-based trade financing products. During the Reporting Period, the Bank continued to build the financing product system of "Minsheng E-Chain (民生e鏈)", providing 27,137 customers with supply chain financing services, representing an increase of 7,995, or 41.77%, as compared with the end of the previous year. The Bank further expanded the service scenarios for letter of guarantee (L/G). During the Reporting Period, 7,434 e-L/Gs were handled, representing an increase of 23.65% as compared with the corresponding period of the previous year. The Bank provided account receivable financing services for customer groups in key industries such as the manufacturing industry. The business volume of factoring amounted to RMB82,980 million, representing an increase of 31.63% as compared with the corresponding period of the previous year. The Bank constantly popularised the convenient bills products, such as self-service discounting and Acceptance and Discount Express (承貼直通車), and upgraded the Bills Butler 4.0 (票據管家4.0), delivering diversified bills services for customers.

Feature 1: Empowering the Digitalisation of Treasury Management of Enterprises with "Minsheng Treasury Cloud"

Ten function modules have been developed for "Minsheng Treasury Cloud", including account management, fund settlement, cash pool, etc. At the same time, "Minsheng Treasury Cloud" supports the connection to the internal systems of enterprises such as ERP, OA, CRM, and expense control and reimbursement systems. It integrates multi-bank financial services, collaborates with several application platforms, and combines with the professional advantages in cash management, payment and settlement, cross-border finance, and risk management of banks, in a bid to facilitate enterprises to improve the efficiency of fund management and utilisation. Currently, it serves more than 5,000 customers and member enterprises at all levels.

(3) International business: creating international business with Minsheng characteristics with high-level opening-up orientation

During the Reporting Period, the Bank continued to improve the digital and convenient cross-border financial services system. The Bank launched the "Customs Duty Express (關稅通)" and "E-L/Gs for Cross-border E-commerce (跨境電商電子保函)", and enriched service scenarios for the payment of customs duties and fees. The Bank popularised its full-process online product of "Cross Border E-Finance (跨境e融)", providing financing services for SMEs engaged in foreign trade. The Bank optimised and iterated the foreign exchange business facilitation system, and improved the operation norms, transforming the first-mover advantage of foreign exchange business facilitation into customer service advantage. During the Reporting Period, the business volume of international settlement of the Bank amounted to USD175,778 million, representing an increase of 12.86% as compared with the corresponding period of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(4) Investment banking: reinforcing the integration of sci-tech finance and investment banking to continuously improve comprehensive service capabilities

During the Reporting Period, adhering to strategic orientation and services for customer groups, the Bank enriched application scenarios and innovated operation models, so as to satisfy customers' financial demands in an all-round, diversified and comprehensive manner. Firstly, the Bank worked on the major sector of "sci-tech finance", and took multiple measures to further improve the quality and efficiency of finance serving sci-tech innovation enterprises. As at the end of the Reporting Period, the Bank provided over RMB400 billion credit support for sci-tech enterprises represented by the DRDI customer group. Secondly, the Bank focused on national strategies, enhanced resource allocation and supported the real economy. As at the end of the Reporting Period, the balance of M&A loans and domestic syndicated loans of the Bank amounted to RMB379,393 million, representing an increase of 5.58% as compared with the end of the previous year. Thirdly, the Bank innovatively underwrote sci-tech innovation-related bills, green bonds, bonds pegged to sustainable development, and bonds related to serving agriculture, rural areas and farmers. During the Reporting Period, the bonds issued by the Bank amounted to RMB143,338 million, of which, the Bank underwrote 379 debt financing instruments of non-financial enterprises with the amount of RMB135,888 million.

4. Risk management

The Bank launched the activity of "Year of Strengthening Operational Risk Governance (操作風險治理強化年)". The Bank organised the special activity of "Year of Strengthening Operational Risk Governance", and carried out comprehensive self-inspections in key areas such as credit fund flow, collateral management, risk information sharing and expenditures of accounts of customer groups under its management, so as to safeguard the bottom line of compliance.

The Bank continued to enhance digital empowerment to facilitate the development of digital and intelligent post-loan platform. The Bank constantly iterated the system of "Palm Eye (掌中眼)", realising the visualisation of risk statistics, such as non-performing assets, industry distribution and early-warning analysis, of the customer groups under the management of the Corporate Business Department of the Bank. The Bank pushed ahead with the construction of a digital and intelligent post-loan management platform for corporate legal person customers, further improving digital risk control.

The Bank strictly executed the risk strategies and continued to enhance asset quality. The Bank strictly implemented its risk preferences of "maintaining stability and prudence, staying active and comprehensive, optimising structure and improving quality" in 2024. It adhered to the principle of "business development with risk prevention and control capabilities as the boundary", and took "strengthening value creation and balancing risks and returns" as the goal. The Bank comprehensively consolidated the risk control system, safeguarded the bottom line of no systemic risks, and continued to optimise the allocation of risk assets. During the Reporting Period, the asset quality of corporate business under the management of the Corporate Business Department of the Bank continued to improve.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, total NPLs of corporate business of the Group amounted to RMB35,268 million, representing a decrease of RMB2,974 million as compared with the end of the previous year. The NPL ratio was 1.32%, representing a decrease of 0.14 percentage points as compared with the end of the previous year.

(II) Retail banking business

1. Strategic measures

The Bank continued to implement the development strategy of taking retail business as a long-term and fundamental strategic business in an in-depth manner, strengthened the cross-segment coordinated development, pushed forward the integrated development of customer groups, and continuously enhanced the capability of managing segmented customer groups. The Bank upgraded the product and service system, strengthened digital management, and delivered extraordinary customer experience, in an aim to consolidate competitive advantages of retail business in the market.

During the Reporting Period, the operating income from retail business amounted to RMB29,973 million, accounting for 48.10% of operating income of the Bank, representing an increase of 0.92 percentage points as compared with the corresponding period of the previous year. Of which, the net interest income from retail business amounted to RMB23,887 million, accounting for 79.70% of operating income from retail business. The net non-interest income from retail business amounted to RMB6,086 million, accounting for 20.30% of the operating income from retail business and 39.29% of net non-interest income from corporate and retail businesses of the Bank.

As at the end of the Reporting Period, total retail AUM⁴ of the Bank amounted to RMB2,885,580 million, representing an increase of RMB154,304 million, or 5.65%, as compared with the end of the previous year. Of which, the financial assets of customers holding gold and higher level cards amounted to RMB2,465,082 million, representing an increase of RMB145,348 million, or 6.27%, as compared with the end of the previous year, and accounted for 85.43% of total retail AUM of the Bank. Total assets of private banking customers amounted to RMB839,268 million, representing an increase of RMB62,326 million, or 8.02%, as compared with the end of the previous year. Personal deposits amounted to RMB1,263,534 million, representing an increase of RMB78,015 million, or 6.58%, as compared with the end of the previous year.

As at the end of the Reporting Period, total retail loans (including credit card overdraft business)⁵ of the Bank amounted to RMB1,932,845 million, representing an increase of RMB30,529 million, or 1.60%, as compared with the end of the previous year, and accounted for 43.86% of total loans of the Bank, representing an increase of 0.34 percentage points as compared with the end of the previous year. Of which, credit card overdrafts amounted to RMB474,966 million, representing a decrease of RMB13,007 million as compared with the end of the previous year. The balance of mortgage loans amounted to RMB537,710 million, representing a decrease of RMB6,135 million as compared with the end of the previous year.

⁴ The statistical standard of total retail AUM has added in the scale of security assets of retail customers of the Bank at Hong Kong Branch, CMBC International and third-party institutions.

⁵ The small business loans of the Bank are managed by the Small Business Finance SBU in a coordinated manner. The retail loans in this paragraph include loans to small business legal persons.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Customer group management

As at the end of the Reporting Period, the number of retail customers⁶ of the Bank was 132,033.1 thousand, representing an increase of 2.57% as compared with the end of the previous year. The number of private banking customers⁷ was 60,156, representing an increase of 4,250, or 7.60%, as compared with the end of the previous year. The number of VIP customers was 4,396.2 thousand, representing an increase of 473.6 thousand as compared with the end of the previous year. The number of retail loan customers was 3,471.6 thousand, representing an increase of 208.0 thousand as compared with the end of the previous year.

During the Reporting Period, the Bank comprehensively promoted the development of a layered and segmented customer group management system. The Bank built a “9+N” product marketing and service system with full-journey, full-channel and multi-touch point operations. It expanded the depth and breadth of services for the general customer group with deeply matched products and scenarios, and actively explored the centralised business model for the basic customer group to improve management quality and efficiency. With standardised services and professional allocation, the Bank enhanced the investment experience of the wealth management customer group. With the service model of private banking centres, the Bank provided personalised services for private banking customer group. At the same time, the Bank strove to improve the driving force of digital operation and management. It took the sales funnel as the basic logic of closed-loop management to form an intelligent marketing system for all retail customer groups, and utilised the intelligent board as a management decision-making tool to continuously upgrade digital management capabilities.

The Bank strengthened the service quality and efficiency of digital middle platform around the value chain of customer management. Firstly, the Bank focused on precise services and guided the smart sales of retail channels of the whole bank through strategies and clues. It carried out diversified, process-based, and closed-loop sales and event benefits management. Secondly, the Bank strengthened the support for frontline operation and upgraded the pocket tools that support multiple scenarios such as sales and management. It deepened the support for management decision-making based on data standards, data statistics and intelligent analysis. Thirdly, the Bank built an online operation platform for private traffic and promoted the human-machine collaborative service model with “AI+”.

The Bank upgraded the distinctive business model of private banking centres and strengthened the professional management of the wealth management customer group. Firstly, the Bank optimised the physical construction of private banking centres, deepened the personalised management of the private banking customer group, and strengthened the team building of wealth management managers and investment consultants. Secondly, the Bank conducted customised management of the entrepreneur

⁶ Number of retail customers refers to individual customers (including Type I, II, and III accounts), customers who only hold credit cards, and small business legal person customers with normal customer status.

⁷ Private banking customers refer to individual customers of the Bank with RMB6 million (inclusive) or above monthly and daily average scale of financial assets.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

customer group, and continued to improve the quality and efficiency of customer services with remote expert services of “Minsheng Intelligent Butler (民生慧管家)”. Thirdly, the Bank optimised standardised process for the management of the wealth management customer group, and advanced the development of a digital management system for the private banking customer group, including optimising the asset allocation recommendation function and building customer income centres, so as to improve customers’ investment service experience.

The Bank effectively conducted long-term basic customer acquisition and promoted high-quality ecosystem-based customer acquisition. Firstly, the Bank advanced the strategic development of payroll agency business in an integrated manner, optimised the enterprise platform, and improved the construction of special sections on personal mobile banking App. Secondly, the Bank comprehensively launched grid-based marketing, built full-channel, full-product and full-service outlets, and joined hands with cooperative partners around the outlets to complement each other’s advantages, so as to enhance the financial and non-financial service experience of customers. Thirdly, the Bank focused on high-frequency life scenarios of customers, gave full play to the role of ecosystem-based services, built new engines for the development and management of the UnionPay ecosystem, accelerated the popularisation of key shopping mall and supermarket scenarios, and improved the services for the elderly and the children, thereby enabling high-quality and large-scale customer acquisition.

3. Products and services

The Bank optimised the product and service system to create exceptional customer experience. The Bank strove to consolidate the foundation of retail products and services, and consistently provided warm and high-quality financial services to customers. The Bank focused on selecting the best products in the best, continuously enriching the shelves of steady wealth management products. The Bank gathered scarce resources to build high-quality customer benefits system. By strengthening external cooperation and full-process digitalisation, the Bank kept elevating the efficiency of consumer loan services. The Bank deepened coordinated marketing and comprehensive services, and advanced the refined management of credit card business. Furthermore, the Bank actively innovated high-quality product and service systems that better matched customer needs to comprehensively enhance its competitive advantage in the market.

The Bank has built a steady wealth management product and service system, and continued to optimise the experience of retail customers. Firstly, focusing on steady wealth management, the Bank significantly improved the overall risk resilience. During the Reporting Period, the scale of new wealth management business increased by RMB83,540 million, or 10.15%, as compared with the corresponding period of the previous year. Secondly, the Bank followed the principle of selecting the best insurance products in the best and exclusive customisation, and created insurance product shelves with market leading advantages. Thirdly, the Bank constantly deepened the establishment of the fund product system, made the strategy models more suitable for customer needs, and continued to enhance the capability of refined after-sales service. Fourthly, the Bank achieved full-process online operation of family trust business. As at the end of the Reporting Period, the scale of the family trust and insurance fund trust increased by 25.64% as compared with the end of the previous year. Fifthly, the Bank has built a horizontal and vertical two-way retail benefits system and achieved the full coverage of retail customers’ benefits. It also created distinctive

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

benefits such as private banking meeting rooms and one-click travel, enriched card and coupon benefits in the aspects such as sports and travel, and continued to deepen the customer experience optimisation mechanism. The Bank witnessed continuous improvement in customer satisfaction and customer retention rate of the benefit system. Of which, the NPS⁸ of “Apex Privileges (非凡禮遇)” increased to 85.90%, driving the retention rate of private banking customers up by 7.2 percentage points.

The Bank facilitated process optimisation and online operation to promote the sustainable development of consumer credit. Firstly, the Bank strengthened cooperation with key new housing developers and leading second-hand housing intermediary agencies, continued to optimise processes, advanced digital transformation, strengthened the building of mortgage business teams, and reinforced the comprehensive development of mortgage loan customers, thereby continuously improving the service quality and efficiency. Secondly, the Bank reshaped the product system and business process of Minsheng Easy Loan (a personal unsecured consumer loan product), pushed forward the construction of an online, digital and intensive full-process management system, and released frontline productivity. As at the end of the Reporting Period, the balance of “Minsheng Easy Loan” reached RMB51,580 million, representing an increase of RMB5,211 million, or 11.24%, as compared with the end of the previous year.

The Bank strengthened integrated coordination and ecosystem development, and refined credit card services. Firstly, the Bank expanded the business scale through refined management. The Bank reinforced platform cooperation and integrated various types of consumption installments into high-frequency consumption scenarios. The Bank continuously optimised business strategies regarding customer life cycle management to encourage credit card usage of active accounts and activate inactive accounts and dormant accounts. Secondly, the Bank expanded payment business based on scenario ecosystems. The Bank continued to improve payment and settlement functions, and held themed marketing campaigns around high-frequency consumption scenarios and major festivals. Thirdly, the Bank constantly improved the operational efficiency of coordinated customer acquisition. The Bank facilitated the business coordination between the credit card centre and the branches, built supporting and guarantee systems covering data, strategies and tools, and increased the proportion of effective customers holding both credit cards and debit cards.

4. Physical distribution channels

The Bank has established an effective domestic distribution network that covered all provinces in the Chinese mainland and were mainly located in the Yangtze River Delta, the Pearl River Delta, the Bohai Economic Rim and other regions. As at the end of the Reporting Period, the sales network of the Bank included 146 branch-level institutions (including 41 tier-1 branches (excluding the Hong Kong Branch), and 105 tier-2 branches (including remote sub-branches)) and 2,461 business outlets of sub-branches, including 1,252 general sub-branches (including business departments), 1,070 community sub-branches, and 139 small business sub-branches.

⁸ NPS (Net Promoter Score) is an indicator that measures the possibility of a customer in recommending an enterprise or service to others.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

5. Risk management

The Bank continuously advanced the establishment of digital and intelligent risk control system of the consumer credit business by enhancing the application of big data and technologies. Firstly, the Bank put in place an interactive anti-fraud system and adopted multiple handling methods and anti-fraud alert models, effectively elevating the overall anti-fraud capability. Secondly, the Bank fully utilised credit reporting, social insurance, provident fund and other third-party data, and optimised and upgraded access application, quota calculation and other model strategies, while conducting regular monitoring on consumer credit risks and returns and continuously iterating and optimising risk strategies. Thirdly, the Bank upgraded the collection management system, optimised monitoring and early-warning indicators, and continued to push forward the intelligent and automatic development of risk management and monitoring systems to enhance refined management.

As at the end of the Reporting Period, total NPLs of retail banking business (credit card inclusive)⁹ amounted to RMB29,631 million, representing an increase of RMB2,776 million as compared with the end of the previous year. The NPL ratio of retail banking business was 1.69%, representing an increase of 0.17 percentage points as compared with the end of the previous year. Total special-mentioned loans of retail banking business (credit card inclusive)¹⁰ amounted to RMB21,442 million, and the special-mentioned loan ratio was 1.23%. The NPLs of credit card business amounted to RMB15,388 million, representing an increase of RMB857 million as compared with the end of the previous year. The NPL ratio of credit card business was 3.24%, representing an increase of 0.26 percentage points as compared with the end of the previous year. The NPL ratio of mortgage loans was 0.83%, representing an increase of 0.16 percentage points as compared with the end of the previous year. The NPL ratio of non-mortgage consumer loans was 0.96%, representing a decrease of 0.06 percentage points as compared with the end of the previous year.

6. Small business finance

The Bank made refined efforts to develop inclusive finance, demonstrating Minsheng's responsibility in serving the real economy. As at the end of the Reporting Period, the balance of small business loans¹¹ of the Bank amounted to RMB838,486 million, representing an increase of RMB47,270 million, or 5.97%, as compared with the end of the previous year. The balance of inclusive small business loans of the Bank amounted to RMB646,257 million, representing an increase of RMB33,988 million, or 5.55%, as compared with the end of the previous year, and accounted for 14.66% of the Banks's total general loans, representing an increase of 0.65 percentage points as compared with the end of the previous year. The number of customers of inclusive small business loans of the Bank was 512.9 thousand. During the Reporting Period, total inclusive small business loans issued by the Bank amounted to RMB368,911 million. The average interest rate of inclusive small business loans was 4.47%. As at the end of the Reporting Period, the NPL ratio of inclusive small business loans was 1.25%. 2,461 business outlets of the Bank provided comprehensive financial services to small business customers.

⁹⁻¹⁰ The NPLs of retail banking business (credit card inclusive) and the special-mentioned loans of retail banking business (credit card inclusive) were information of the Group, excluding loans to small business legal persons.

¹¹ Small business loans include loans to small business legal persons, the same hereinafter.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank has consistently adhered to the fundamental purpose of serving the real economy with financial services, and actively practised the political significance of financial work and its importance to the interest of the people. Focusing on supporting the sustainable development of MSEs, the Bank explored and formed a distinctive development path for the inclusive small business featuring “integrated customer group management, online products and services, professional management of scenario-based business, comprehensive customer services, and smart risk prevention and control” through comprehensive improvement of business models, product structure, service channels and risk control system, striving to become a “leading bank of small business finance” and vigorously develop inclusive finance.

The Bank adhered to the integrated customer group management, and continued to deepen the construction of mechanisms and systems. The Bank deepened the construction of the mechanism and system for the “integrated services for MSMEs, large enterprises and individual customers”. Through in-depth cooperation with strategic clients, the Bank expanded business of the MSMEs in the upstream and downstream of their industry chains, and provided batch credit support. Leveraging the new supply chain finance platform, the Bank popularised the products such as E-Credit Finance (信融e), E-Procurement and Minsheng Express Loan (民生快貸), and promoted the development of MSEs along the industry chains with data-based credit enhancement and identification of risks of various scenarios. The Bank improved the coordination mechanism with retail business by establishing the coordination mechanism of “Dual Butler (雙管家)”; and constantly advanced the payroll agency business of MSEs.

The Bank stuck to online products and services, and comprehensively improved the quality and efficiency of small business services. The Bank provided “one-stop” online comprehensive services for MSEs through the dual channels of “Minsheng Small Business App (民生小微App) + Weixin mini programme”. As at the end of the Reporting Period, the number of users of Minsheng Small Business App exceeded 1.92 million. The Bank continued to iterate and optimise the product of “Minsheng Benefits Unsecured Loan (民生惠信用貸)”; and vigorously promoted the open customer acquisition model based on the mode of “proactive credit granting”. As at the end of the Reporting Period, the balance of Minsheng Benefits Unsecured Loan reached RMB31,190 million. Through the efficient online and offline process, the Bank provided MSEs with “Minsheng Benefits Mortgage Loan (民生惠抵押貸)” featuring convenient procedures and fast approval. As at the end of the Reporting Period, the balance of Minsheng Benefits Mortgage Loan amounted to RMB28,880 million. In addition, the Bank continuously pushed forward the online upgrading and transformation of products for small business legal persons, and launched online functions such as bank bills, L/Gs and self-service discounting.

The Bank maintained the professional management of scenario-based business to build differentiated competitive advantages. The Bank strengthened the development of regionally distinctive scenarios, promoted the “Honeycomb Plan (蜂巢計劃)”, gained in-depth understanding of the operating characteristics of MSEs in specific industries and scenarios, and developed customised small business finance service solutions. The Bank intensified the promotion of “Minsheng Express Loan”, and established online customised data models by fully considering the characteristics and needs of customers, bringing new financing service experience to MSEs.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank held on to the comprehensive customer services and continued to enrich the product and service system. In response to the diversified financial needs of MSEs, the Bank has built a “five-in-one” comprehensive service system to provide customers with comprehensive financial services integrating financing, account, settlement and cash management. The Bank has established a “Dual Butler” service mechanism consisting of “credit manager + wealth management manager” to fully serve the life circles and business circles of small business customers. The Bank also strongly promoted the ecosystem-based service platform of “E-Minsheng Family”, which facilitated enterprises to cut cost and enhance efficiency. As at the end of the Reporting Period, the number of users of “E-Minsheng Family” reached 19.0 thousand.

The Bank adhered to the smart risk prevention and control, and safeguarded the safety of small business finance. The Bank reinforced refined and proactive risk management. Based on the smart risk decision-making and risk control base for proactive small business credit granting and relying on multi-dimensional data inside and outside the Bank, the Bank has built the panoramic and three-dimensional portraits of customers and produced the namelist for proactive credit granting, and established a dynamically adaptive risk control model and strategy system which covered the full-process risk control to ensure the steady and long-term development of small business finance.

7. Social responsibility

The Bank constantly enhanced the quality and efficiency of inclusive finance services. The Bank continued to improve the system and mechanism of inclusive finance, extended the width and depth of inclusive finance services, advanced product and service innovation, integrated online and offline channels, and continuously upgraded online channels such as “Minsheng Small Business App 3.0 + Weixin mini programme”, so as to enhance service quality and efficiency and satisfy the “short-term, small-amount, high-frequency and urgent” financial demands of MSMEs.

The Bank advanced the construction of green and low-carbon outlets. The Bank released the Standard Manual for Business Outlets of China Minsheng Bank 3.0 《中國民生銀行營業網點標準化手冊3.0》, upgraded intelligent operation, deployed electronic equipment to reduce the use of paper documents, and integrated green and environment-friendly design concepts, in a bid to create a natural and cosy outlet environment.

The Bank continued to iterate dedicated elderly-friendly services. The Bank popularised elderly-friendly facilities and dedicated services in outlets across the whole bank, so as to improve the service experience of the elderly customers. Remote banking business rolled out the service of intelligent equipment assistant for the elderly customers, and optimised and upgraded the elderly version of “Mobile Banking App”, so as to fully meet the financial service demands of the elderly customers.

The Bank proactively served new citizens. The Bank continued to launch free online consultations and free insurance services of “vehicle passenger accident insurance” for new citizens to make living guarantee more convenient and accessible to them. The Bank thoroughly popularised financial knowledge, and enhanced financial support and consumer rights protection education to new citizens. The Bank popularised rural revitalisation-themed cards, injecting new vitality into rural revitalisation.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank continued to upgrade community-based financial services. The Bank had the largest and extensively distributed community outlets among domestic banks, providing convenient, beneficial and favourable financial services for its customers and helping build “intelligent community” ecosystems and “convenient life circle for residents”.

(III) Treasury business

1. Strategic measures

The Bank closely focused on the strategic deployment of reform and transformation, and promoted the high-quality development of various financial markets businesses. Firstly, the Bank continuously deepened the comprehensive management of financial institution customers, implemented the integrated marketing coordination, and focused on “adjusting structure and controlling costs” of interbank liability business, in a bid to improve the quality and efficiency of financial institutions business. Secondly, the Bank adhered to the two-wheel drivers of “investment trading + product marketing”, and deepened its presence in three major fields, namely fixed income, foreign exchange, and precious metals and bulk commodities, hence facilitating the high-quality development of financial markets businesses. Thirdly, the Bank intensified business coordination of the whole bank, advanced chain-based development of key customer groups and products, improved the quality and efficiency of services to customers, developed distinctive service brands in the industry, strengthened risk compliance and control, and facilitated the high-quality development of asset custody and pension businesses.

2. Customer groups

With a focus on the professional management of financial institution customer group, the Bank enhanced technology empowerment, refined risk management, and worked to improve the comprehensive services for financial institution customers. Firstly, the Bank deepened the development of management model of strategic financial institution customers, practised the layered and classified namelist-based management, and has built the ecosystem of strategic financial institution customers, realising comprehensive value improvement of financial institution customers. Secondly, the Bank enhanced the marketing quality and efficiency of financial institution customers, organised four-level marketing activities, namely whole-bank activities, regional activities, activities for single customer and internal activities around the bank customer group, the non-bank customer group, and the factor market customer group, and enhanced coordination between the Head Office and the branches and between the parent company and the subsidiaries, so as to continuously increase the effectiveness of integrated marketing.

3. Businesses and products

(1) Interbank treasury business

In terms of interbank treasury business, the Bank adhered to market-oriented operation, promoted continuous optimisation of treasury business structure and realised steady operation of assets and liabilities. Firstly, the Bank optimised the structure of interbank liabilities, reduced liability costs, increased the issuance of IBNCD, stabilised the size of interbank demand deposits, and enhanced the stability of interbank liabilities. Secondly, the Bank effectively seized market opportunities to arrange asset placement in a reasonable manner.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Financial markets business

In terms of fixed-income business, the Bank continuously deepened the reform of its bond investment business and improved portfolio management. On the one hand, the Bank improved the market-oriented, specialised and standardised management of bond business, reasonably arranged asset maturity terms, and optimised portfolio structure, hence effectively improving the liquidity and profitability of bond portfolios. On the other hand, acting as the mainstay in serving the real economy, the Bank mainly supported investment in bonds and asset-backed securitisation products in areas such as sci-tech innovation, advanced manufacturing and green development that conformed to national policy orientation, in a bid to enhance the quality and efficiency of serving the real economy. As at the end of the Reporting Period, total bond assets of the Bank amounted to RMB1.94 trillion, of which, the bond assets denominated in RMB amounted to RMB1.84 trillion and those denominated in foreign currencies amounted to RMB105,200 million (RMB equivalent).

In terms of foreign exchange business, the Bank proactively served the real economy, consistently advocated the philosophy of exchange risk neutral and further improved the efficiency and quality of serving enterprises in hedging foreign exchange risk. The Bank enhanced business exchanges and cooperation with domestic and foreign financial institutions, consolidated the pricing and market-making capabilities involving domestic foreign exchange derivatives. During the Reporting Period, the trading volume of derivatives of the Bank in the domestic interbank foreign exchange market amounted to USD764,369 million, ranking among the top in the comprehensive ranking of market-makers in the interbank foreign exchange market.

In terms of precious metals business, the Bank continued to build the integrated and comprehensive service platform encompassing “physical object, stocking, investment, trading, risk hedging and financing”. On the one hand, the Bank deepened the core products of retail precious metals business, continued to optimise product functions and improved customer experience. On the other hand, to satisfy customer demands, the Bank continued to improve the product and service system of corporate precious metals business to meet the production demands of entity enterprises in industry chains. In the meantime, the Bank earnestly fulfilled its responsibility as a market-maker in the interbank gold price asking market and auction market of Shanghai Gold Exchange and the gold futures market of Shanghai Futures Exchange. As at the end of the Reporting Period, the trading volume of gold of the Bank amounted to 1,090.15 tons with the trading amount reaching RMB576,140 million. The trading volume of silver amounted to 429.05 tons with the trading amount reaching RMB2,787 million.

(3) Asset custody business

In terms of asset custody business, the Bank reshaped its strategic goals for custody business, proactively seized market opportunities, vigorously expanded key customer groups and key products of the industry, effectively enhanced the quality and efficiency of operation and services and the capabilities in sci-tech support, and tightened comprehensive risk compliance management and control, thereby achieving the high-quality development of asset custody business of the whole bank. As at the end of the Reporting Period, total assets under the custody of the Bank amounted to RMB12.30 trillion, of which, public funds under the custody of the Bank amounted to RMB1,375.710 billion, representing an increase of 18.52% as compared with the end of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

In terms of pension business, the Bank highlighted the strategic arrangement of pension services, implemented the plan of action for pension services, continued to boost its capability in annuity services, deepened the coordinated marketing mechanism for customer groups within the Bank, and improved the value-added service system of pension business. The Bank held the annuity promotion activity of “Intelligent Pension Services for A Better Life (愛民生慧養老)”, which enhanced the brand influence and promoted the sustainable and steady development of pension business. As at the end of the Reporting Period, the number of personal accounts of the corporate annuity account management business of the Bank amounted to 259.8 thousand, representing an increase of 5.28% as compared with the end of the previous year. The size of corporate annuity under custody amounted to RMB58,734 million, representing an increase of 6.97% as compared with the end of the previous year.

4. Risk management

(1) Credit granting to the financial institution customer group

The Bank continuously optimised the centralised and unified management model of credit granting to the financial institution customer group, and reinforced risk prevention responsibilities of the first line of defense. During the Reporting Period, the Bank further fulfilled the primary responsibilities of persons accountable for credit granting to the financial institution customer group, and adopted antecedent risk management of the financial institution customer group. By focusing on such areas as strengthening policy-making, optimising management mechanisms, firmly holding on to critical links and reinforcing duty performance capabilities, the Bank enhanced unified management efficiency in credit granting to financial institution customers, standardised access management of financial institution partners, and enhanced post-loan management and risk early-warning of financial institution customers, thus realising effective risk control to promote sustainable and healthy development of financial institutions business.

(2) Financial markets business

According to the risk preferences, business plans and risk forecast of the Board of Directors, the Bank set market risk limits and relevant business authorisations of 2024, carried out analysis on the risks of interest rates, exchange rates and commodities in a timely manner, and continued to strengthen the monitoring and reporting of risks in financial markets. During the Reporting Period, the Bank conducted reviews and approvals by taking into full account the macro-economy, credit policies and subject qualifications, enhanced risk evaluation and early-warning capabilities of credit debt issuers, enhanced re-inspection and self-inspection frequency concerning relevant assets of key regions, key industries and key enterprises, effectively safeguarded the bottom line of credit risk, and served the unified management system for bonds of the whole bank. Meanwhile, the Bank followed the principle of safe and steady bond investment, comprehensively considered bond risks and returns, optimised the structure of bond portfolios denominated in RMB and foreign currencies, and maintained high-liquidity asset portfolios such as government bonds and policy financial bonds at a reasonable level. During the Reporting Period, the credit qualifications of the proprietary bond investments were generally excellent.

(IV) Digital transformation

During the Reporting Period, the Bank deeply implemented national strategic arrangements, conscientiously developed the major sector of digital finance, focused on efficiency and security enhancement, optimised the agile coordination mechanism, proactively employed sci-tech achievements, explored new development paths, and constantly iterated digital products. Its digital service capabilities continued to improve.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. Developing eco-bank and intelligent bank

The Bank continuously improved the innovation and service capabilities of eco-finance products.

The Bank iterated and upgraded supply chain data-based credit enhancement financing products, launched the first MSME financing business of the product of Cloud Digital (雲數) under the mode of decoupling from credit reliance on core enterprises in supply chains, and achieved combined application of data-based credit enhancement financing + non-cash repayment settlement and discounting products, meeting the integrated demands of enterprises for payment, settlement and financing. The Bank continued to optimise the functions of Minsheng Express Loan, which enabled customers to apply for loans fully online on mobile devices and realised 3-minute application and 1-minute disbursement, further improving customer experience. The platform of E-Minsheng Family was upgraded with self-developed functions including personnel, payroll and tax, and treasury. The Bank continued to advance the centralised operation of corporate financing products. As at the end of the Reporting Period, the financing balance of eco-finance business amounted to RMB174,283 million, representing an increase of RMB27,221 million as compared with the end of the previous year. The number of online financing customers amounted to 83.7 thousand, representing an increase of 27.5 thousand as compared with the end of the previous year. The number of core corporate customers amounted to 2,634, representing an increase of 607 as compared with the end of the previous year.

The Bank improved the agile output and security protection capabilities of open platforms.

The Bank partnered with leading platforms and industrial service platforms, created open bank-based financial management solutions for brand chain stores, facilitated commercial and trade sectors, such as catering chain stores, to enhance their digital level, and provided account, payment and financing services for MSMEs in fields of enterprise services, chain stores and logistics. The Bank established the three-party API governance system and enhanced the security protection capability of open platforms.

The Bank transformed and upgraded the integrated digital and intelligent operations. To support the transformation and upgrading of the integrated management of MSMEs, large enterprises and individual customers and the broad-post operation mechanisms, the Bank launched the App of “Minsheng E-Bank (民生E行)” for unified operation of the whole bank, and put it into trial operation in the whole bank. The Bank put in use the software system for broad-post cross-business-line operation for corporate business, upgraded the software system for lobby and for wealth management business. The Bank improved the refined management of customer groups, upgraded the retail benefits system, and promoted the upgrading of levels of retail customer groups. The Bank created the software system for centralised operation, explored the direct selling model of the basic customer group, and realised the full coverage of the chain-based operation model in the management of the basic customer group. The Bank deepened the intelligent application of large model for marketing service scenarios, newly added the intelligent marketing assistant for corporate Weixin, developed the client for the evaluation of sci-tech enterprises, and upgraded the marketing assistant of “e Portable (e隨行)” for transaction banking products. The Bank continued to enrich customer tags, customer group trees, and customer group insight analysis reports of the enterprise-level customer data platform, launched the new platform for personalised recommendation, comprehensively upgraded recommendation model iteration, value evaluation and operation procedures, and combined personalised recommendation with customer group analysis and A/B experiments, so as to support the rapid and efficient execution of recommended scenarios.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank enhanced effectiveness in full-process risk management and control. In the pre-lending stage, the Bank enhanced smart approval and decision support capabilities, advanced the development of SME Credit Plan (中小信貸計劃) and the implementation at branches. In the in-lending stage, the Bank promoted the optimisation of centralised loan disbursement and smart review, reshaped the low-risk business process, and elevated the proportion of automatic approval and disbursement of small business secured loans, consumer loans and mortgage loans. In the post-loan stage, the Bank established the fund flow monitoring model, created differentiated post-lending inspection templates, enhanced online preservation, transfer and disposal capabilities, optimised the collateral valuation model, and improved the margin management capability. The Bank continued to improve enterprise-level anti-fraud capability, and utilised technologies such as knowledge graph to enhance the anti-fraud capability by creating relation networks of individuals and enterprises. The Bank deepened the development of digital system for operational risks, put in place the comprehensive risk view for the basic operation management, conducted evaluation of operation risk covering tier-1 branches, tier-2 branches and rural banks, and established remote video supervision for key links. During the Reporting Period, the Bank continued to upgrade the precise governance capability of "capital chains". The number of individual accounts involving fraud decreased by 14% as compared with the corresponding period of the previous year, and that of corporate accounts decreased by 46% as compared with the corresponding period of the previous year. The Bank launched the "early-warning and dissuasion" function on the integrated financial anti-fraud platform and cumulatively protected over RMB80 million funds of customers.

The Bank improved the intelligent level of key operation processes. During the corporate loan disbursement process, the Bank rolled out smart contract-making, smart review of articles and resolutions, and other applications. During the service process of consumer loans and online small business products, the Bank updated functions including online application, remote witness, and mobile companion. In the service process of corporate settlement products, the Bank provided services such as active notification, service enquiry, statement push, and parameter maintenance, covering nearly 50% of products. In disbursement links for bank acceptance bills and working capital loans, the Bank applied the panoramic portrait view of corporate customers, and improved disbursement quality and efficiency as well as decision precision. The Bank bolstered the core account service capability. On the basis of automatic rating of newly opened accounts, the Bank expanded and launched the label system for existing accounts. The Bank improved the efficiency of operation services, and restructured procedures for changing corporate information, supporting the online self-service handling and active service notification for customers. With "Enterprise Cloud Counter (企業雲櫃台)", the counter business diversion rate in high-frequency business scenarios reached 50.44%.

The Bank iterated and upgraded online platforms and optimised customer experience. The Bank continuously enhanced the capability of providing distinctive, digital and intelligent "financial + non-financial" comprehensive services. As at the end of the Reporting Period, the number of users of retail online platform of the Bank amounted to 116,298.3 thousand, representing an increase of 3.23% as compared with the end of the previous year. The number of users of corporate online platform amounted to 3,826.4 thousand, representing an increase of 5.69% as compared with the end of the previous year. The number of bank-enterprise direct connect users amounted to 5,818, representing an increase of 12.23% as compared with the end of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank proactively implemented regulatory requirements and optimised payment services. The Bank set up service counters for the elderly customers at business outlets to provide differentiated services for them. The Bank respected the elderly customers' habits of using cash and guaranteed the supply of cash in large and small denominations. All ATMs supported cash withdrawals with cards labeled with UnionPay, VISA and MasterCard. The Bank newly supported the appointment for account-opening by foreigners coming to China and the recognition and reading of permanent resident permits, and provided the service for small changes. The Bank expanded the application scenarios of e-CNY, and rolled out services of disbursing corporate loans to corporate wallets and subscribing Shanghai Municipal Government Bonds with e-CNY.

Feature 2: Building Large Model Application Technology System for Lean Bank and Exploring the Application Ecosystem of "Large Model + Intelligent X"

The Bank proactively explored large model, AIGC and other latest technologies as it has been committed to integrating cutting-edge technologies into business links, hence constantly improving service efficiency and customer experience. Relying on intensive infrastructure, efficient application implementation and effective security protection, the Bank developed a large model application technology system applicable to financial institutions, which could rapidly support the application in more scenarios, and gradually explored the application ecosystem of "large model + intelligent X".

During the Reporting Period, the Bank has applied large model technologies in eight fields, including intelligent Q&A, intelligent attendant, intelligent R&D, intelligent office, intelligent analysis, intelligent risk control, intelligent marketing and intelligent wealth management. Trials were conducted in multiple scenarios, such as code assistance, generation of marketing copywriting, summary of attendant work order, FAQ database extension of remote banking customer service, polishing of answers read by digital human, AI assistance for office, BI data analysis assistance, corporate Weixin script assistant and insurance marketing assistant. Simultaneously, the Bank conducted exploration on internal scenarios, including writing assistance of anti-money laundering reports, must-knows for attendants, and corporate credit granting assistant.

The Bank will continue to follow the effectiveness of application of cutting-edge technologies in financial services, improve the efficiency of internal operation, enhance customer experience, demonstrate the innovative power of fintech, and promote the digital transformation of the whole bank.

2. Improving the base of digital transformation of the whole bank

The Bank strengthened architecture governance and promoted enterprise-level architecture transformation. The Bank released the 2024 Whitepaper on Enterprise-level Architecture of China Minsheng Bank 《中國民生銀行企業級架構白皮書2024版》, which clarified architecture governance goals, architecture optimisation measures and annual key tasks, pushing forward the evolution of architecture towards middle platform-based, intelligent and cloud-native development.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Bank strengthened data asset management and platform tool development, and supported the data-driven transformation of operation and management. The Bank established bases for the use of data by branches, and enhanced the development of standardised platform for retail and corporate performance. The Bank intensified the intelligent application of data, and deepened the large-scale application of data intelligence. The Bank optimised data asset management, built data asset management platforms, and improved data asset catalogue to make data visible and easy-to-find, and available for sharing and easy-to-use. The Bank enhanced data processing management capability, and realised the monitoring, warning and coordination of data processing. The Bank closely tracked and rigorously evaluated the input and output of external data resources, and continued to promote the introduction of external data.

(V) Business outside the Chinese mainland

During the Reporting Period, the Hong Kong Branch implemented the development strategy of the Bank, gave full play to its role as a platform for business outside the Chinese mainland under the coordination mechanism of “One Minsheng”, continuously enhanced cross-border synergy and coordination, carried out in-depth management of the strategic client group of the Head Office and the branches, resolutely developed distinctive business fields, focused on building differentiated competitive advantages, and enhanced its capabilities in providing comprehensive cross-border financial services. The business outside the Chinese mainland of the Bank achieved high-quality and steady development.

As at the end of the Reporting Period, total assets of the Hong Kong Branch amounted to HKD196,786 million, representing an increase of 9.15% as compared with the end of the previous year. Among them, total loans and advances to customers¹² amounted to HKD112,914 million, and accounted for 57.38% of total assets, representing an increase of 1.82 percentage points as compared with the end of the previous year. Total deposits from customers¹³ amounted to HKD139,200 million, and accounted for 70.74% of total liabilities, representing an increase of 3.45 percentage points as compared with the end of the previous year. During the Reporting Period, the net income amounted to HKD1,344 million, representing a decrease of 1.61% as compared with the corresponding period of the previous year. The slight decrease in net income was mainly due to the continuous pressure on the net interest margin caused by the interest rate hikes outside the Chinese mainland. At the same time, the Hong Kong Branch effectively offset the impact of interest rate hikes on net income by optimising asset-liability structure, hedging interest rate risk and vigorously expanding intermediate business.

¹² According to the standards of Hong Kong Monetary Authority, total loans and advances to customers mainly include the loans and advances granted by the Hong Kong Branch to corporate customers, retail customers and non-bank financial institutions customers.

¹³ According to the standards of Hong Kong Monetary Authority, total deposits from customers mainly include the deposits of the Hong Kong Branch from corporate customers, retail customers and non-bank financial institutions customers.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. Adhering to the philosophy of customer first to strengthen cross-border coordination and seek for more businesses with the strategic client group

The Hong Kong Branch implemented the development concept of “One Minsheng”, took Hong Kong as the base and focused on the Guangdong-Hong Kong-Macau Greater Bay Area to create its cross-border financial service brand, and provided customers with professional and integrated cross-border financial solutions. During the Reporting Period, the credit assets in cross-border cooperation reached RMB9,885 million, accounting for 62.72% of total credit assets disbursed last year.

The Hong Kong Branch attached great importance to the adjustment of credit customer structure and the improvement of customer quality. During the Reporting Period, in new disbursement of credit assets, high-quality corporate clients with high ratings accounted for 59.06%. The Branch highlighted the in-depth development of the strategic client group, focused on key fields, proactively advanced business expansion in Hong Kong and Southeast Asia, and provided over 200 corporate strategic clients of the Bank with comprehensive financial services. As at the end of the Reporting Period, total credit assets of corporate strategic clients amounted to HKD57,749 million, representing an increase of 28.81% as compared with the end of the previous year. In addition, the Branch emphasised on the cross-border wealth management of mid- to high-end retail customers. As at the end of the Reporting Period, the AUM of the private banking and wealth management customer groups amounted to HKD32,392 million, representing an increase of 6.21% as compared with the end of the previous year.

2. Adhering to the philosophy of considerate services to develop featured business and build core advantages

The Hong Kong Branch explored business opportunities in distinctive business fields, and achieved good development in businesses such as cross-border M&A, asset custody and green finance. In terms of cross-border M&A, the Branch closely followed market developments, and proactively tapped into M&A financing demands. During the Reporting Period, the Branch implemented several major M&A financing projects and raised nearly USD1,000 million, thus further expanding the Bank’s market influence in cross-border M&A. In terms of asset custody, the Branch enhanced and strengthened comprehensive custody service capability and has built the brand of a distinctive and premier custody bank by relying on the custody centre outside the Chinese mainland (Hong Kong). As at the end of the Reporting Period, the assets under custody amounted to HKD157,077 million, representing an increase of 6.92% as compared with the end of the previous year, taking the lead among comparable Chinese joint-stock banks in Hong Kong. In terms of green finance, the Branch adhered to sustainable and green development, deepened the construction of green finance system, and pushed forward the green and low-carbon transformation and the upgrading of asset structure. As at the end of the Reporting Period, the size of assets of businesses pegged to green and sustainable development¹⁴ amounted to HKD19,731 million, representing an increase of 30.22% as compared with the end of the previous year. During the Reporting Period, the Branch successfully issued RMB3,000 million offshore RMB medium-term notes with a term of two years, becoming the first Chinese bank issuing green dim sum bonds in the market since the beginning of 2024.

¹⁴ Assets of businesses pegged to green and sustainable development include green loans and bonds.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Hong Kong Branch enriched retail product offerings, and innovated the model of value-added services, thereby constantly enhancing its capabilities in providing comprehensive cross-border financial services. During the Reporting Period, the Branch strove to build a private banking and wealth management platform, continuously expanded the scope of cooperation with insurance companies, and maintained a leading position in overseas insurance business among comparable Chinese joint-stock banks in Hong Kong. By virtue of its professional competence and premium services, it won the “Best Private Banking–International Services and Investment” Gold Award (“最佳私人銀行—國際服務與投資”金獎) by the Asian Private Banker again. Regarding the “Cross-Border Wealth Management Connect (跨境理財通)”, the Branch realised online operation of account opening and transactions. As at the end of the Reporting Period, the market share of “Cross-Border Wealth Management Connect” of the Bank maintained a leading position among over 30 banks with similar business.

3. Adhering to the philosophy of making steady progress for long-term development and implement comprehensive risk management and compliant and steady operation

The Hong Kong Branch comprehensively implemented the philosophy of compliant operation, continued to improve the overall risk management system, insisted on paying equal attention to business development and risk constraint, and formulated and implemented risk preference, to effectively ensure its steady operation. During the Reporting Period, the Branch continued to strengthen credit risk management, optimised and adjusted the credit asset portfolio, appropriately increased the allocation of assets in Hong Kong and outside the Chinese mainland, increased the proportion of high-rating loans, and strengthened customer concentration management and industry limit management, thereby enhancing risk resistance. It actively implemented regulatory requirements, integrated climate risks into the comprehensive risk management system, and conducted the stress testing of climate risk management. During the Reporting Period, the Branch compiled and disclosed the second Special Disclosure Report on Green Finance and Climate Risk Management 《綠色金融與氣候風險管理專題披露報告》. It closely tracked changes in market interest rates, and formulated and actively implemented the interest rate risk hedging strategies in a timely manner, so as to effectively resolve the impact of rapid USD interest rate rise on the interest rate risk of banking book. In addition, it proactively responded to changes in the financial markets, adopted a forward-looking liquidity risk management strategy, and continued to optimise the type, maturity term and currency structure of liabilities to effectively reduce the concentration of liability sources. During the Reporting Period, the Hong Kong Branch kept all its liquidity indicators at a sound and steady level.

(VI) Major equity investments and management of consolidated financial statements

As at the end of the Reporting Period, the Bank had long-term equity investments of RMB13,244 million. For details, please refer to the notes to the financial statements.

1. Minsheng Financial Leasing

Minsheng Financial Leasing, one of the first five financial leasing companies with banking background approved by the former CBRC, was established in April 2008 with a registered capital of RMB5,095 million. 54.96% of equity interest of Minsheng Financial Leasing was held by the Bank. The main business scope of Minsheng Financial Leasing includes financial leasing and operating leasing of vehicles, vessels, commercial aircraft, business jets and large equipment.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, Minsheng Financial Leasing proactively responded to changes in the internal and external business environments, remained steadfast in its strategic orientation and the business positioning of “providing realistic leasing”, sped up reform and transformation, and made steady progress in business operations and asset quality while maintaining stability. As at the end of the Reporting Period, total assets of Minsheng Financial Leasing amounted to RMB189,472 million and net assets amounted to RMB23,734 million. During the Reporting Period, the operating income amounted to RMB2,993 million. During the Reporting Period, the disbursement of leasing business of Minsheng Financial Leasing amounted to RMB41,291 million, representing an increase of 19.86% as compared with the corresponding period of the previous year. In new disbursements, the retail and inclusive finance businesses accounted for 64.73%.

In June 2024, Minsheng Financial Leasing won the China Auto Industry and Finance Pilot Award — “Innovative Enterprise Award” (中國汽車產業與金融領航獎—“創新企業獎”) at the China Auto Industry and Finance Summit.

2. Minsheng Royal Fund

Minsheng Royal Fund is a Sino-foreign fund management joint venture established in November 2008 under the approval of the CSRC, with a registered capital of RMB300 million. 63.33% of equity interest of Minsheng Royal Fund was held by the Bank. Minsheng Royal Fund mainly engages in fund management, fund sales, specific customer asset management and other businesses approved by the CSRC.

The performance of mid- to long-term investments of Minsheng Royal Fund was outstanding. It has won the Golden Bull Awards (金牛獎) for 24 times in total, and has been well recognised by the investors and the industry. As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB2,459 million. Its net assets amounted to RMB1,858 million. During the Reporting Period, its net profits amounted to RMB64 million, and its net profit attributable to holders of equity shares of the Bank amounted to RMB42 million. The AUM of Minsheng Royal Fund amounted to RMB182,781 million, representing an increase of 7.41% as compared with the end of the previous year.

3. CMBC International

CMBC International is a wholly-owned subsidiary of the Bank established on 11 February 2015 in Hong Kong under the approval of the former CBRC, with a registered capital of HKD4,207 million. The principal business of CMBC International includes sponsorship of listing in Hong Kong, financial advisory, underwriting and issuance of bonds, asset management and wealth management, stock brokerage, direct investment and structured financing. CMBC International is an important and strategic platform for the comprehensive development and international expansion of the Bank. As at the end of the Reporting Period, CMBC International had total assets and total liabilities of HKD21,092 million and HKD17,764 million, respectively. Its net assets amounted to HKD3,328 million, and total equity attributable to holders of equity shares of the Bank amounted to HKD2,743 million.

4. Minsheng rural banks

Minsheng rural banks represent the rural banks set by the Bank as the main initiating bank. As at the end of the Reporting Period, the Bank established 29 rural banks with 83 business outlets. Total assets, total deposits from customers, and total loans and advances to customers of the rural banks amounted to RMB44,116 million, RMB38,291 million, and RMB26,223 million, representing increases of RMB1,837 million, RMB2,110 million and RMB5 million as compared with the end of the previous year, respectively.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank earnestly fulfilled its responsibility as the initiating bank, continued to propel rural banks to adhere to the positioning of supporting agriculture and small business, solidly served rural revitalisation and inclusive finance, proactively fulfilled social responsibility, and explored the optimisation of rural bank management models, thereby maintaining the sound and steady operations of Minsheng rural banks on the whole.

5. CMBC Wealth Management

CMBC Wealth Management is a wealth management company established on 24 June 2022 under the approval of the former CBIRC. With a registered capital of RMB5,000 million, CMBC Wealth Management is a wholly-owned subsidiary of the Bank. Its main businesses include issuance and investment management of publicly offered wealth management products, issuance and investment management of private equity wealth management products, wealth management advisory and consultancy services, and other businesses approved by the former CBIRC.

During the Reporting Period, CMBC Wealth Management followed the fundamental purpose of serving the real economy, and supported the development of the real economy via bond investment, project credit and equity. CMBC Wealth Management deepened the development of capital market business to serve the financing demands of listed companies and their shareholders. CMBC Wealth Management remained customer-first and investor interest-first, and proactively pushed forward inclusive finance. It enhanced the full life-cycle quality management of products, and elevated performance stability, in a bid to meet the demands of wealth management customers for products featuring low volatility and stable yields. Meanwhile, CMBC Wealth Management accelerated the expansion of third-party agency sales channels, so that its wealth management featuring low volatility and stable yields could benefit more investors. The number of wealth management customers increased by 16.20% as compared with the end of the previous year. CMBC Wealth Management followed the green development concept, and practised green finance. It focused on industries such as energy-saving and emission-reduction, and clean energy, and integrated green factors into investment and research decision-making and product design system. CMBC Wealth Management proactively explored digital finance, and developed digital investment and research platform, in a bid to help achieve more efficient and more intelligent investment and research decision-making. CMBC Wealth Management upgraded the comprehensive risk management system, and enhanced risk monitoring efficiency. It strengthened product innovation, and enriched product offerings. In addition, CMBC Wealth Management released the products including “Daily Subscription and Quarterly Redemption (日申季贖)” and “Mu Biao Ying (目標盈)” to provide investors with more diversified choices in terms of application and redemption conditions, and proactively improved channels and customer services by developing the sales supporting platform.

As at the end of the Reporting Period, total assets of CMBC Wealth Management amounted to RMB7,907 million, and the net assets amounted to RMB7,687 million. During the Reporting Period, its net profits amounted to RMB497 million. Total scale of wealth management products that were independently issued and under entrusted management exceeded RMB1 trillion in April, and amounted to RMB955,009 million at the end of the Reporting Period.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

6. Consolidated structured entities

The structured entities in which the Group issued, managed and invested mainly consisted of wealth management products, asset-backed securities, funds, trust plans and asset management plans, of which, the asset scale of consolidated structured entities of the Group was RMB100,485 million. For details, please refer to Note VII “Interests in Structured Entities” to the financial statements.

7. Consolidated management

During the Reporting Period, the Bank advanced consolidated management of the Group in strict accordance with the Guidelines for the Consolidated Management and Supervision of Commercial Banks (《商業銀行併表管理與監管指引》), and enhanced professional management of corporate governance, capital and financial management, risk management and other aspects, elevating the development resilience of the Group. Firstly, according to regulatory requirements, the Bank compiled the 2023 consolidated management report of the Group, formulated the 2024 consolidated management work plan of the Group, and improved appraisal indicator system of consolidated management, in a bid to advance various consolidated management tasks in an orderly manner. Secondly, the Bank enhanced consolidated risk management, and tightened the monitoring, evaluation and early-warning of risks of subsidiaries, so as to ensure risks of the Group generally under control. Thirdly, the Bank coordinated the formulation of the 2024 development goals of the Group, and continuously enhanced the management of annual business plans and financial budgets of subsidiaries, in a bid to improve the strategic synergy of the Group. Fourthly, the Bank promoted subsidiaries to improve corporate governance structure and elevate corporate governance efficiency. Fifthly, the Bank continuously advanced the upgrading and optimisation of the consolidated management system of the Group, and gave full play to the supporting role of IT systems in consolidated management.

XII. Risk Management

Feature 3: Strengthening the Construction of Enterprise-Level Digital and Intelligent Risk Control System

During the Reporting Period, the Bank conducted the planning and construction of the phase II of the digital and intelligent risk control system. Based on the construction of phase I and in line with the “four-layer, four-end” construction blueprint, the Bank leveraged advanced technologies such as big data and AI to iterate and optimise system functions such as smart risk management portal, smart due diligence, smart legal review, smart anti-money laundering, smart decision-making for proactive small business credit granting and asset preservation. The Bank primarily established a digital and intelligent post-loan management platform and a smart approval system, and innovated the IoT-based risk control model, in a bid to constantly improve the level of business digitisation, operation standardisation, process automation and smart risk management. The Bank effectively improved the level of automation and precision of risk management through the implementation of digital risk control projects across various aspects such as credit risk, market risk and model risk. Meanwhile, the Bank leveraged technology to drive the steady development of its business and help asset quality remain stable and tend better. The Bank was awarded the “2024 Enterprise Risk Technology Implementation of the Year in China (中國最佳全面風險技術實施獎)” by The Asian Banker.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(I) Comprehensive risk management

Comprehensive risk management refers to that the Board of Directors, Board of Supervisors, Senior Management and the three lines of defense of risk management of the Bank perform their own duties respectively, and effectively control all risks in all fields and dimensions and at all levels, thus providing rational guarantee for the realisation of all goals of operation and management. Aiming to support the real economy and prevent and mitigate risks, comprehensive risk management ensures that risk management effectively covers all risk categories, all business lines, all processes, all organisations and all personnel by cultivating a compliant and steady risk culture, establishing a risk governance structure with effective checks and balances, formulating unified risk preference, risk management strategy and risk limit, implementing standardised risk management policies and procedures, establishing a complete management IT system and data quality management system, and implementing strict internal control and review and evaluation mechanisms.

During the Reporting Period, the Bank adhered to the core concept of “making steady progress for long-term development” and fully embraced the philosophy of “compliant operation is the core competitiveness.” By strengthening the leadership of the CPC, reinforcing the management of risk preference and improving the risk management system, the Bank continued to safeguard the bottom line of risk compliance and achieved a dynamic balance between development and risk. Firstly, the Bank strengthened the guidance of risk preference and reinforced risk management strategy and limit management. In light of changes in internal and external environment, the Bank formulated the annual risk preference and risk management strategy, implemented the risk preference of “maintaining stability and prudence, staying active and comprehensive, optimising structure and improving quality”, and improved the quantitative indicator control system that matched with risk preference. Additionally, the Bank released management plans for credit asset portfolio limits, market risk limits and country risk limits, and strengthened closed-loop management of risk preference including formulation, implementation, monitoring, re-examination, and optimisation, so as to ensure all-round and three-dimensional transmission and implementation of risk preference. Secondly, the Bank steadily pushed forward the implementation of the Capital Rules, completed the construction of the third pillar information disclosure system, and constantly improved the risk measurement capability and refined risk management. Thirdly, the Bank continued to conduct the planning and construction of the phase II of the digital and intelligent risk control system. It primarily established a digital and intelligent post-loan management platform and a smart examination and approval system, in a bid to constantly improve smart risk management. Fourthly, the Bank carried out comprehensive risk management assessment at the group level in an orderly manner and completed the establishment of a risk assessment standard technical system covering 17 categories of risks and more than 1,200 risk assessment points of legal persons and subsidiaries. Additionally, the Bank released the Industry Standard Value Manual 《行業標準值手冊》, systematically standardising the evaluation standards and methodologies for risk management. Fifthly, the Bank practised the concept of “One Minsheng (一個民生)” and continuously improved the four-in-one comprehensive risk management system for subsidiaries covering risk preference, risk monitoring, risk assessment and antecedent research, so as to reinforce coordination and synergy between the parent bank and subsidiaries regarding their risk management efforts.

(II) Credit risk management

Credit risk is the risk that a borrower or a counterparty fails to make repayments in a timely manner in full amount for whatever reasons.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, based on the actual business conditions, the Bank formulated and issued an annual portfolio limit management plan, focused on improving the overall risk-weighted return ratio of asset portfolios, and continued to carry out monitoring, analysis, reporting and assessment of the credit asset placement. To control risks and support the steady development of businesses, the Bank established a credit risk management and control mechanism with risk management strategies, credit policies, portfolio management, risk measurement tools and supporting IT system as platform. The mechanism covered the full process of risk management including pre-lending investigation, in-lending review and post-loan management, and credit and non-credit businesses.

Firstly, the Bank adjusted the credit structure. The Bank constantly increased support for key areas including the manufacturing industry, inclusive finance, green and low carbon sectors, rural revitalisation, sci-tech innovation and consumer finance. Taking the new rules for capital management¹⁵ as the benchmark and metric, the Bank guided credit resources to tilt towards the business with lower capital occupation weight, thereby realising the transformation to capital intensification. The Bank accelerated adaptation to major changes in the structure of credit demands, continued to promote the strategy of inclusive finance, accelerated the development of “Minsheng Benefits (民生惠)”, and increased the proportion of credit to MSMEs. Meanwhile, the Bank continuously optimised the structures of industries, regions, and customers and proactively prevented concentration risk.

Secondly, the Bank optimised the credit approval mechanism. The Bank increased credit support for key customer groups, strategic businesses, and key regions, strengthened approval coordination and enhanced professional capabilities to support business development while preventing new business risks. The Bank increased the empowerment of antecedent approval, optimised the open communications and on-site customer visit mechanism, established the mechanism of approval support to counterpart branches, strengthened the research and re-examination of key areas and major projects, and supported the integrated management of MSMEs, large enterprises and individual customers. The Bank continuously enriched SME Credit Plan, optimised the credit approval and review models for SMEs, expanded the areas and industries covered by the SME credit plans, and intensified the re-examination of the plans. The Bank promoted the real estate financing coordination mechanism. By setting up special programmes, optimising approval process and establishing green channels, the Bank precisely supported the reasonable financing needs of real estate projects, so as to continue to promote the steady and healthy development of the real estate market. The Bank effectively conducted project risk assessment, and formulated administrative measures on project assessment according to the requirements of the latest “three measures” of the regulators, articulating the job responsibilities of project assessors and the assessment process. The Bank formulated risk evaluation report templates for credit business of MSEs, clarifying the criteria for prudently assessing the risk associated with small business loans. The Bank constantly improved the system of approval standards, issued annual guidelines for approval in key areas, and further standardised approval standards and methodologies. The Bank formulated the list of documents and key points for ESG due diligence and compliance review, standardising the identification and assessment of ESG risks in key links of credit granting. The Bank continuously improved the digital and intelligent level of approval and constantly upgraded the smart due diligence management model, which, coupled with unified credit management, optimised the function of the risk control system. Additionally, the Bank promoted the application of mobile approval in the whole bank.

¹⁵ The new rules for capital management in this Report refers to the Capital Rules for Commercial Banks 《商業銀行資本管理辦法》 (Order of the NFRA (2023) No. 4).

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Thirdly, the Bank strengthened risk prevention and control in key areas. The Bank strictly implemented the decisions and arrangements of the CPC Central Committee and the State Council on preventing and mitigating local debt risks, proactively implemented the development strategies of key regions, and promoted credit placement in key regions. In accordance with the general principles of “controlling total amount, conducting classified management, focusing on projects and implementing namelist-based management (總量控制、分類授信、項目為主、名單管理);” the Bank adjusted and improved credit policies in a timely manner, comprehensively strengthened risk management in the field of local debts, and pushed branches to actively implement policies of mitigating debt risk. The Bank strengthened communications with the government and customers, focused on key customers and projects, and effectively mitigated risks of financing platforms. In accordance with the general principles of “stabilising total amount, adjusting structures, strengthening management and mitigating risks;” the Bank, proceeding from the new development model of real estate, supported the financial services of the “three major projects” such as affordable housing and housing rentals. The Bank equally met the reasonable financing needs of housing enterprises of different ownerships and prudently resolved the risky projects of housing enterprises in difficulties, so as to promote the steady development of real estate business. To proactively and prudently mitigate real estate risks, a leading group at the Head Office and special work groups at each institution were set up for coordination in key fields, which made concerted efforts to intensify the coordination and synergy between and among the Group, business lines, the Head Office and the branches, as well as the front, middle and back offices. This ensured the fully implementation of all works. The Bank also tracked housing enterprises in trouble on a regular basis to monitor updates on their risk mitigation status.

Fourthly, the Bank enhanced post-loan management capability, strengthened risk assessment and research and judgment, and achieved early identification, early-warning, and early disposal, so as to mitigate potential risks in advance. The Bank constantly optimised the post-loan monitoring of risky customers, relied on the compass system to continuously carry out daily monitoring and risk screening of key industries, key institutions and key customers, and supervised operating units to effectively strengthen the risk mitigation of customers under early-warning.

Fifthly, the Bank continued to push forward the collection and disposal of non-performing assets. Actively responding to the new situation facing collection and disposal, the Bank aligned its strategies and selected the optimal disposal strategies from a variety of choices. The Bank optimised the management mechanism and improved the supporting management policies for preservation, in a bid to continue to improve disposal efficiency. The Bank deepened the concept of managing non-performing assets, adhered to the guidance of valuation, and gave full play to the role of asset preservation in stopping and reducing loss. The Bank tapped the potential value of written-off assets and promoted the cash collection of written-off assets in a layered and classified manner, with the cash collection of written-off assets in the first half of the year growing by 20.31% as compared with the corresponding period of the previous year.

(III) Large-amount exposure

Large-amount exposure refers to the credit risk exposure of a commercial bank exceeding 2.5% of its net tier-1 capital (including various kinds of credit risk exposures arising in the banking book and the trading book) to a single customer or a group of related-party customers.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank proactively established and improved the management mechanism for large-amount exposures, improved management rules, developed management systems, clarified large-amount exposure management limits in annual risk preference, and orderly implemented the measurement, monitoring and reporting of large-amount exposures, thus ensuring the compliance and effectiveness of management. As at the end of the Reporting Period, the non-peer single customers, non-peer group customers, peer single customers, and peer group customers of the Bank meeting large-amount exposure standards all satisfied the regulatory requirements.

(IV) Market risk management

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks.

During the Reporting Period, taking compliance requirements as the bottom line, the Bank proactively responded to changes in the external environment and market fluctuations, kept both the occupation of market risk capital and the trading book profit and loss stable within the scope of risk preference. The Bank continuously deepened the market risk management mechanism at the group level, improved the institutional system of market risk management, and revised core rules regarding book division, exchange rate risk and capital measurement. The Bank effectively transmitted the Group's risk preference, approved and issued the 2024 market risk limit plan of the Group, optimised the market risk limit index system including loss stop, exposure and sensitivity, and clarified the authorisation management and approval procedures at different levels. The Bank optimised trading strategies, refined limit monitoring, and further improved the four-in-one market risk monitoring system featuring product control, measurement monitoring, capital management and performance management, achieving the full-process monitoring of each trading desk. The Bank continued to conduct product access management and supported the development of front office business, ensuring that the Bank had management and control capability over each investment trading product recorded in the banking book and the trading book of the Bank. The Bank solidly advanced the implementation of the Capital Rules, promoted the parallel submission of the old and new sets of capital statements, consolidated the data foundation of the capital measurement system, and strengthened the verification mechanism of capital measurement results. Additionally, the Bank optimised the intelligence level of market risk reports, continuously promoted smart risk control projects for market risk, and made the market risk reports more real-time, visualised and dynamically interactive.

(V) Operational risk management

Operational risk refers to the risk of loss due to deficient or flawed internal procedures, personnel and IT system or external events. The major operational risk of the Bank comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets, interruption of business, paralysis of IT system and management of execution, transfer and processes.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank steadily promoted the construction of the operational risk management system, consolidated the effects of the activity of “Year of Operational Risk Management”, and continued to fortify management foundation. Firstly, the Bank fully promoted the activity of “Year of Strengthening Operational Risk Governance” and carried out various works including inspection, evaluation, rectification and improvement. The Bank implemented the new regulatory provisions and revised basic rules regarding operational risk. Secondly, the Bank completed the required tasks according to the Capital Rules, made good preparations for the inspection and acceptance by regulators, and compiled the measurement statements using the standardised approach. Thirdly, the Bank completed the review of operational risk management objects, carried out self-assessment of operational risk and control, monitoring of key risk indicators, and loss data collection on a regular basis, and put forward management opinions on operational risks of key basic products/business activities of the Head Office. Fourthly, the Bank conducted samplings, formulated drill plans and held special training throughout the Bank on business continuity. Fifthly, the Bank improved the applicable scope of outsourcing activities of the Bank, and dynamically updated the type references, risk assessment guidelines and provider access conditions for outsourcing activities.

(VI) Liquidity risk management

Liquidity risk refers to the risk that a commercial bank is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations. The Bank established a scientific and complete liquidity risk governance framework, set up a clear and efficient system for division of duties regarding liquidity risk management, formulated effective management rules, processes, strategies and policies for liquidity risks, and developed and optimised advanced risk management tools, thus constantly improving its capabilities in identifying, measuring, monitoring, controlling and reporting liquidity risks.

During the Reporting Period, the Bank strictly safeguarded the bottom line of liquidity risks, adhered to prudent liquidity risk preference, closely monitored the changes in domestic and international macro economy, currency and regulatory policies, market liquidity and price level, and proactively judged and predicted future trends. The Bank strengthened monitoring and active management around core risk factors, and improved refined management. The regulatory indicators of liquidity risks remained sound and have met the standards, and the daytime liquidity risks stayed safe and controllable. Firstly, the Bank continuously optimised the Group’s consolidated management system for liquidity risks, enhanced the development of institutional system, and effectively reinforced the overall management of liquidity risks of the Group. Secondly, the Bank further strengthened the management of limit and monitoring of liquidity risks, and improved the risk monitoring and limit management system based on the risk factors such as asset-liability maturity mismatch, liability scale and structure, high-quality liquidity assets, cash flow gap distribution, and customer concentration degree. Thirdly, the Bank optimised the asset-liability structure, strictly managed and controlled the maturity structure of interbank liabilities, and promoted the application of high-quality liquid assets in a stable and efficient manner. Fourthly, the Bank attached importance to and carried out early-warning management of liquidity risks, continuously improved the stress testing scenario and parameter system, and used systematic tools to increase the frequency and efficiency of stress testing. The Bank regularly conducted emergency drills for liquidity risks, and improved its capabilities in risk identification and emergency response. Fifthly, the Bank reinforced the development of IT systems and management tools, enhanced digital risk control capabilities, and optimised and perfected the risk monitoring statement system.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(VII) Country risk management

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to the Bank, or the Bank suffering from commercial or asset losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region. In strict accordance with the relevant regulatory requirements and in line with the principles of steadiness and prudence, the Bank identified, measured, assessed, monitored, reported, controlled and mitigated country risks, regularly assessed country risk levels and conducted limit management, and guided business towards low-risk countries or regions.

During the Reporting Period, neither total country risk exposure nor risk exposure to a single country of the Bank exceeded the limit. The country risk exposures of the Bank were mainly distributed in countries and regions with “low risks” and “relatively low risks.” The Bank continued to enhance its capabilities in preventing and controlling country risks, which were under control in general.

(VIII) Management of interest rate risk in banking book

Interest rate risk in banking book refers to the adverse changes in the level of interest rate, maturity structure and other factors which lead to loss on the economic value and overall revenue of banking book. It can be primarily classified into gap risk, benchmark risk and option risk.

During the Reporting Period, the Bank optimised and improved the governance and management system of interest rate risk in banking book, strictly managed and controlled the mismatch level of asset and liability repricing, and strengthened the interest rate sensitivity analysis and stress tests, in a bid to ensure the steady operation of regulatory indicators and internal management indicators of interest rate risk in banking book. Firstly, the Bank improved the Group’s consolidated management system of interest rate risk in banking book, effectively strengthening the coordinated management of interest rate risk in banking book of the Group and supervising and guiding subsidiaries to improve their risk management. Secondly, the Bank constantly enhanced the identification, measurement, monitoring and control system for interest rate risk in banking book, comprehensively adopted repricing gap analysis, duration analysis, sensitivity analysis, stress test and other methods to analyse and monitor risks, closely followed changes in external market environment as well as internal business structure, enhanced forward-looking judgment, and adjusted asset-liability maturity structure and business management strategies in a dynamic manner, so as to ensure the steady operation of indicators of interest rate risk in banking book. Thirdly, the Bank optimised the limit system, appraisal and supervision and early-warning and reminder of interest rate risk in banking book, practised strict and effective management in terms of repricing gap, maturity mismatch, duration, and valuation fluctuation, so as to ensure that all risk factors were kept at a prudent and healthy level. Fourthly, the Bank enhanced the early-warning management of interest rate risk in banking book, constantly enriched and perfected scenario assumption and parameter setting for stress tests, used systematic tools to elevate the frequency of stress tests, and strengthened its capability in risk identification and emergency response. Fifthly, the Bank optimised the functions of the asset-liability risk management system, improved management models and data base, increased the automatic measurement and monitoring frequency of indicators of interest rate risk in banking book, and enhanced its capability in risk data analysis, early-warning and monitoring.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IX) Reputation risk management

Reputation risk refers to the risk that stakeholders, the public, media and other parties negatively evaluate banking institutions due to the institutional behaviours, behaviours of practitioners or external events, etc., which then undermines the brand value, goes against normal operation, and even affects market stability and social stability. The Bank regards reputation risk management as one of the important means and necessary measures to safeguard normal business development, create a harmonious public opinion environment, safeguard its sound image in the industry and fulfill responsibilities of corporate citizens.

During the Reporting Period, the Bank fully implemented the Administrative Measures on the Reputation Risk of Banking and Insurance Institutions (Provisional) 《銀行保險機構聲譽風險管理辦法(試行)》, optimised mechanisms and processes, improved response strategies, accumulated reputation capital, emphasised prevention and control from the source, improved professional management and reinforced management responsibility. The Bank assessed the potential threats of contagion among risks in a timely manner within the purview of comprehensive risk management, pre-judged public opinion trends, deployed special monitoring, and formulated plans in advance. As a result, the timeliness and effectiveness of reputation risk management were further improved.

(X) IT risk management

IT risk refers to the operational, legal and reputation risk and other risks due to natural factors, human factors, technical flaws and management defects in relation to the IT application in the Bank.

During the Reporting Period, the Bank comprehensively promoted digital transformation and development, and continued to perfect the IT risk management system and improve IT risk management. Firstly, the Bank carried out special activities on self-inspection and assessment in key IT areas, consolidated the foundation for IT risk management, and enhanced the ability to manage and control IT risk in key areas. Secondly, the Bank optimised the work safety and operation and maintenance management system, improved the operation and guarantee of key IT infrastructure such as networks, computer rooms and cloud services, ensured the security and reliability of production systems, improved the emergency response mechanism and process, and enhanced the resilience of operations. Thirdly, the Bank improved the IT security management system, enhanced network security protection capabilities, strengthened data security control throughout the full life cycle, and reinforced the full-process security risk assessment of products and services. Fourthly, the Bank improved the IT risk monitoring indicator system, strengthened the data analysis of monitoring indicators, carried out regular IT risk assessment and inspection, and optimised risk management and control measures. Fifthly, the Bank carried out in-depth rectification of problems identified in internal and external inspections, combined instant inspection and rectification with source tracing and rectification, focused on both promoting development and consolidating foundation, and strictly safeguarded the bottom line of IT risk in the process of digital transformation. Sixthly, the Bank released the IT Risk Assessment Report of China Minsheng Bank (2023) 《中國民生銀行信息科技風險評估報告(2023年)》 to identify problems and supervise the accountable departments to make continuous rectifications. Seventhly, the Bank promoted the completion of the analysis of rules of the new version of technology supervision statements of the technology supervision department of the NFRA as well as the development of relevant system, completed the filling-in of new-version annual, quarterly, and monthly reports and statements, and published the Administrative Measures on Off-site IT Supervision Statistics of China Minsheng Bank 《中國民生銀行信息科技非現場監管統計管理辦法》.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(XI) Legal risk management

Legal risk refers to the risk that the Bank may assume criminal, administrative and civil legal liabilities because it fails to abide by laws, administrative regulations, regulatory provisions, contractual agreements, or fails to properly exercise its rights or properly fulfill its obligations. The Bank has put in place a relatively perfect legal risk management system and mechanism, providing guarantee for the law-based and compliant operation of the Bank.

During the Reporting Period, the Bank vigorously carried out activities to enhance law-based governance capability and improve law-based operation and management. Firstly, the Bank deepened law-based governance construction. The Bank vigorously promoted the application of typical demonstration experience of law-based governance, selected demonstration units for law-based governance construction, strengthened process review and assistance and supervision, solidly implemented 615 measures of law-based governance, and continued to make solid progress in law-based governance construction. Secondly, the Bank improved the foundation of legal risk management. The Bank further promoted the internalisation of laws and regulations such as the judicial interpretation of the part of Contract of the Civil Code, continuously improved the three-in-one legal risk management standard system of “business standards + legal review standards + standard texts”, promoted the construction of the smart legal review management system and the phase II of the smart litigation management platform, and continued to consolidate the foundation of legal risk management. Thirdly, the Bank strengthened the full-process management of legal risks. The Bank strengthened legal guidance and early-warning in a forward-looking and agile manner, rigorously controlled legal risk access reviews, enhanced professional legal support for business innovation, deeply advanced legal risk assessment and rectification of businesses, and further reinforced full-process legal risk prevention and control of businesses. Fourthly, the Bank strengthened litigation management and case handling. The Bank coordinated the promotion of litigation management, case handling and litigation source tracing management, comprehensively strengthened prevention and mitigation of litigation risks, focused on addressing key risks, deeply advanced the source tracing and rectification of litigation risks, enhanced the management and application of judicial information, optimised the support from internal and external legal resources, concluded existing litigation cases and prevented and controlled new risks, and maintained a stable litigation risk profile of the whole bank. Fifthly, the Bank pushed forward the “8th Five Year” law popularisation activity. The Bank organised multi-level training sessions of law-based governance in high frequency, conducted relevant publicity activities with various themes and formats, established and launched law-based governance knowledge sharing platform on the collaborative office platform of “iMinsheng (i民生)”, and comprehensively enhanced the effectiveness of publicity and education. As a result, the Bank further enhanced awareness of and capabilities in law-based governance across the whole bank, optimised the business environment of law-based governance, and further improved the positive brand image of law-based governance. Sixthly, the Bank implemented the regulatory requirements of carrying out regular campaigns to eradicate gang-related crimes, coordinated comprehensive planning and process supervision of campaigns to eradicate gang-related crimes, deepened risk governance and risk prevention and control in key links, kept a tough stance on eradicating gang-related crimes, and firmly safeguarded the bottom line of no risk events involving gang-related crimes.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(XII) Compliance risk management

Compliance risk refers to the risk of the Bank possibly suffering from legal sanction, regulatory punishment, major financial loss and reputation loss due to the failure in abiding by laws, rules and norms. The Bank comprehensively considers the relevance between compliance risk and credit risk, market risk, operational risk and other risks, establishes and improves the compliance management framework, and promotes the development of the comprehensive risk management system, thus ensuring legal and compliant operation.

During the Reporting Period, the Bank actively adapted to the new financial regulatory landscape, strictly implemented policies and regulations, strengthened basic management, deepened behavioural rectification, and built a robust “firewall” for internal control and compliance. Firstly, the Bank proactively implemented regulatory requirements. The Bank effectively prepared for regulatory inspections, concluded the three-year “Regulatory Rating Improvement” initiative, conducted source tracing and rectification of problems identified during internal and external inspections, continuously interpreted key regulatory policies, and ensured external regulations were embedded in the internal systems. Secondly, the Bank continued to consolidate the management foundation. The Bank strengthened system implementation feedback and improved system quality. The Bank comprehensively implemented the reform of the independent director system. The Bank updated the guidelines on compliant duty performance and compiled the list of duty performance for case prevention covering personnel at all levels. The Bank revised the rectification measures and improved the problem acceptance process. The Bank improved the case prevention system and issued the measures on the prevention and control of criminal case risk and the measures on screening and handling of criminal case risk. Additionally, the Bank continuously improved the institutional system for due diligence and liability exemption for business lines. Thirdly, the Bank strictly safeguarded the bottom line of key risks. The Bank conducted screening of suspected related parties, and improved the information identification of related legal persons. The Bank strengthened the establishment of inspection projects and the implementation of inspection plans, strengthened the inspection and verification of key areas, and reconstructed the key inspection model. The Bank conducted special activities to ensure the security of customer funds, deepened special programmes on employee integrity, optimised employee behaviour monitoring models, and strengthened case-based warning education. Fourthly, the Bank accelerated the promotion of digital and intelligent compliance management. The Bank integrated the policy database with external regulatory requirement database, optimised the platform for managing related-party transactions and compliance issues, launched the system of business continuity drill plans, and initiated the development of compliance management cockpit. Additionally, the Bank strengthened the application of smart compliance inspection platform.

(XIII) Money laundering risk management

Money laundering risk refers to the risk that the Bank may be utilised by “money laundering activity”, “financing of terrorism” and “diffusion financing” during business development and operating management. The Bank has established a relatively perfect system for managing money laundering risk, and constantly improved the management mechanism, providing guarantee for the steady and compliant operation.

During the Reporting Period, the Bank actively improved anti-money laundering (AML) internal control mechanisms, conducted a new round of AML self-assessments of institutions, and stuck to the breakthroughs for improvements. The Bank published the annual analysis of money laundering types, and promoted the high-quality development of duty performance of core AML responsibilities. The Bank also pressed ahead with the smart management of money laundering risk, and applied advanced technologies such as AI and machine learning to enhance risk monitoring capability.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

XIII. Prospects

(I) Layout and trend of the banking industry

Looking ahead to the second half of the year, the banking industry will face both opportunities and challenges in its operation and development with increasing positive factors. Firstly, in the second half of the year, accelerated fiscal spending and local government bond issuance, combined with strengthened fiscal policy and more room for monetary policy easing, are expected to sustain the positive momentum in economic recovery. Secondly, the optimisation of deposit term structure and the rectification on manual increment of interests will help reduce the cost of liabilities and ease the pressure from narrowing net interest margins. Finally, the continued optimisation of real estate policies and the accelerated efforts to resolve debt risks with a package of measures will help improve the asset quality of banks.

In the face of new circumstances, the banking industry shall strictly adhere to regulatory requirements, remain true to its original aspiration of serving the real economy, integrate into the broader context of economic and social development, shape distinctive advantages through continued reform, consolidate the development foundation by preventing and mitigating risks, and maintain a growth momentum of making steady progress and quality improvement while maintaining stability.

Firstly, the banking industry shall continue to optimise financial supply for the purpose of serving the real economy. It shall tilt more resources towards key areas and weak links in economic and social development, and ensure solid progress in the five major sectors. It shall further refine the development strategies for key regions such as Beijing-Tianjin-Hebei, the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area, Chengdu-Chongqing, and Fujian, to better support national regional strategies. It shall strengthen synergy between domestic and overseas institutions, provide high-quality services for “going out” and “bringing in” efforts, support the internationalisation of the Renminbi, and promote interconnection across various fields through financial connectivity.

Secondly, the banking industry shall reinforce the guiding role of innovation in advancing development with deepening reform as the driving force. It shall actively promote digital transformation, and comprehensively enhance digital marketing, digital operation, and digital risk control. It shall utilise digital technologies to thoroughly reform and upgrade the value chain, reshape customer journeys, and effectively enhance customer experience. It shall advance reforms in key areas such as organisational structure, systems and mechanisms, management processes, human resources, and performance evaluation to effectively enhance development vitality. It shall continuously innovate products and services to foster distinctive and differentiated development advantages.

Thirdly, the banking industry shall focus on compliant operation to further solidify security defenses. It shall further improve institutional systems for compliant operation, strengthen compliance awareness and ability training of personnel, optimise various systems and work processes, and plug all kinds of hidden risks and loopholes. It shall cultivate compliance culture and make the compliance concept “deep-rooted in the mind of employees and translated into their real actions”. It shall pool up efforts in counter-cyclical management of financial risks to ensure asset quality stable and various risks generally under control. Moreover, the banking industry shall strengthen the monitoring, early-warning, analysis, and disposal to ensure generally sound and stable liquidity.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Potential risks

The current world is experiencing unprecedented changes not seen in a century with frequently-occurring local conflicts and turmoils, intensifying global issues, growing uncertainties, and potential “black swan” and “grey rhino” events. Looking ahead to the second half of the year, in order to effectively address risks and challenges, the Bank will continue to stay customer-centric, pursue steady progress for long-term development, improve product and service offerings, optimise asset structure, and strengthen risk management. By proactively responding to the changes in the market through innovation and transformation, the Bank aims to promote steady performance growth and stable and better asset quality.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Ordinary Shares

(I) Changes in ordinary shares

	30 June 2024		Changes over the Reporting Period	31 December 2023	
	Number of shares (share)	Percentage (%)		Number of shares (share)	Number of shares (share)
I. Shares subject to restriction on sales	-	-	-	-	-
II. Shares not subject to restriction on sales	43,782,418,502	100.00	-	43,782,418,502	100.00
1. Ordinary shares in RMB	35,462,123,213	81.00	-	35,462,123,213	81.00
2. Domestic listed foreign invested shares	-	-	-	-	-
3. Offshore listed foreign invested shares	8,320,295,289	19.00	-	8,320,295,289	19.00
4. Others	-	-	-	-	-
III. Total number of ordinary shares	43,782,418,502	100.00	-	43,782,418,502	100.00

(II) Shares subject to restriction on sales and restrictions

During the Reporting Period, no shareholder of the Bank held shares subject to restriction on sales.

II. Issuance and Listing of Securities

During the Reporting Period, the Bank did not issue new ordinary shares, there were no changes in the total number and structure of the ordinary shares, and the Bank had no employee shares.

For details of bond issuance of the Bank, please refer to Note IV to the financial statements.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

III. Shareholders

(I) Total number of holders of ordinary shares and shareholdings of the top 10 shareholders

As at the end of the Reporting Period, the total number of holders of ordinary shares of the Bank was 341,030, of which 323,419 were holders of A shares and 17,611 were holders of H shares, and there was no holder of preference shares whose voting rights had been restored.

Particulars of shareholding of the top 10 holders of ordinary shares (excluding shares lent for refinancing)

Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held as at the end of the Reporting Period (share)	Changes over the Reporting Period (share)	Class of shares	Shares pledged/ marked/frozen	
						Status	Number (share)
HKSCC Nominees Limited	Other	18.93	8,285,912,862	538,070	H Shares		Unknown
Dajia Life Insurance Co., Ltd. – Universal Product	Domestic legal person	10.30	4,508,984,567	–	A Shares		Nil
Dajia Life Insurance Co., Ltd. – Traditional Product	Domestic legal person	6.49	2,843,300,122	–	A Shares		Nil
Shenzhen Liye Group Co., Ltd.	Domestic non-state-owned legal person	4.49	1,966,999,113	492,709,250	A Shares	Pledged	971,000,000
Tongfang Guoxin Investment Holding Co., Ltd.	Domestic legal person	4.31	1,888,530,701	–	A Shares	Pledged	1,850,802,321
New Hope Liuhe Investment Co., Ltd.	Domestic non-state-owned legal person	4.18	1,828,327,362	–	A Shares		Nil
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state-owned legal person	4.12	1,803,182,618	–	A Shares	Pledged Frozen Marked	1,803,182,617 388,800,001 1,414,382,617
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	3.15	1,379,679,587	–	A Shares	Pledged	1,379,678,400
China Shipowners Mutual Assurance Association	Domestic non-state-owned legal person	3.02	1,324,284,453	–	A Shares		Nil
Orient Group Incorporation	Domestic non-state-owned legal person	2.92	1,280,117,123	–	A Shares	Pledged	1,272,649,488

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Statement on the special accounts for repurchase of top 10 shareholders	Uninvolved
Statement on entrusting, being entrusted with and waiving the voting rights of the aforesaid shareholders	Uninvolved
Statement on the related relationship or concerted actions among the aforesaid shareholders	<ol style="list-style-type: none"> 1. Dajia Life Insurance Co., Ltd. – Universal Product and Dajia Life Insurance Co., Ltd. – Traditional Product have the same legal person; 2. Save as mentioned above, the Bank is not aware of any related relationship or concerted action among the above shareholders.
Statement on margin trading, short selling and refinancing engaged by the top 10 holders of ordinary shares and the top 10 holders of ordinary shares not subject to restriction on sales	<ol style="list-style-type: none"> 1. The margin account of Shenzhen Liye Group Co., Ltd. holds 313,808,367 shares of the Bank, representing 0.72% of the total share capital of the Bank. Save as mentioned above, the Bank is not aware of any margin trading and short selling engaged by the above other shareholders. 2. According to the record of opening/ending shares lent for refinancing in the first half of 2024 by the shareholders with shareholding of 5% or more, the top 10 holders of ordinary shares and the top 10 holders of circulating shares not subject to restriction on sales of the Bank provided by China Securities Finance Corporation Limited, there was no refinancing engaged by the top 10 holders of ordinary shares and the top 10 holders of ordinary shares not subject to restriction on sales of the Bank.

Notes:

1. The number of shares held by holders of A shares and the number of shares held by holders of H shares in the above table were recorded in accordance with the registers of shareholders of the Bank provided by China Securities Depository and Clearing Corporation Limited (Shanghai Branch) and Computershare Hong Kong Investor Services Limited, respectively;
2. No shareholder of the Bank held shares subject to restriction on sales;
3. Total number of the shares held by HKSCC Nominees Limited acting as an agent represents the total amount of H shares of the Bank held by all institutional and individual investors that registered in the account of such investors as at the end of the Reporting Period;
4. Shares held and pledged by Tongfang Guoxin Investment Holding Co., Ltd. included 1,850,802,321 shares transferred to “Tongfang Guoxin Investment Holding Co., Ltd. – special account for pledge of convertible corporate bonds non-publicly issued to professional investors (同方國信投資控股有限公司一面向專業投資者非公開發行可交換公司債券質押專戶)” (five tranches in total) due to issuing bonds;
5. In accordance with the Interim Measures on Equity Management of Commercial Banks 《商業銀行股權管理暫行辦法》 under the order of the former CBRC (2018 No. 1), starting from 26 June 2024, China Oceanwide Holdings Group Co., Ltd. is no longer a substantial shareholder of the Bank;
6. As at the date of disclosure of this Report, as far as the Bank is aware, of the shares of the Bank held by Orient Group Incorporation, a total of 117,028,711 shares were under judicial freezing and a total of 1,163,088,412 shares were under judicial marking.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

(II) Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations

As at 30 June 2024, substantial shareholders and other persons (other than the Directors, Supervisors and chief executives of the Bank as defined in the Hong Kong Listing Rules) had the following interests or short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares (share)	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Dajia Life Insurance Co., Ltd.	A	Long Position	Beneficial owner	7,352,284,689	1	20.73	16.79
	H	Long Position	Beneficial owner	457,930,200	1	5.50	1.05
Dajia Insurance Group Co., Ltd.	A	Long Position	Interest held by the corporation(s) controlled by this substantial shareholder	7,352,284,689	1	20.73	16.79
	H	Long Position	Interest held by the corporation(s) controlled by this substantial shareholder	457,930,200	1	5.50	1.05
New Hope Liuhe Investment Co., Ltd.	A	Long Position	Beneficial owner	1,828,327,362*	2	5.16	4.18
New Hope Liuhe Co., Ltd.	A	Long Position	Interest held by the corporation(s) controlled by this substantial shareholder	1,828,327,362*	2	5.16	4.18
New Hope Group Co., Ltd.	A	Long Position	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	2 and 5	5.44	4.41
LI Wei	A	Long Position	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,930,715,189*	3 and 5	5.44	4.41
LIU Chang	A	Long Position	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	4 and 5	5.44	4.41
China Oceanwide Holdings Group Co., Ltd.	A	Long Position	Beneficial owner	1,803,182,618	6 and 7	5.08	4.12
Oceanwide Group Co., Ltd.	A	Long Position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	6 and 7	5.08	4.12

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares (share)	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Tohigh Holdings Co., Ltd.	A	Long Position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	6 and 7	5.08	4.12
LU Zhiqiang	A	Long Position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	6 and 7	5.08	4.12
Alpha Frontier Limited	H	Long Position	Beneficial owner	713,501,653	8 and 9	8.58	1.63
Shanghai Cibi Business Information Consulting Co., Ltd.	H	Long Position	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	8 and 9	8.58	1.63
Giant Investment Co., Ltd.	H	Long Position	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	8 and 9	8.58	1.63

* In accordance with the SFO, the changes in the interests did not result in a percentage subject to disclosure obligation. Relevant changes were not reported in the disclosure forms completed by the above-mentioned substantial shareholders.

Notes:

- Dajia Insurance Group Co., Ltd. was deemed to have interests in the 7,352,284,689 A shares and 457,930,200 H shares of the Bank as it held 99.98% of the issued share capital of Dajia Life Insurance Co., Ltd.

The interests that Dajia Insurance Group Co., Ltd. and Dajia Life Insurance Co., Ltd. held in the 7,352,284,689 A shares and 457,930,200 H shares, as set out in the above table, were the same block of shares.
- According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. through direct and indirect control over several enterprises. As Mr. LIU Yonghao (a Non-Executive Director of the Bank) had control over New Hope Group Co., Ltd., he was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd.
- Ms. LI Wei is the spouse of Mr. LIU Yonghao (a Non-Executive Director of the Bank). According to the SFO, Ms. LI was deemed to have interests in the 1,930,715,189 A shares of the Bank in which Mr. LIU Yonghao had interests (Mr. LIU Yonghao's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
- Ms. LIU Chang held equity interest of New Hope Group Co., Ltd. (see note 2 above), Ms. LIU was deemed to have interests in the 1,930,715,189 A shares of the Bank in which New Hope Group Co., Ltd. had interests. Ms. LIU Chang is the daughter of Mr. LIU Yonghao (a Non-Executive Director of the Bank).
- The interests that New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang held in the 1,930,715,189 A shares, as set out in the above table, were the same block of shares.
- According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. through direct and indirect control over Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. As Mr. LU Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

7. The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd., Tohigh Holdings Co., Ltd. and Mr. LU Zhiqiang held in the 1,803,182,618 A shares, as set out in the above table, were the same block of shares.
8. According to the SFO, Giant Investment Co., Ltd. was deemed to have interests in the 713,501,653 H shares held by Alpha Frontier Limited through direct and indirect control over Shanghai Cibi Business Information Consulting Co., Ltd. (上海賜比商務信息諮詢有限公司) and Alpha Frontier Limited. As Mr. SHI Yuzhu (a Non-Executive Director of the Bank) held 97.86% of the issued share capital of Giant Investment Co., Ltd., he was also deemed to have interests in the 713,501,653 H shares of the Bank held by Alpha Frontier Limited (Mr. SHI Yuzhu's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
9. The interests that Giant Investment Co., Ltd., Shanghai Cibi Business Information Consulting Co., Ltd. and Alpha Frontier Limited held in the 713,501,653 H shares, as set out in the above table, were the same block of shares.

(III) Controlling shareholder and ultimate controller

The Bank does not have any controlling shareholder or ultimate controller. According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange 《上海證券交易所股票上市規則》, the largest shareholder and its ultimate controller shall comply with corporate governance regulations by referring to the requirements for controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top 10 single shareholders of the Bank held an aggregate of 44.41% of the Bank's shares. Dajia Life Insurance Co., Ltd. – Universal Product is the single largest shareholder that held 10.30% of the total shares of the Bank. There was no shareholder who could control more than half of the voting rights of the Board or at the general meetings in accordance with the shareholding percentage, the Articles of Association or any agreements.

(IV) Restriction commitments regarding additional shares for shareholders with shareholding of 5% or more of the Bank

Not applicable.

(V) Repurchase, sale or redemption of securities

The Group has neither sold any securities of the Bank nor repurchased or redeemed any securities of the Bank during the Reporting Period (including sale of treasury shares).

(VI) Substantial shareholders as at the end of the Reporting Period

1. Substantial shareholders with aggregate shareholding of 5% or more of the Bank were as follows:

Dajia Life Insurance Co., Ltd.: It was incorporated on 23 June 2010; its registered capital was RMB30,790 million; its unified social credit code is 91110000556828452N; its legal representative is HE Xiaofeng; its controlling shareholder is Dajia Insurance Group Co., Ltd.; the controlling shareholder, the ultimate controller and the ultimate beneficiary of Dajia Insurance Group Co., Ltd. is China Insurance Security Fund Co., Ltd.; it has no party acting in concert; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, the shares of the Bank held by Dajia Life Insurance Co., Ltd. had not been pledged.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2. In accordance with the Interim Measures on Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) under the order of the former CBRC (2018 No. 1), other substantial shareholders of the Bank were as follows:

- (1) Shanghai Giant Lifetech Co., Ltd.: It was incorporated on 12 July 1999; its registered capital was RMB245,400,640; its unified social credit code is 913101041346255243; its legal representative is WEI Wei; its controlling shareholder is Giant Investment Co., Ltd.; its ultimate controller is SHI Yuzhu; its ultimate beneficiary is SHI Yuzhu; its parties acting in concert are Alpha Frontier Limited and Liberal Rise Limited; its principal business includes: production and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technology development, consultancy services and transfer in healthcare food aspect, wholesale of non-physical goods; prepackaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy. As at the end of the Reporting Period, Shanghai Giant Lifetech Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,379,678,400 ordinary shares, representing 3.15% of the total share capital of the Bank.

Alpha Frontier Limited: It was incorporated on 24 June 2016; its registered capital was USD17.519 thousand; its controlling shareholder is Shanghai Cibi Business Information Consulting Co., Ltd.; its ultimate controller is SHI Yuzhu; its ultimate beneficiaries are SHI Yuzhu and SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Liberal Rise Limited; its principal business includes: investment holding. As at the end of the Reporting Period, Alpha Frontier Limited had pledged 38.54% of the shares of the Bank it held, being 275,000,000 ordinary shares, representing 0.63% of the total share capital of the Bank.

Liberal Rise Limited: It was incorporated on 9 January 2018; its registered capital was USD50.0 thousand; its controlling shareholder is Abhaya Limited; its ultimate controller is SHI Jing; its ultimate beneficiary is SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Alpha Frontier Limited; its principal business includes: investment holding. As at the end of the Reporting Period, the shares of the Bank held by Liberal Rise Limited had not been pledged.

- (2) New Hope Liuhe Investment Co., Ltd.: It was incorporated on 25 November 2002; its registered capital was RMB576,555,600; its unified social credit code is 91540091744936899C; its legal representative is WANG Pusong; its controlling shareholder is New Hope Liuhe Co., Ltd.; its ultimate controller is LIU Yonghao; its ultimate beneficiary is LIU Yonghao; its party acting in concert is South Hope Industrial Co., Ltd.; its principal business includes: venture capital investment, investment management, financial advisory, wealth management consultancy, corporate reorganisation consultancy, market research, credit investigation, technology development and transfer, and technology consultancy services, etc. As at the end of the Reporting Period, the shares of the Bank held by New Hope Liuhe Investment Co., Ltd. had not been pledged.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

South Hope Industrial Co., Ltd.: It was incorporated on 17 November 2011; its registered capital was RMB1,034,313,725; its paid-up registered capital was RMB951,438,725; its unified social credit code is 9154009158575152X0; its legal representative is LI Jianxiong; its controlling shareholder is New Hope Group Co., Ltd.; its ultimate controller is LIU Yonghao; its ultimate beneficiary is LIU Yonghao; its party acting in concert is New Hope Liuhe Investment Co., Ltd.; its principal business includes: research and development of feeds, wholesale and retail, electronic products, hardware and electrical appliances, daily sundry goods, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the State), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services). As at the end of the Reporting Period, the shares of the Bank held by South Hope Industrial Co., Ltd. had not been pledged.

- (3) Tongfang Guoxin Investment Holding Co., Ltd.: It was incorporated on 23 May 2007; its registered capital was RMB2,574,162,500; its unified social credit code is 91500000660887401L; its legal representative is LIU Qinqin; its largest shareholder is Tongfang Innovation Investment (Shenzhen) Co., Ltd., a wholly-owned subsidiary of Tongfang Co., Ltd., a subsidiary controlled by China Baoyuan Investment Co., Ltd.; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tongfang Guoxin Investment Holding Co., Ltd.; its party acting in concert is Chongqing International Trust Inc; its business includes: investments with its own funds (excluding financial businesses such as accepting public deposits or accepting public deposits in any form, extending loans or securities and futures); consultancy services in relation to investment information and policies for its related party companies; transportation facilities maintenance; engineering management services; standardisation services; planning and design management; corporate headquarters management; corporate management; management services of commercial complex; international project contracting; property management. As at the end of the Reporting Period, Tongfang Guoxin Investment Holding Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,850,802,321 ordinary shares (all being held by “Tongfang Guoxin Investment Holding Co., Ltd. – special account for pledge of convertible corporate bonds non-publicly issued to professional investors”), representing 4.23% of the total share capital of the Bank.

Chongqing International Trust Inc: It was incorporated on 22 October 1984; its registered capital was RMB15,000 million; its unified social credit code is 91500000202805720T; its legal representative is WENG Zhenjie; its controlling shareholder is Tongfang Guoxin Investment Holding Co., Ltd; it has no ultimate controller; its ultimate beneficiary is Chongqing International Trust Inc; its party acting in concert is Tongfang Guoxin Investment Holding Co., Ltd.; its principal business includes: funds trust, chattel trust, real estate trust, negotiable securities trust, other properties or property rights trusts; investment fund business as a promoter of investment fund or fund management companies; providing asset reorganisation, mergers and acquisitions, project financing, corporate wealth management, financial advisory and other services of enterprises; securities underwriting business approved by the relevant authorities of the State Council; intermediary business, consultancy, credit investigation; safe custody and safe deposits box business; use of inherent properties as balance with banks and other financial institutions, placements with banks and other financial institutions, loans, leasing and investment; providing collateral for others with inherent properties; interbank lending, and other businesses permitted under the laws and regulations and approved by the former CBIRC. The above business scope includes businesses denominated in RMB and foreign currencies. As at the end of the Reporting Period, the shares of the Bank held by Chongqing International Trust Inc had not been pledged.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

- (4) China Shipowners Mutual Assurance Association: It was incorporated on 1 January 1984; its registered capital was RMB100,000; its unified social credit code is 51100000500010993L; its legal representative is SONG Chunfeng; it has no controlling shareholder; it has no ultimate controller; it has no ultimate beneficiary; it has no party acting in concert; its principal business includes: marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service. As at the end of the Reporting Period, the shares of the Bank held by China Shipowners Mutual Assurance Association had not been pledged.
- (5) Orient Group Incorporation: It was incorporated on 16 August 1989; its registered capital was RMB3,658,744,935; its unified social credit code is 91230199126965908A; its legal representative is SUN Mingtao; its controlling shareholder is Orient Group Co., Ltd.; its ultimate controller is ZHANG Hongwei; its ultimate beneficiary is ZHANG Hongwei; its party acting in concert is Orient Group Co., Ltd.; its principal business includes: permitted items: food production (through its subsidiaries), grain processing and food production (through its subsidiaries), bean product manufacturing (through its subsidiaries), operation of crop seeds (through its subsidiaries), employment agency activities. General items: grain procurement, import and export of goods, import and export of technologies, international project contracting, property management, sales of light building materials, sales of building materials, sales of construction machines, sales of furniture, wholesale of hardware products, sales of sanitary wares, sales of metal materials, technology research and development of new materials, sales of grain, plantation of grain (through its subsidiaries), corporate headquarters management, and primary processing of edible agricultural products (through its subsidiaries). As at the end of the Reporting Period, Orient Group Incorporation had pledged over 50% of the shares of the Bank it held, being 1,272,649,488 ordinary shares, representing 2.91% of the total share capital of the Bank.

Orient Group Co., Ltd.: It was incorporated on 26 August 2003; its registered capital was RMB1,000 million; its unified social credit code is 911100007541964840; its legal representative is ZHANG Xianfeng; its controlling shareholder is Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司); its ultimate controller is ZHANG Hongwei; its ultimate beneficiary is ZHANG Hongwei; its party acting in concert is Orient Group Incorporation; its principal business includes: engaging in investment activities with self-owned funds; information system integration services; agent domestic trade; agent import and export; import and export of technology; property management; coal sales; wholesale of hardware products, etc. As at the end of the Reporting Period, Orient Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 15,344,100 ordinary shares, representing 0.04% of the total share capital of the Bank.

- (6) Good First Group Co., Ltd.: It was incorporated on 2 May 1995; its registered capital was RMB133 million; its unified social credit code is 91310000612260305J; its legal representative is WU Di; its controlling shareholder is WONG Hei; its ultimate controller is WONG Hei; its ultimate beneficiary is WONG Hei; its parties acting in concert are Tibet Heng Xun Corporate Management Co., Ltd. and Tibet Fujun Enterprise Management Co., Ltd.; its principal business includes: research, development and sales of high-tech products; industrial investment; investments in education, agriculture, secondary industry, entertainment industry and healthcare products; sales of photographic equipment and new-type

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, daily sundry goods, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products approved by the State. As at the end of the Reporting Period, Good First Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 133,200,000 ordinary shares, representing 0.30% of the total share capital of the Bank.

Tibet Heng Xun Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its unified social credit code is 91540195321324233N; its legal representative is CHEN Jianjun; its controlling shareholder is Xiamen Gaoxiao Electronic Information Technology Co., Ltd. (廈門高校電子信息技術有限公司); its ultimate controller is ZHANG Jianhua; its ultimate beneficiary is ZHANG Jianhua; its parties acting in concert are Good First Group Co., Ltd. and Tibet Fujun Enterprise Management Co., Ltd.; its principal business includes: service of corporate image, marketing and brand planning, exhibition and display services, market research (other than those that involve state secrets and personal privacy), retail of building materials and ancillary materials, and sales of feeds and raw materials, chemical fertilisers, rubber products, chemical materials (other than hazardous chemical products and precursor chemicals), and metal materials. As at the end of the Reporting Period, Tibet Heng Xun Corporate Management Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 80,500,000 ordinary shares, representing 0.18% of the total share capital of the Bank.

Tibet Fujun Enterprise Management Co., Ltd.: It was incorporated on 3 May 2016, its registered capital was RMB300 million; its unified social credit code is 91540195MA6T1A2K32; its legal representative is CHEN Jianjun; its controlling shareholder is Xiamen Gaoxiao Electronic Information Technology Co., Ltd.; its ultimate controller is ZHANG Jianhua; its ultimate beneficiary is ZHANG Jianhua; its parties acting in concert are Good First Group Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes: enterprise management; enterprise management consulting; corporate image planning; marketing planning; conference and exhibition services; market research (excluding foreign-related research). As at the end of the Reporting Period, Tibet Fujun Enterprise Management Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 52,900,000 ordinary shares, representing 0.12% of the total share capital of the Bank.

(VII) Pledge and freezing of ordinary shares

As at the end of the Reporting Period, according to the A Share Register, 389,557,736 shares of the Bank were under judicial freezing and 1,414,382,617 shares were under judicial marking. As of the effective date of the Articles of Association upon approval, the voting rights in the shareholders' general meetings of the substantial shareholders who pledged 50% or more of the shares of the Bank they held, as well as the voting rights in the Board meetings of the directors they appointed, have been restricted.

CHAPTER 5 INFORMATION ON PREFERENCE SHARES

I. Issuance and Listing of Preference Shares during the Reporting Period

During the Reporting Period, the Bank has had no issuance or listing of preference shares.

II. Number of Holders of Preference Shares and Particulars of Shareholding

As at the end of the Reporting Period, the number of holders of preference shares (or nominees) of the Bank was 50.

As at the end of the Reporting Period, particulars of shareholding of the top 10 holders (or nominees) of preference shares of the Bank are set out as follows:

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period	Shareholding percentage (%)	Total number of shares held (share)	Number of shares subject to restriction on sales held	Shares pledged/ marked/frozen
Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Customer Asset Management Plan	Other	Domestic preference share	–	10.00	20,000,000	–	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product	Other	Domestic preference share	–	7.00	14,000,000	–	Nil
China Resources SZITIC Trust Co., Ltd. – CR Trust • Rui An No. 6 Collective Fund Trust Plan	Other	Domestic preference share	–	6.00	12,000,000	–	Nil
China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001SH	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Funds	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Taiping Life Insurance Co., Ltd. – Traditional – General Insurance Product – 022L – CT001SH	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Guotai Junan Securities Asset Management – Futong • Rixin H14001 RMB Wealth Management Product – Guojun Asset Management 0638 Targeted Asset Management Contract	Other	Domestic preference share	–	5.00	10,000,000	–	Nil

CHAPTER 5 INFORMATION ON PREFERENCE SHARES

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period	Shareholding percentage (%)	Total number of shares held (share)	Number of shares subject to restriction on sales held	Shares pledged/ marked/frozen
Everbright Securities Asset Management – Bohai Bank – EBSAM Xinyou No. 23 Collective Asset Management Plan	Other	Domestic preference share	–	4.16	8,310,000	–	Nil
China Credit Trust Co., Ltd. – CCT – Baofu No. 11 Collective Fund Trust Plan	Other	Domestic preference share	7,332,000	3.67	7,332,000	–	Nil
Everbright Securities Asset Management – Bohai Bank – EBSAM Xinyou No. 24 Collective Asset Management Plan	Other	Domestic preference share	3,350,000	3.53	7,050,000	–	Nil
Statement on the related relationship or concerted actions among the top 10 holders of preference shares or among the above shareholders and the top 10 holders of ordinary shares	“Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product” and “Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Funds” have a related relationship. “Everbright Securities Asset Management – Bohai Bank – EBSAM Xinyou No. 23 Collective Asset Management Plan” and “Everbright Securities Asset Management – Bohai Bank – EBSAM Xinyou No. 24 Collective Asset Management Plan” have a related relationship. Save as disclosed above, the Bank does not know if there is any related relationship or concerted action among the above holders of domestic preference shares or among the above holders of domestic preference shares and the top 10 holders of ordinary shares.						

III. Distribution of Dividends of Preference Shares

No dividends of preference shares of the Bank have been distributed during the Reporting Period.

IV. Repurchase or Conversion of Preference Shares

During the Reporting Period, no preference shares of the Bank have been repurchased or converted.

V. Recovery of Voting Rights of Preference Shares

During the Reporting Period, no voting rights of preference shares of the Bank have been restored.

VI. Accounting Policies for Preference Shares and the Underlying Reasons

According to the rules promulgated by the Ministry of Finance, such as the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments 《企業會計準則第37號—金融工具列報》, there was no need for the issued and existing domestic preference shares of the Bank to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Bank will have no obligation to deliver a variable quantity of its equity instruments. Therefore, the domestic preference shares are accounted as other equity instruments.

Corporate Governance



CHAPTER 6 CORPORATE GOVERNANCE

I. Corporate Governance Overview

During the Reporting Period, the Bank strictly complied with laws and regulations, as well as regulatory requirements, and advanced the organic integration of the Party's leadership with its corporate governance in an in-depth manner. The Bank continued to improve the corporate governance mechanisms and systems, elected the 9th session of the Board of Directors and the Board of Supervisors, and completed the change of the term of office of the Board of Directors and the Board of Supervisors in a smooth and orderly manner. The Shareholders' General Meeting, the Board of Directors, the Board of Supervisors, and the Senior Management followed the principles of "each performing its own duties, each taking responsibility for itself, coordinated operation, and effective checks and balances," and corporate governance was continuously enhanced.

The Board of Directors resolutely implemented the decisions and arrangements made by the CPC Central Committee and the State Council, and aligned supporting the real economy closely with achieving high-quality development of the Bank. It gave full play to the role of strategic decision-making and risk management to promote the implementation of the Bank's development strategy. The Bank emphasised the continuous professional development of Directors, actively organised Directors to participate in research and training, and continuously improved the communication and coordination mechanisms, so as to enhance the quality and effectiveness of decision-making. The Independent Directors fully and effectively performed their duties. They convened special meetings to consider the related-party transactions that should be disclosed, expressed independent opinions on matters such as the remuneration of Directors and Senior Management, the nomination of candidates for directors, and the appointment of Senior Management, received briefings on reports from the Senior Management on key operation and management concerns in a timely manner, and put forward professional opinions and suggestions, effectively playing the role of Independent Directors in decision-making, supervision and checks and balances, and professional consultation.

During the Reporting Period, the corporate governance of the Bank has been in line with the requirements of laws, administrative regulations as well as the provisions of regulatory authorities regarding governance of listed companies.

CHAPTER 6 CORPORATE GOVERNANCE

II. Shareholders' General Meetings

During the Reporting Period, the Bank held one shareholders' general meeting and considered and approved 16 proposals and received briefings on three special reports. Details are as follows:

On 26 June 2024, the 2023 Annual General Meeting of the Bank was held in Beijing, at which the shareholders attended and voted on-site and online. For details of the resolutions of the meeting, please refer to the announcements published on the website of the Bank, the website of the SSE and the HKEXnews website of the SEHK on 26 June 2024, and on China Securities Journal, Shanghai Securities News and Securities Times on 27 June 2024.

III. Meetings of the Board of Directors and Its Special Committees

During the Reporting Period, 11 Board meetings were convened to consider a total of 76 proposals as well as to receive briefings on and study 58 special work reports. The Strategic Development and Consumer Rights Protection Committee, the Nomination Committee, the Compensation and Remuneration Committee, the Audit Committee, the Related Party Transactions Supervision Committee, and the Risk Management Committee under the Board convened a total of 35 meetings to consider 116 proposals and receive briefings on and study 49 special work reports.

IV. Meetings of the Board of Supervisors and Its Special Committees

During the Reporting Period, 10 meetings (including one non-resolution meeting) of the Board of Supervisors of the Bank were convened to consider a total of 30 proposals and review 60 reports. A total of 5 meetings of the special committees of the Board of Supervisors were convened, including 3 meetings of the Supervisory Committee with 11 matters considered and reviewed and 9 matters studied, conveyed, and implemented, and 2 meetings of the Nomination and Examination Committee with 6 proposals considered.

During the Reporting Period, in accordance with regulatory requirements, the Board of Supervisors and its special committees focused on key supervisory fields, improved supervision operation mechanism, and performed the duties of deliberation and supervision. The members of the Board of Supervisors supervised the legitimacy and compliance of the meeting proposals and decision-making procedures and adopted antecedent supervision by regularly attending important meetings of the Board and the Senior Management as non-voting delegates. The Board of Supervisors highlighted problem orientation and systematic concept, and reminded matters of concerns and urged for rectification by actively expressing supervisory opinions, issuing supervisory notices, and regularly completing supervisory reports on operation, in a push for improvement in the effectiveness of deliberation and supervision.

CHAPTER 6 CORPORATE GOVERNANCE

V. Directors, Supervisors and Senior Management

(I) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)
GAO Yingxin	M	1962	Chairman & Executive Director	July 2020 – 2027 election	500,000	500,000
ZHANG Hongwei	M	1954	Vice Chairman & Non- Executive Director	January 2001 – 2027 election	–	–
LIU Yonghao	M	1951	Vice Chairman & Non- Executive Director	June 2009 – 2027 election	–	–
WANG Xiaoyong	M	1970	Vice Chairman & Executive Director	August 2024 – 2027 election	–	–
			President	April 2024 – 2027 election		
SHI Yuzhu	M	1962	Non-Executive Director	March 2017 – 2027 election	–	–
SONG Chunfeng	M	1969	Non-Executive Director	March 2017 – 2027 election	–	–
ZHAO Peng	M	1973	Non-Executive Director	June 2021 – 2027 election	–	–
QU Xinju	M	1964	Independent Director	March 2021 – 2027 election	–	–
WEN Qiuju	F	1965	Independent Director	August 2023 – 2027 election	–	–
SONG Huanzheng	M	1968	Independent Director	August 2023 – 2027 election	–	–
YEUNG Chi Wai, Jason	M	1955	Independent Director	October 2023 – 2027 election	–	–
CHENG Fengchao	M	1959	Independent Director	February 2024 – 2027 election	–	–
LIU Hanxing	M	1973	Independent Director	March 2024 – 2027 election	–	–
ZHANG Juntong	M	1974	Executive Director	August 2024 – 2027 election	350,000	350,000
			Executive Vice President	May 2024 – 2027 election		
			Former Chairman of the Board of Supervisors & Former Employee Supervisor	February 2017 – March 2024		
YANG Yu	M	1964	Vice Chairman of the Board of Supervisors & Employee Supervisor	November 2021 – 2027 election	–	–
WENG Zhenjie	M	1962	Vice Chairman of the Board of Supervisors & Shareholder Supervisor	June 2024 – 2027 election	–	–
			Former Non-Executive Director	February 2017 – June 2024		
WU Di	M	1965	Shareholder Supervisor	June 2024 – 2027 election	–	–
			Former Non-Executive Director	March 2013 – June 2024		
LU Zhongnan	M	1955	External Supervisor	June 2024 – 2027 election	–	–
LI Yu	M	1974	External Supervisor	June 2024 – 2027 election	–	–
LONG Ping	M	1971	Employee Supervisor	June 2024 – 2027 election	–	–

CHAPTER 6 CORPORATE GOVERNANCE

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)
SHI Jie	M	1965	Executive Vice President	January 2017 – 2027 election	350,000	350,000
LI Bin	F	1967	Executive Vice President	January 2017 – 2027 election	350,000	350,000
			Board Secretary	February 2024 – 2027 election		
LIN Yunshan	M	1970	Executive Vice President	January 2017 – 2027 election	350,000	350,000
HUANG Hongri	M	1972	Executive Vice President	May 2024 – 2027 election	–	–
ZHANG Bin	M	1967	Chief Information Officer	November 2021 – 2027 election	–	–
GONG Zhijian	M	1967	Business Director	May 2024 – 2027 election	–	–
			Former Employee Supervisor	November 2021 – May 2024		
Resigned Directors, Supervisors and Senior Management						
LU Zhiqiang	M	1951	Former Vice Chairman & Former Non-Executive Director	November 2006 – June 2024	–	–
ZHENG Wanchun	M	1964	Former Vice Chairman	December 2020 – March 2024	430,000	435,000
			Former Executive Director	March 2016 – March 2024		
			Former President	January 2016 – March 2024		
YANG Xiaoling	M	1958	Former Non-Executive Director	March 2021 – June 2024	–	–
XIE Zhichun	M	1958	Former Independent Director	March 2017 – March 2024	–	–
PENG Xuefeng	M	1962	Former Independent Director	March 2017 – February 2024	–	–
YUAN Guijun	M	1963	Former Executive Director	March 2021 – March 2024	150,000	150,000
			Former Executive Vice President	December 2020 – March 2024		
WANG Yugui	M	1951	Former External Supervisor	February 2017 – March 2024	–	–
ZHAO Fugao	M	1955	Former External Supervisor	June 2019 – June 2024	–	–
ZHANG Liqing	M	1963	Former External Supervisor	October 2020 – June 2024	–	–
BAI Dan	F	1963	Former Board Secretary	August 2018 – February 2024	360,000	360,000

CHAPTER 6 CORPORATE GOVERNANCE

Notes:

1. According to the regulations of the CSRC, the commencement date of the terms of office of re-elected Directors, Supervisors and Senior Management in the above table shall be the date of their first appointment and qualification approval. The qualification of Mr. WENG Zhenjie as a Director was subject to the approval of the NFRA;
2. On 26 June 2024, the 2023 Annual General Meeting of the Bank elected the 9th session of the Board of Directors, whose Directors were nominated by the 8th session of the Board of Directors of the Bank;
3. On 26 June 2024, the 2023 Annual General Meeting of the Bank elected the Shareholder Supervisors and External Supervisors of the 9th session of the Board of Supervisors, and such Shareholder Supervisors and External Supervisors were nominated by the 8th session of the Board of Supervisors of the Bank;
4. Mr. YANG Yu started to serve as Convener of the Board of Supervisors from June 2024;
5. The reasons for the changes in the Bank's shares held by the personnel in this table during the Reporting Period are increased holdings;
6. During the Reporting Period, none of the incumbent Directors, Supervisors and Senior Management or Directors, Supervisors or Senior Management resigned during the Reporting Period had been subject to any penalty imposed by the securities regulatory authorities during the past three years.

(II) Appointment and resignation of Directors, Supervisors and Senior Management

Directors

1. On 9 June 2023, Mr. CHENG Fengchao and Mr. LIU Hanxing were elected as Independent Directors of the Bank at the 2022 Annual General Meeting, and the qualification of Mr. CHENG Fengchao was approved by the NFRA in February 2024. Mr. PENG Xuefeng ceased to serve as an Independent Director of the Bank due to the expiration of his term of office. The qualification of Mr. LIU Hanxing was approved by the NFRA in March 2024. Mr. XIE Zhichun ceased to serve as an Independent Director of the Bank due to the expiration of his term of office.
2. On 12 March 2024, Mr. ZHENG Wanchun resigned from the positions of a Vice Chairman, an Executive Director and President of the Bank, as well as a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board due to retirement upon reaching the prescribed age.
3. On 12 March 2024, Mr. YUAN Guijun resigned from the positions of an Executive Director and an Executive Vice President of the Bank, as well as a member of the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board due to retirement upon reaching the prescribed age.

CHAPTER 6 CORPORATE GOVERNANCE

- On 6 June 2024, the 9th extraordinary meeting of the 8th session of the Board of Directors of the Bank considered and approved the *Proposal on Nominating the Candidates for Non-Executive Directors and Executive Directors of the 9th Session of the Board of Directors of the Bank* (《關於提名本行第九屆董事會非執行董事、執行董事候選人的議案》) and the *Proposal on Nominating the Candidates for Independent Directors of the 9th Session of the Board of Directors of the Bank* (《關於提名本行第九屆董事會獨立董事候選人的議案》). On 26 June 2024, the 2023 Annual General Meeting of the Bank elected the 9th session of the Board of Directors, which consists of 16 Directors including seven Non-Executive Directors (Mr. ZHANG Hongwei, Mr. LIU Yonghao, Mr. SHI Yuzhu, Mr. SONG Chunfeng, Mr. ZHAO Peng, Mr. LIANG Xinjie and Mr. LIN Li), six Independent Directors (Mr. QU Xinjiu, Ms. WEN Qiuju, Mr. SONG Huanzheng, Mr. YEUNG Chi Wai, Jason, Mr. CHENG Fengchao and Mr. LIU Hanxing), and three Executive Directors (Mr. GAO Yingxin, Mr. WANG Xiaoyong and Mr. ZHANG Juntong). Mr. LU Zhiqiang, Mr. WU Di and Mr. YANG Xiaoling ceased to serve as Directors of the Bank, and the qualification of Mr. WENG Zhenjie as a Director was subject to the approval of the NFRA. The qualifications of Mr. WANG Xiaoyong and Mr. ZHANG Juntong as Directors were approved by the NFRA in August 2024. As at the date of disclosure of this Report, the qualifications of Mr. LIANG Xinjie and Mr. LIN Li as Directors are subject to the approval of the NFRA.
- On 26 June 2024, the first meeting of the 9th session of the Board of Directors of the Bank considered and approved the *Proposal on Electing Chairman and Vice Chairmen of the 9th Session of the Board of Directors of China Minsheng Bank* (《關於選舉中國民生銀行第九屆董事會董事長、副董事長的議案》), electing Mr. GAO Yingxin as Chairman and Mr. ZHANG Hongwei, Mr. LIU Yonghao and Mr. WANG Xiaoyong as Vice Chairmen. The qualification of Mr. WANG Xiaoyong as a Vice Chairman was approved by the NFRA in August 2024.

Supervisors

- On 12 March 2024, Mr. ZHANG Juntong ceased to serve as Chairman of the Board of Supervisors and an Employee Supervisor of the Bank, as well as a member of the special committees of the Board of Supervisors due to work adjustment.
- On 12 March 2024, Mr. WANG Yugui resigned from the positions of an External Supervisor and a member of the special committees of the Board of Supervisors of the Bank due to the expiration of his term of office for a cumulative period of six years.
- On 27 May 2024, due to his new role as Business Director of the Bank, Mr. GONG Zhijian ceased to perform his duties as an Employee Supervisor and a member of the special committees of the Board of Supervisors.
- On 7 June 2024, the Employee Representative Congress of the Bank by-elected Mr. LONG Ping as an Employee Supervisor of the 8th session of the Board of Supervisors of the Bank. On 12 June 2024, the 5th extraordinary meeting of the 8th session of the Board of Supervisors of the Bank elected Mr. LONG Ping as a member of the Supervisory Committee of the 8th session of the Board of Supervisors of the Bank.

CHAPTER 6 CORPORATE GOVERNANCE

5. On 25 June 2024, the Employee Representative Congress of the Bank elected Mr. YANG Yu and Mr. LONG Ping as Employee Supervisors of the 9th session of the Board of Supervisors of the Bank.
6. On 6 June 2024, the 4th extraordinary meeting of the 8th session of the Board of Supervisors of the Bank considered and approved the *Proposal on Nominating the Candidates for Shareholder Supervisors and External Supervisors of the 9th Session of the Board of Supervisors of the Bank* (《關於提名本行第九屆監事會股東監事候選人、外部監事候選人的議案》). On 26 June 2024, the 2023 Annual General Meeting of the Bank elected Mr. WENG Zhenjie and Mr. WU Di as Shareholder Supervisors of the 9th session of the Board of Supervisors of the Bank, and elected Mr. LU Zhongnan and Mr. LI Yu as External Supervisors of the 9th session of the Board of Supervisors of the Bank. Mr. ZHAO Fugao and Mr. ZHANG Liqing ceased to serve as External Supervisors of the Bank, and Mr. LU Zhongnan and Mr. LI Yu ceased to serve as Shareholder Supervisors of the Bank.
7. On 26 June 2024, the 1st meeting of the 9th session of the Board of Supervisors of the Bank considered and approved the *Proposal on Electing Vice Chairmen of the 9th Session of the Board of Supervisors of the Bank* (《關於選舉本行第九屆監事會副主席的議案》), electing Mr. YANG Yu as a Vice Chairman of the Board of Supervisors and Convener of the Board of Supervisors, and electing Mr. WENG Zhenjie as a Vice Chairman of the Board of Supervisors.

Senior Management

1. On 22 February 2024, Ms. LI Bin, with her qualification approved by the NFRA, officially assumed the office of Board Secretary of the Bank. Ms. BAI Dan ceased to perform her duties as Board Secretary.
2. On 12 March 2024, the 6th extraordinary meeting of the 8th session of the Board of Directors of the Bank decided to appoint Mr. WANG Xiaoyong as President of the Bank. The Board designated Mr. WANG Xiaoyong to perform the duties of President of the Bank on an acting basis from 12 March 2024. His qualification was approved by the NFRA in April 2024.
3. On 12 March 2024, the 6th extraordinary meeting of the 8th session of the Board of Directors of the Bank decided to appoint Mr. ZHANG Juntong as an Executive Vice President of the Bank. His qualification was approved by the NFRA in May 2024.
4. On 12 March 2024, the 6th extraordinary meeting of the 8th session of the Board of Directors of the Bank decided to appoint Mr. HUANG Hongri as an Executive Vice President of the Bank. His qualification was approved by the NFRA in May 2024.
5. On 23 April 2024, the 7th extraordinary meeting of the 8th session of the Board of Directors of the Bank decided to appoint Mr. GONG Zhijian as Business Director of the Bank. His qualification was approved by the NFRA in May 2024. Mr. GONG ceased to perform his duties as an Employee Supervisor, Chairman of the Supervisory Committee and a member of the Nomination and Examination Committee of the 8th session of the Board of Supervisors of the Bank from 27 May 2024.

CHAPTER 6 CORPORATE GOVERNANCE

(III) Changes in information of Directors and Supervisors

1. In August 2024, Mr. WANG Xiaoyong, a Vice Chairman and an Executive Director of the Bank, was appointed as a member of the Strategic Development and Consumer Rights Protection Committee of the Board and the Risk Management Committee of the Board of the Bank. Mr. ZHANG Juntong, an Executive Director of the Bank, was appointed as a member of the Risk Management Committee of the Board of the Bank.
2. Mr. SONG Chunfeng, a Non-Executive Director of the Bank, ceased to serve as a member of the Related Party Transactions Supervision Committee of the Board of the Bank.
3. Mr. ZHAO Peng, a Non-Executive Director of the Bank, was appointed as a member of the Nomination Committee of the Board of the Bank, and ceased to serve as a member of the Strategic Development and Consumer Rights Protection Committee of the Board of the Bank and a vice chairman of Financial Street Holdings Co., Ltd. (listed on the SZSE (stock code: 000402)).
4. Ms. WEN Qiuju, an Independent Director of the Bank, ceased to serve as a member of the Risk Management Committee of the Board of the Bank.
5. Mr. YEUNG Chi Wai, Jason, an Independent Director of the Bank, was appointed as a member of the Related Party Transactions Supervision Committee of the Board of the Bank.
6. Mr. CHENG Fengchao, an Independent Director of the Bank, was appointed as a member of the Risk Management Committee of the Board of the Bank, and ceased to serve as an external supervisor of Everbright Securities Company Limited (listed on the SSE (stock code: 601788) and on the SEHK (stock code: 06178)).
7. Mr. LIU Hanxing, an Independent Director of the Bank, was appointed as a member of the Related Party Transactions Supervision Committee of the Board of the Bank.
8. Mr. YANG Yu, an Employee Supervisor of the Bank, was appointed as a member of the Nomination and Examination Committee of the Board of Supervisors of the Bank. In August 2024, Mr. YANG Yu ceased to serve as President of Beijing Branch of the Bank.
9. Mr. WENG Zhenjie, a Shareholder Supervisor of the Bank, was appointed as a Vice Chairman of the Board of Supervisors, and a member of the Nomination and Examination Committee and the Supervisory Committee of the Board of Supervisors of the Bank.
10. Mr. WU Di, a Shareholder Supervisor of the Bank, was appointed as a member of the Nomination and Examination Committee and the Supervisory Committee of the Board of Supervisors of the Bank.
11. Mr. LU Zhongnan, an External Supervisor of the Bank, was appointed as Chairman of the Nomination and Examination Committee of the Board of Supervisors of the Bank.
12. Mr. LI Yu, an External Supervisor of the Bank, was appointed as Chairman of the Supervisory Committee of the Board of Supervisors of the Bank.

CHAPTER 6 CORPORATE GOVERNANCE

(IV) Service contracts of Directors and Supervisors

The Bank has not entered into and does not intend to enter into any service contracts with its Directors or Supervisors in respect of their services as Directors or Supervisors (excluding the service contracts which will expire within one year or are terminable by the Bank within one year without payment of compensation, other than statutory compensation).

(V) Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations

1. As at 30 June 2024, the following Directors and Supervisors of the Bank had the following interests or short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

Name	Position	Class of shares	Long/short position	Capacity	Number of shares (share)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued ordinary shares (%)
GAO Yingxin	Executive Director	A	Long position	Beneficial owner	200,000		0.0006	0.0005
		H	Long position	Beneficial owner	300,000		0.0036	0.0007
LIU Yonghao	Non- Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,930,715,189	1	5.44	4.41
		H	Long position	Interest held by his controlled corporation(s)	240,789,500	2	2.89	0.55
SHI Yuzhu	Non- Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,379,679,587	3	3.89	3.15
		H	Long position	Interest held by his controlled corporation(s)	713,501,653	4	8.58	1.63
ZHANG Hongwei	Non- Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,295,461,223	5	3.65	2.96

CHAPTER 6 CORPORATE GOVERNANCE

Notes:

- The 1,930,715,189 A shares comprised 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. through direct and indirect control over several enterprises. As Mr. LIU Yonghao had control over New Hope Group Co., Ltd., he was deemed to be interested in the 1,930,715,189 A shares as mentioned above.

Such interests held by Mr. LIU Yonghao and the interests held by New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang, the details of which are disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations" in this Interim Report, were the same block of shares.

- The 240,789,500 H shares were held by South Hope Industrial Co., Ltd. (see note 1 above).
- The 1,379,679,587 A shares were held by Shanghai Giant Lifetech Co., Ltd. According to the SFO, Giant Investment Co., Ltd. had control over Shanghai Giant Lifetech Co., Ltd. As Mr. SHI Yuzhu held 97.86% of the issued share capital of Giant Investment Co., Ltd., he was deemed to be interested in the 1,379,679,587 A shares as mentioned above.
- The 713,501,653 H shares were held by Alpha Frontier Limited. According to the SFO, Shanghai Cibi Business Information Consulting Co., Ltd. had control over Alpha Frontier Limited. Giant Investment Co., Ltd. (see note 3 above) was deemed to be interested in the 713,501,653 H shares held by Alpha Frontier Limited through its control over Shanghai Cibi Business Information Consulting Co., Ltd.
- The 1,295,461,223 A shares comprised 1,280,117,123 A shares held by Orient Group Incorporation and 15,344,100 A shares held by Orient Group Co., Ltd. Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司) had direct and indirect control over Orient Group Incorporation and Orient Group Co., Ltd. Mr. ZHANG Hongwei was deemed to be interested in the 1,295,461,223 A shares as mentioned above through wholly-owning Mingze Orient Investment Co., Ltd.

2. As at 30 June 2024, the following Director of the Bank had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Notes	Percentage of the total registered capital (%)
LIU Yonghao	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,000,000	1	3.64

Note:

- New Hope Group Co., Ltd. is interested in RMB2 million of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. LIU Yonghao had control over New Hope Group Co., Ltd., Mr. LIU Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.

CHAPTER 6 CORPORATE GOVERNANCE

3. As at 30 June 2024, the following Director of the Bank had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Notes	Percentage of the total registered capital (%)
SHI Yuzhu	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB24,000,000	1	10

Note:

- Shanghai Giant Lifetech Co., Ltd. is interested in RMB24 million of the registered capital of Shanghai Songjiang Minsheng Rural Bank Co., Ltd. Mr. SHI Yuzhu held 97.86% of the share capital of Giant Investment Co., Ltd., which had control over Shanghai Giant Lifetech Co., Ltd. Mr. SHI Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. according to the SFO.

4. As at 30 June 2024, the following Directors of the Bank had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Notes	Percentage of the total registered capital (%)
SHI Yuzhu	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,500,000	1	10
LIU Yonghao	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB1,500,000	2	6

Notes:

- Shanghai Giant Lifetech Co., Ltd. is interested in RMB2.5 million of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. Mr. SHI Yuzhu held 97.86% of the share capital of Giant Investment Co., Ltd., which had control over Shanghai Giant Lifetech Co., Ltd. Mr. SHI Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.
- South Hope Industrial Co., Ltd. is interested in RMB1.5 million of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. Mr. LIU Yonghao had control over New Hope Group Co., Ltd., which had control over South Hope Industrial Co., Ltd. Mr. LIU Yonghao was deemed to be interested in the equity interest held by South Hope Industrial Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

CHAPTER 6 CORPORATE GOVERNANCE

Save as disclosed above, as far as the Bank is aware, as at the end of the Reporting Period, none of other Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Bank and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix C3 to the Hong Kong Listing Rules, nor had any Directors, Supervisors or chief executives been granted such rights.

(VI) Securities transactions by Directors, Supervisors and relevant employees

The Bank has adopted its own code of conduct of the Directors and the Supervisors regarding transactions in securities, on terms no less exacting than the Model Code as set out in Appendix C3 to the Hong Kong Listing Rules. The Bank has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the above-mentioned code during the Reporting Period. The Bank also formulated the guidelines for dealings in securities of the Bank by employees, which are no more lenient than the Model Code. The Bank is not aware of any non-compliance with these guidelines by the relevant employees.

(VII) Administrative penalties imposed on the Bank and Directors, Supervisors, Senior Management and controlling shareholders of the Bank

During the Reporting Period, the Bank was not subject to any investigation by the competent authorities according to law due to suspected crime, nor was any of its Directors, Supervisors or Senior Management subject to mandatory measures according to law due to suspected crime; neither the Bank nor any of its Directors, Supervisors or Senior Management was subject to criminal penalty, nor was any of them subject to investigation or administrative penalty by the CSRC due to suspected violation of laws and regulations, or subject to material administrative penalty by other competent authorities; none of the Directors, Supervisors or Senior Management of the Bank was detained by discipline inspection and supervision authorities due to suspected severe violation of disciplines and laws or duty-related crimes, which then affected their performance of duties; none of the Directors, Supervisors or Senior Management of the Bank was subject to mandatory measures imposed by other competent authorities due to suspected violation of laws and regulations, which then affected their performance of duties; neither the Bank nor any of its Directors, Supervisors or Senior Management was subject to administrative regulatory measures imposed by the CSRC and disciplinary sanction imposed by stock exchanges.

CHAPTER 6 CORPORATE GOVERNANCE

VI. Employees

As at the end of the Reporting Period, the Group had 63,071 employees, of which 60,178 were employees of the Bank and 2,893 were employees of the subsidiaries of the Bank. Divided by work nature, 6,320 employees were categorised as employees in management posts and 53,858 employees as employees in professional posts¹⁶. 12,961 employees had graduate degree or above, accounting for 21.5%; 44,215 employees had bachelor's degree, accounting for 73.5%; 3,002 employees had college degree or below, accounting for 5.0%. 1,189 employees of the Bank had retired.

The guiding principles of human resources and remuneration policies of the Bank are: Focusing on strategic transformation requirements and mid- to long-term development goals, the Bank strives to establish high-quality strategic talent teams with adequate members and reasonable structure, maintain reasonable market competitiveness of remunerations with forward-looking and targeted human capital investment, focus on improving the internal income distribution structure and constantly optimise the remuneration and incentive mechanism with value creation as the core, establish a remuneration mechanism that matches remuneration and incentives with risks, strengthen the restraining role of remuneration and incentives in risk management and control, establish a high-quality and sustainable new development model, guide the whole bank to consolidate customer base, and push forward customer-centric transformation of business model.

In accordance with the internal management mechanism, the total annual remunerations of employees of the Bank are determined after comprehensively considering factors such as the total number and structure of employees, development of young employees, talent introduction and cultivation in strategic business areas, risk control, and operating results. In addition, the performance-based remuneration of employees is pegged to the comprehensive performance of the business unit (department) and themselves. In terms of evaluation indicators, key performance indicators, such as sustainable development, customer base, risk control, economic efficiency and social responsibility, are set up to align the remuneration with operating results, risk prevention and social responsibilities. During the Reporting Period, the Bank basically completed the professional sequence evaluation and employment and the job position-based remuneration reform and has established a dual-channel talent development system featuring with "management + professionalism". Under the new system, the Bank strengthened incentives for strategic key areas, key positions, front-line employees and young talents to achieve reasonable allocation of incentive resources and scientific incentives in recognition of the actual value contribution of employees. Following the management principles of "setting up job positions as needed, setting remuneration according to job positions, changing remuneration when changing job positions, and getting paid according to performance", the Bank fostered a cyclical dynamic system with "scientific value evaluation, reasonable value allocation and value creation in full strength", in a bid to realise the incentive goal of "responsible senior management, efficient middle-level management and enthusiastic primary-level employees".

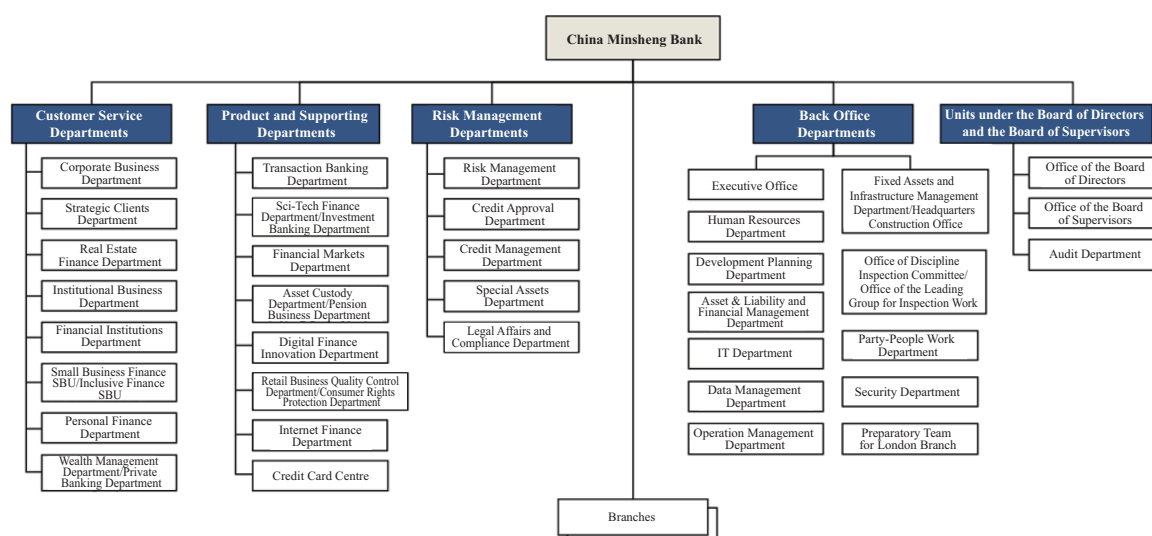
¹⁶ Professional posts include product research and development, risk management, IT and operation support, etc.

CHAPTER 6 CORPORATE GOVERNANCE

In order to improve the incentive and restraint mechanism for performance-based remuneration, give full play to its guiding role in corporate governance and risk management and control, strike a balance between current and long-term development and between benefits and risks, and prevent radical operation behaviours and violations of laws and regulations, the Bank has set up the mechanism for deferred payment, recourse and recovery of performance-based remuneration regarding the senior management, employees in key posts and in posts having significant impact on risks. In the cases of violations of laws, regulations and disciplines, occurrence of abnormal risk exposure, or major risk incidents, the Bank will, as required by relevant rules, implement recourse and recovery of the performance-based remuneration of relevant accountable persons.

In the first half of 2024, the Bank carried out training work with focus on the strategic direction of the whole bank and the needs for business development and talent growth, and practised principles of “position-based training, need-based training, long-term empowerment and stimulation of active learning”. The Bank further advanced the construction of the learning map system and worked hard to build a professional, value-based training system oriented towards quality and efficiency. The Bank launched a series of training projects to improve the high-quality management ability of the whole bank and cultivated the management ability in a layered and classified manner, in a bid to effectively improve the duty performance ability of leaders and employees at all levels. Meanwhile, the Bank held training programmes such as The Voice of Reform (改革V動力), Morning Knowledge Supply (晨光充電站), training for new employees, and on-the-job training of cross-border business, in an effort to promote the cultivation of professional talents of the Bank. A total of 4,974 online courses were delivered with a total of 1,610 thousand class hours. The training activities were carried out both offline and online with multiple methods including video, live streaming and documents, and across multiple dimensions including teaching, discussion, and self-learning. These initiatives have enhanced employees’ comprehensive quality and duty performance ability and facilitated business development.

VII. Setting of Departments of the Bank



CHAPTER 6 CORPORATE GOVERNANCE

VIII. Business Network

As at the end of the Reporting Period, the Bank had 42 tier-1 branches and 105 tier-2 branches (including remote sub-branches) in 41 cities across China, as well as one overseas branch. The total number of branch-level business outlets was 148.

During the Reporting Period, London Branch was authorised to carry on business and the Bank did not have any newly opened tier-2 branch.

The key information on branches of the Bank as at the end of the Reporting Period is shown as follows:

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Head Office	1	12,792	3,126,745	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	169	4,278	931,308	Unit 02 on 1/F & 3/F-12/F, Tower B, Zhaotai International Centre, No. 10 Chaoyangmen Nan Avenue, Chaoyang District, Beijing
Shanghai Branch	95	2,832	533,917	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	109	2,824	339,033	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province
Shenzhen Branch	60	2,019	297,482	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen, Guangdong Province
Wuhan Branch	82	1,590	92,026	China Minsheng Bank Tower, No. 396 Xinhua Road, Jiangnan District, Wuhan, Hubei Province
Taiyuan Branch	110	1,552	133,795	Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan, Shanxi Province
Shijiazhuang Branch	140	2,091	122,197	Minsheng Bank Tower, No. 197 Yuhua Dong Road, Chang'an District, Shijiazhuang, Hebei Province
Dalian Branch	46	848	88,806	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian, Liaoning Province
Nanjing Branch	180	3,446	366,819	Minsheng Bank, Block One, Zijin Finance Centre, No. 399 Jiangdong Zhong Road, Jianye District, Nanjing, Jiangsu Province
Hangzhou Branch	90	2,077	266,768	Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province
Chongqing Branch	110	1,343	133,073	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing

CHAPTER 6 CORPORATE GOVERNANCE

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Xi'an Branch	97	1,413	92,941	Minsheng Bank, Building 5, Taihua Jinmao International, No. 16 Fenghui Nan Road, Gaoxin District, Xi'an, Shaanxi Province
Fuzhou Branch	43	977	53,372	No. 282 Hudong Road, Fuzhou, Fujian Province
Jinan Branch	126	2,044	146,127	Bo'ao Building, No. 12376 Jingshi Road, Yaojia Sub-district, Lixia District, Jinan, Shandong Province
Ningbo Branch	42	767	59,429	No. 815 Juxian Road, Gaoxin District, Ningbo, Zhejiang Province
Chengdu Branch	115	1,645	159,424	No. 535 Jiaozi Avenue, Gaoxin District, Chengdu, Sichuan Province
Tianjin Branch	49	992	104,927	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	70	957	82,964	No. 11800 Caiyun Bei Road, Kunming, Yunnan Province
Quanzhou Branch	42	665	35,296	No. 110 Binhai Street, Fengze District, Quanzhou, Fujian Province
Suzhou Branch	35	1,127	114,873	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou, Jiangsu Province
Qingdao Branch	51	966	73,469	No. 190 Hai'er Road, Laoshan District, Qingdao, Shandong Province
Wenzhou Branch	23	613	70,240	Minsheng Bank, Finance Tower, No. 1 Huaijiang Road, Lucheng District, Wenzhou, Zhejiang Province
Xiamen Branch	30	551	40,953	Xiamen Minsheng Bank Tower, No. 50 Hubin Nan Road, Xiamen, Fujian Province
Zhengzhou Branch	106	1,571	144,821	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province
Changsha Branch	43	1,049	80,774	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha, Hunan Province
Changchun Branch	24	562	23,015	Minsheng Tower, No. 500 Changchun Avenue, Nangan District, Changchun, Jilin Province
Hefei Branch	71	1,015	88,005	Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District, Hefei, Anhui Province
Nanchang Branch	41	677	69,849	No. 545, Huizhan Road, Honggutan New District, Nanchang, Jiangxi Province
Shantou Branch	30	535	32,639	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou, Guangdong Province

CHAPTER 6 CORPORATE GOVERNANCE

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Nanning Branch	44	669	71,840	1-3/F, 3M/F, 30-31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning, Guangxi Zhuang Autonomous Region
Hohhot Branch	23	481	37,686	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chilechuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region
Shenyang Branch	47	534	23,995	No. 65 Nanjing Bei Street, Heping District, Shenyang, Liaoning Province
Hong Kong Branch	1	298	179,461	3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	39	583	53,620	Block 8, Tianyi International Plaza, No. 33 Changling Nan Road, Gaoxin District, Guiyang, Guizhou Province
Haikou Branch	18	240	13,405	Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou, Hainan Province
Lhasa Branch	5	168	9,903	No. 1, 1/F, Block F1, Hailiang Shiji Xincheng Phase 2.1, No. 11 Beijing Avenue, Liuwu New Area, Lhasa, Tibet Autonomous Region
Shanghai Pilot Free Trade Zone Branch	1	122	73,777	40/F, No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Harbin Branch	17	372	25,143	1-6/F, Zone One, Olympic Centre, No. 11 Aijian Road, Daoli District, Harbin, Heilongjiang Province
Lanzhou Branch	11	290	20,708	1-4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou, Gansu Province
Urumqi Branch	10	256	22,438	No. 314, Yangziji Road, Saybagh District, Urumqi, Xinjiang Autonomous Region
Xining Branch	7	156	10,195	1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining, Qinghai Province
Yinchuan Branch	10	191	16,384	1-5/F, Block 19, Jinhaimingyue, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region
London Branch	1	-	-	23rd F120 Fenchurch Street, London, UK
Inter-region adjustment	-	-	-1,242,865	
Total	2,464	60,178	7,220,777	

CHAPTER 6 CORPORATE GOVERNANCE

Notes:

1. The number of institutions takes into account all types of banking outlets, including the Head Office, tier-1 branches, tier-2 branches (including remote sub-branches), business outlets of sub-branches (including business departments), community sub-branches, and small-business sub-branches;
2. Headcount of the Head Office includes the total number of employees in the departments of the Head Office, Credit Card Centre and centralised operation, exclusive of employees of branches. Of which, the headcount of the Credit Card Centre was 8,079;
3. As at the end of the Reporting Period, the application for the establishment of London Branch has been approved by the regulators, and the operation of the Branch is under preparation;
4. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

IX. Internal Control and Internal Audit

(I) Internal control evaluation

The Bank has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board of Directors, the Board of Supervisors and the Senior Management, and maintained effective operation of internal control management system. In compliance with the Law of the People's Republic of China on Commercial Banks 《中華人民共和國商業銀行法》, the Guidelines for Internal Control of Commercial Banks 《商業銀行內部控制指引》, the Basic Standard for Corporate Internal Control 《企業內部控制基本規範》 and other laws and regulations and regulatory rules, the Bank has gradually formed a set of rational and comprehensive internal control systems, and established internal control mechanisms for the prevention in advance, process control, and subsequent supervision and rectification of risks.

The Bank gave full play to the role of internal audit in supervision and evaluation, constantly improved the evaluation and supervision system of internal control, continuously optimised procedures and tools of internal control evaluation, and further refined internal control management. During the Reporting Period, in accordance with the principles of internal control evaluation and the annual audit plan, the Bank conducted comprehensive inspections of internal control evaluation in the first half of 2024 on seven tier-1 branches in Wuhan, Ningbo, Guiyang, Fuzhou, Changchun, Yinchuan and Xining, which covered key businesses and major risks. The Bank supervised the effective rectifications of internal control and risk-related issues through various measures, including ongoing monitoring, subsequent centralised audits and assessment on effectiveness of internal control. Accountabilities for the violations of regulations and disciplines found in the inspections were made according to the regulations of the Bank. Through constant internal control evaluations, the Bank effectively improved the internal control system and enhanced the internal control management.

CHAPTER 6 CORPORATE GOVERNANCE

(II) Internal audit

The Bank has set up an internal audit organisation – the Audit Department, which adopted an independent audit model with a vertical management structure topped by the Head Office. The Bank has six regional audit centres in the North, East, South, Central, Northeast and West China. The Bank has set up the Corporate Banking Audit Centre, Retail Banking Audit Centre, Financial Markets Business and Group Audit Centre, Financial Operation and IT Audit Centre, Digital Audit Centre, Planning and Business Management Centre, Rectification Supervision Centre and Quality Control and Supervision Centre according to the characteristics of specialised operation of the Bank. The Audit Department is responsible for performing independent inspection and evaluation on all businesses and management of the Bank, supervising and examining the effectiveness of internal control and carrying out independent and objective evaluation and consultation of internal control. To ensure the independence and effectiveness of internal audit, material audit findings and internal control defects would be directly reported to the Board of Directors and notices would be given to the Senior Management. The Bank has formulated and improved standardised policies and systems for internal audit. An integrated audit inspection system comprising on-site and off-site audit was established with the digital audit platform covering all asset and liability businesses of the Bank. Risk-oriented audit on internal control was adopted, covering all business lines including corporate banking, retail banking, financial markets, credit card, IT, infrastructure projects, finance and accounting and risk management as well as all internal control management procedures. The Bank principally achieved full coverage of audit on risk exposures in credit, market, liquidity, operation and compliance.

During the Reporting Period, in accordance with the annual audit plan, the Audit Department efficiently completed the audit tasks for the first half of the year and carried out a total of 42 special audits, seven audits on internal control evaluation of operating units and 33 economic accountability audits. It also issued seven risk reminders and audit suggestions. Moreover, 18 reports concerning researches and updates were issued. As a result, it gave full swing to the role of internal audit in supervision, evaluation and consultation. The problems identified in the audits were tracked and urged to be rectified by the audited units. All these efforts notably improved the internal control and management of the Bank.

X. Incentive Share Option Scheme, Employee Share Ownership Scheme or Other Employee Incentive Measures and Their Implementations During the Reporting Period

Up to date, the Bank had no incentive share option scheme, employee share ownership scheme or other employee incentive measures.

XI. Compliance with the Corporate Governance Code Set Out in Appendix C1 to the Hong Kong Listing Rules

During the Reporting Period, the Bank has fully complied with the provisions of the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules and has complied with most of the recommended best practices contained therein.

CHAPTER 7 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

I. Performance of Environmental Protection

The Bank and its subsidiaries were not included in the list of key pollutant-discharging units published by the environmental protection authority. The Bank strictly complied with the laws and regulations in respect of environmental protection, such as the Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, the Energy Conservation Law of the People's Republic of China 《中華人民共和國節約能源法》, the Water Pollution Prevention and Control Law of the People's Republic of China 《中華人民共和國水污染防治法》, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China 《中華人民共和國大氣污染防治法》, and the Solid Wastes Pollution Prevention and Control Law of the People's Republic of China 《中華人民共和國固體廢物污染防治法》. During the Reporting Period, the Bank was not subject to any administrative penalties for environmental issues.

The Bank insisted on green development, actively promoted the layout of green finance, and gave play to the leveraging role of finance to facilitate the development of green economy, low-carbon economy and circular economy. The Bank paid attention to guarding against environmental and social risks, restricted credit granting to industries with high pollution and high energy consumption, and accelerated the exit of enterprises with outdated production capacity, in a bid to propel the industrial structure adjustment. The Bank also advocated green office, practised green operation, and promoted suppliers to fulfil their environmental and social responsibilities through green procurement.

II. Performance of Social Responsibilities

The Bank facilitated rural revitalisation with financial services. The Bank implemented the guidelines, policies, decisions and arrangements on the rural revitalisation strategy of the CPC Central Committee and the State Council, and learned and used the experience of the "Green Rural Revival Programme (千萬工程)" in an in-depth manner to innovate assistance models. The Bank gave full play to the advantages of main businesses, continued to promote the key financial products, such as "Photovoltaic Loan (光伏貸)", "Revitalisation Loan (振興貸)", and the commercial vehicle leasing product of "Minsheng Easy Leasing (民生易租)", and has taken multiple measures including "One Branch Supporting One Township (一行興一鄉)", "Joint Hands Plan with Strategic Clients (戰略客戶攜手計劃)" and "New Business of Financial Assistance and Benefit to Farmers (金融助農惠農新業務)", thus embarking on a characteristic path of finance serving rural development. During the Reporting Period, the Bank learned and used the experience of the "Green Rural Revival Programme", in combination with the operation of the B&B eco-tourism project of "100 Beautiful Villages – White Horse Forest Valley (百美村莊—白馬林谷)" and the design and development of a cultural landmark empowered by Minsheng art institutions, to promote the integrated development of the primary, secondary and tertiary industries in rural areas and help the local residents get employed and increase income. As at the end of the Reporting Period, the Bank raised free assistance fund of RMB27 million for counties receiving paired assistance, introduced free assistance fund of RMB22.70 million, granted assistance loans of RMB59.9137 million, and introduced assistance loans of RMB1.49 million. The balance of loans to areas lifted out of poverty of the whole bank amounted to RMB47,322 million, and the balance of loans to counties receiving focused assistance from the State for rural revitalisation amounted to RMB9,855 million.

CHAPTER 7 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Bank delivered the warmth of Minsheng with charity and public welfare works. Adhering to the philosophy of sharing development achievements with the society, the Bank fully utilised its advantages, optimised the public welfare service system, and carried out public welfare practices covering paired assistance, assistance to the vulnerable group and those in difficulties, educational support, health and well-being, culture and art, and community development. The Bank has supported the “AIDS Prevention and Control Programme” of China Red Ribbon Foundation, the “Guangcai • Minsheng” Medical Care Programme for Children with Congenital Heart Disease (“光彩•民生”先天性心臟病患兒救治項目), and the educational funding project of “Minsheng Beautiful Xinjiang Class (民生美疆班)” for consecutive years, so as to continuously shoulder its responsibilities, deliver Minsheng’s warmth, and give back to the society with practical actions. The Bank has launched public welfare projects with brand characteristics for multiple years in a row. During the Reporting Period, the Bank organised the 9th session of the “Power of Minsheng’s Love – ME Charity Innovation Funding Scheme (我決定民生愛的力量—ME 公益創新資助計劃)”, funding 28 innovative public welfare projects committed to rural revitalisation, community development, educational support, health and well-being, and ecological civilisation.

The Bank carried out cultural welfare undertakings to serve the society with arts. In the first half of 2024, the public welfare art institutions of the Bank further served national strategies and the public, and successfully held the exhibition of “The Integration of Civilisation: Echoes of Camel Bells: Arts, Civilisations Along the Silk Roads (文明的融合：駝鈴聲響—絲綢之路藝術大展)”. As at the end of the Reporting Period, these institutions served over 60 thousand public participants, offered public exhibition guide services to nearly 36 thousand participants, held over 50 public education activities, benefited over 50,000 participants online and offline, and were widely praised by all sectors of the society. Meanwhile, the Minsheng art institutions are elaborately planning the exhibition of “The Origin of Civilisation (文明的源啟)”, an exhibition themed on the exploration of the origin of the Chinese civilisation. The new site of the art institution in Shanghai was opened to the public at the end of May, and the institution worked with Shanghai Animation Film Studio in jointly holding “Animating China: A History of Shanghai Animation Films (繪動世界—上海美術電影的時代記憶和當代回響)” to review memories of the times. During the Reporting Period, it has already served nearly 8,000 audience, and won the title of “Excellent Site of Cultural and Artistic Experience Base for Citizens’ Lifelong Learning in Shanghai in 2023 (2023年上海市民終身學習文化藝術體驗基地優秀站點)”.

The Bank focused on the improvement of ESG management. The Bank attached great importance to ESG, fully practised ESG philosophy, actively grasped the opportunities related to sustainable development and addressed ESG-related risks and challenges. The Board comprehensively supervised the implementation of ESG policies and plans, continued to improve the ESG governance structure, and guided and supervised the management team to carry out ESG-related work by regularly reviewing ESG reports and studying and discussing ESG issues. It ensured that ESG issues were integrated into all procedures of corporate governance ranging from decision-making, supervision to implementation, and continued to improve the quality of ESG disclosure. In the first half of 2024, the Bank made multiple honorary achievements in the works related to the improvement of ESG management, including the “Top 100 Listed Companies in ESG Performance in China (中國ESG上市公司先鋒100)” by the CCTV for consecutive years, the “2023 ESG Role Model Enterprise (2023年度ESG典範企業)” by Boao Enterprise Forum, and the “2024 ESG Role Model Enterprise Award (2024ESG典範企業獎)” by 2024 International Green Zero-Carbon Festival.

CHAPTER 8 MAJOR EVENTS

I. Material Litigation and Arbitration

During the Reporting Period, the Bank had no litigation or arbitration proceeding that had significant impact on its operations. As at 30 June 2024, there were 1,822 pending litigations with a disputed amount of over RMB1 million involving the Bank as plaintiff, with an involved amount of approximately RMB79,735 million, and 208 pending litigations involving the Bank as defendant, with an involved amount of approximately RMB4,094 million.

For litigation proceeding the Bank disclosed in interim announcements and the progress thereof during the Reporting Period, please refer to Announcement No. 2024-020, Announcement No. 2024-025 and Announcement No. 2024-030.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

During the Reporting Period, the Bank had no material purchase and disposal of assets or mergers and acquisitions.

III. Material Contracts and Their Performances

The Bank participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring, Chaoyang District, Beijing. Currently, the major structure construction is under progress.

The Bank participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side Road in Taijiang District, Fuzhou. Currently, the interior decoration and outer curtain wall are under construction.

Regarding the Cloud Computing Data Centre project of Shunyi Headquarters Phase II in Beijing, the installation of mechanical and electrical equipment is in progress and the fire engineering is currently under construction.

IV. Major Guarantees

During the Reporting Period, no major guarantees of the Bank were required to be disclosed except for the financial guarantees provided within the business scope approved by the PBOC.

V. Commitments by the Bank and Its Relevant Entities

According to the relevant rules of the CSRC, the Bank considered and approved the Proposal on Impacts on Dilution of Current Returns of the Non-public Issuance of Preference Shares and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd. (《關於中國民生銀行股份有限公司非公開發行優先股攤薄即期回報及填補措施的議案》) at the first extraordinary meeting for 2016 on 1 February 2016, in which remedial measures on the dilution of current returns that might arise from the non-public issuance of preference shares were formulated. These measures included strengthening capital management and optimising resources allocation, promoting the transformation of business model and management mechanism, enhancing comprehensive management and refined management, improving comprehensive risk management, and further increasing its corporate value. At the same time, the Directors and the Senior Management of the Bank also made commitments to effectively execute the remedial measures on current returns. During the Reporting Period, the Bank and the Directors and the Senior Management of the Bank did not violate any of the aforesaid commitments.

CHAPTER 8 MAJOR EVENTS

VI. Appointment and Termination of Appointment of Accounting Firms

The 2023 Annual General Meeting of the Bank approved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Bank, being the auditing firms responsible for domestic and international auditing of the Bank for 2024, respectively. Meanwhile, it approved to engage PricewaterhouseCoopers Zhong Tian LLP to be responsible for the auditing of the effectiveness of internal control of the Bank in 2024.

According to the terms of contracts, the total remuneration agreed between the Bank and the above auditors in respect of their audit services for the year (including auditing of financial reports (domestic and international), review of interim report, agreed procedures for quarterly financial reports, internal control auditing and auditing of tier-2 capital bonds and financial bonds projects) amounted to RMB9.89 million, including a service fee of RMB1.0 million for the auditing of the effectiveness of internal control. At the same time, the total service fee for non-audit business paid to the PricewaterhouseCoopers and its member firms in the first half of 2024 was approximately RMB5.75 million. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers confirmed that such non-audit business did not compromise their audit independence.

In 2024, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have been providing audit services to the Bank for the 6th year. LI Tieying and ZOU Yan, the signing accountants, provided services for the Bank for the first year.

On 29 August 2024, the Board of the Bank discussed and approved the Proposal on the Termination of Appointment of the Auditing Firms of the Bank for 2024, deciding to terminate the appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditing firms of the Bank for 2024. The above proposal is subject to the approval of the shareholder's general meeting of the Bank.

VII. Material Related-Party Transactions

The Bank does not have any controlling shareholders.

For details of the related-party transactions subject to relevant accounting standards as at the end of the Reporting Period, please refer to Note IX "Related Parties" to the consolidated financial statements.

VIII. Profit and Dividend Distribution

(I) Annual profit distribution for 2023

The Bank distributed dividends to all shareholders according to the profit distribution plan for 2023, which was considered and approved at the 47th meeting of the 8th session of the Board and the 2023 Annual General Meeting. On the basis of the total share capital of the Bank as at the record dates, the Bank distributed a cash dividend for 2023 of RMB0.216 (tax inclusive) to holders of A shares and H shares whose names appeared on the registers as at the record dates for every share being held. The total cash dividends amounted to RMB9,457 million. The cash dividends were denominated and declared in RMB and were paid in RMB or in Hong Kong dollar to holders of equity shares.

CHAPTER 8 MAJOR EVENTS

The Bank distributed the cash dividends to holders of A shares and investors of Northbound Trading in July 2024 in accordance with relevant provisions, and distributed the cash dividends to holders of H shares and investors of Southbound Trading in August 2024 in accordance with relevant provisions. The implementation of the distribution plan was thus completed. For details, please refer to the announcement of the Bank dated 26 June 2024 published on the HKEXnews website of the SEHK and the announcement of the Bank dated 3 July 2024 published on the website of the SSE, respectively.

(II) Interim profit distribution plan for 2024

According to the audited 2023 annual financial statements of the Bank, the balance of retained earnings of the Bank amounted to RMB264,809 million as at 31 December 2023. According to the reviewed interim financial statements of the Bank for 2024, the net profit of the Group attributable to holders of equity shares of the Bank in the first half of 2024 was RMB22,474 million, and the net profit of the Bank was RMB21,463 million. The interests of the perpetual bonds that have been paid were RMB3,440 million¹⁷ in total. As at 30 June 2024, the balance of retained earnings of the Bank amounted to RMB273,375 million.

According to relevant laws, regulations, regulatory requirements and the Articles of Association and in line with the reviewed interim financial statements for 2024, the interim profit distribution plan for 2024 of the Bank is as follows:

Having considered various factors including the capital adequacy ratio required by the regulatory authorities and the sustainable business development of the Bank, the Bank proposed to distribute a cash dividend of RMB1.30 (tax inclusive) to holders of A shares and H shares whose names appear on the registers as at the record dates for every 10 shares being held. Based on 43,782 million shares of the Bank in issue as at 30 June 2024, total cash dividends would be approximately RMB5,692 million, accounting for approximately 29.90% of the net profit of the Group, which was RMB19,034 million, realised in the Reporting Period attributable to holders of ordinary shares of the Bank.

The actual amount of total cash dividends to be paid will be subject to the total number of ordinary shares recorded on the registers as at the record dates. The cash dividends will be denominated and declared in RMB and paid in RMB or Hong Kong dollar to holders of equity shares. The actual amount of dividends to be paid in Hong Kong dollar shall be calculated based on the benchmark exchange rate of RMB against Hong Kong dollar as quoted by the PBOC on the date of the shareholders' general meeting.

The above profit distribution plan is subject to the approval of the shareholder's general meeting.

IX. Audit Committee

The main duties of the Audit Committee include reviewing and supervising the financial reporting procedures and internal monitoring system of the Bank and issuing opinions to the Board. The Audit Committee of the Bank has reviewed and confirmed the 2024 Interim Report and the 2024 interim results announcement as at 30 June 2024.

¹⁷ No dividends of preference shares of the Bank have been distributed during the Reporting Period.

CHAPTER 8 MAJOR EVENTS

X. Integrity of the Bank, Controlling Shareholders and Ultimate Controllers

The Bank does not have any controlling shareholder or ultimate controller. Dajia Life Insurance Co., Ltd. is the largest shareholder. During the Reporting Period, the Bank, the largest shareholder and its ultimate controller did not have any effective court ruling which was not implemented or any overdue debt in large amounts.

XI. Non-Operating Fund Occupation by Controlling Shareholders and Other Related Parties

The Bank does not have any controlling shareholder. Dajia Life Insurance Co., Ltd. is the largest shareholder. The Bank does not have any non-operating fund occupation by the largest shareholder and its ultimate controller and other related parties.

XII. External Guarantees

During the Reporting Period, the Bank did not enter into any guarantee contracts in violation of the external guarantee procedures prescribed by laws, administrative regulations and the CSRC.

XIII. Pre-Emptive Rights

Pre-emptive rights are not prescribed in the Company Law of the People's Republic of China 《中華人民共和國公司法》 and the Articles of Association, and the Bank is not required by the above provisions to issue new shares to the current shareholders based on the holding proportion of the shareholders. In accordance with Article 29 of the Articles of Association, the Bank may increase its registered capital by public offering of ordinary shares, issuance of ordinary shares to its existing shareholders, distribution of new ordinary shares to its existing shareholders, private placing of ordinary shares, conversion of preference shares to ordinary shares, and any other methods permitted by the applicable laws and administrative regulations. There is no compulsory rule in relation to pre-emptive rights in the Articles of Association.

XIV. Consumer Rights Protection

During the Reporting Period, the Bank thoroughly implemented the decisions and arrangements of the CPC and the State, and earnestly carried out the requirements of financial regulatory authorities when performing its duty in consumer rights protection. Through five measures including continuously strengthening the consumer rights protection management system, reinforcing the operation of key mechanisms, intensifying the management and control of key areas, emphasising the complaint management mechanism and enhancing financial education and training, the Bank proactively established a work pattern of "comprehensive consumer rights protection", in a bid to promote the professional and refined consumer rights protection management of the whole bank. **In terms of strengthening the consumer rights protection management system**, the priority was establishing a work pattern of "comprehensive consumer rights protection". By continuing to consolidate the consumer rights protection governance structure and optimise the consumer rights protection management system, the Bank constantly fortified the auditing and culture construction regarding consumer rights protection. **In terms of reinforcing the operation of**

CHAPTER 8 MAJOR EVENTS

key mechanisms, the Bank further optimised and refined key mechanisms such as the rules for consumer rights protection, the review of consumer rights protection, assessment and evaluation, and team building, in a bid to deepen the refined management of consumer rights protection of the whole bank. **In terms of intensifying the management and control of key areas**, focusing on key areas such as personal information protection, consumer suitability management, traceability management, information disclosure, and consumer rights protection management of partners, the Bank continuously regulated business behaviours, optimised customer experience, strengthened management and control in key areas, and consistently and effectively improved weak links in consumer rights protection. **In terms of emphasising the complaint management mechanism**, the Bank proactively adapted to the new regulatory requirements and situation, continued to improve the complaint management system, strengthened the classified management of complaints, emphasised the handling of key and difficult complaints, and constantly upgraded complaint management. Additionally, the Bank actively used diversified mechanisms to solve customer problems, continued to strengthen control over the source of complaints, and constantly optimised product enhancement management, thereby effectively protecting the legitimate rights and interests of consumers. **In terms of enhancing financial education and training**, internally, the Bank strengthened the layered and classified trainings on consumer rights protection. Externally, the Bank fulfilled its primary responsibilities in consumer education, constantly strengthened the education and publicity brand of "Minsheng's Consumer Rights Protection in Action (民生消保在行動)"; and continued to expand the influence of education and publicity activities.

XV. Other Major Events

During the Reporting Period, the Bank had no other major events.

FINANCIAL REPORTS

- I. Report on Review of Interim Financial Information
- II. Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows
- III. Notes to the Condensed Consolidated Financial Statements
- IV. Unaudited Supplementary Financial Information

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of China Minsheng Banking Corp., Ltd.
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 122 to 273, which comprises the condensed consolidated statement of financial position of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2024 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected 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". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2024

CONDENSED CONSOLIDATED INCOME STATEMENT

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

	Note 4	Six months ended 30 June	
		2024 (unaudited)	2023 (unaudited)
Interest income		127,963	133,080
Interest expense		(79,381)	(81,746)
Net interest income	1	48,582	51,334
Fee and commission income		11,458	13,441
Fee and commission expense		(1,813)	(2,605)
Net fee and commission income	2	9,645	10,836
Net trading gain	3	4,001	2,848
Net gain from investment securities	4	1,854	3,609
Including: disposals of financial assets measured at amortised cost		1,024	850
Net other operating income	5	1,507	1,241
Operating expenses	6	(21,453)	(22,179)
Credit impairment losses	7	(20,551)	(22,210)
Other impairment losses	8	(109)	(732)
Profit before income tax		23,476	24,747
Income tax expense	9	(767)	(775)
Net profit		22,709	23,972
Net profit attributable to:			
Equity holders of the Bank		22,474	23,777
Non-controlling interests		235	195
Earnings per share (expressed in RMB Yuan)			
Basic and diluted earnings per share	10	0.43	0.46

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note 4	Six months ended 30 June	
		2024 (unaudited)	2023 (unaudited)
Net profit		22,709	23,972
Other comprehensive income of the period, net of tax	40	2,036	2,721
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income		146	742
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income			
Changes in fair value		1,825	1,726
Allowance for impairment losses		17	216
Effective hedging portion of gains or losses arising from cash flow hedging instruments		23	39
Exchange difference on translating foreign operations		25	(2)
Total comprehensive income of the period		24,745	26,693
Total comprehensive income attributable to:			
Equity holders of the Bank		24,442	26,302
Non-controlling interests		303	391

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2024 (unaudited)	31 December 2023 (audited)
ASSETS			
Cash and balances with central bank	11	289,136	390,367
Balances with banks and other financial institutions	12	66,046	129,678
Precious metals		30,851	28,285
Placements with banks and other financial institutions	13	177,130	172,778
Derivative financial assets	14	20,352	24,797
Financial assets held under resale agreements	15	21,163	35,773
Loans and advances to customers	16	4,364,821	4,323,908
Financial investments:	17		
– Financial assets at fair value through profit or loss		325,974	320,547
– Financial assets measured at amortised cost		1,526,370	1,531,024
– Financial assets at fair value through other comprehensive income		422,092	420,571
Long-term receivables	18	123,042	119,434
Property and equipment	19	61,357	60,490
Right-of-use assets	20(1)	12,869	13,279
Deferred income tax assets	21	57,831	54,592
Other assets	23	51,979	49,442
Total assets		7,551,013	7,674,965

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2024 (unaudited)	31 December 2023 (audited)
LIABILITIES			
Borrowings from central bank		296,279	326,454
Deposits and placements from banks and other financial institutions	25	1,182,301	1,242,059
Financial liabilities at fair value through profit or loss	26	57,874	35,827
Borrowings from banks and other financial institutions	27	118,851	115,715
Derivative financial liabilities	14	24,748	29,276
Financial assets sold under repurchase agreements	28	176,274	191,133
Deposits from customers	29	4,137,534	4,353,281
Lease liabilities	20(2)	9,322	9,560
Provisions	30	1,481	1,787
Debt securities issued	31	855,678	675,826
Current income tax liabilities		3,235	1,392
Deferred income tax liabilities	21	229	214
Other liabilities	32	77,565	54,640
Total liabilities		6,941,371	7,037,164

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2024 (unaudited)	31 December 2023 (audited)
EQUITY			
Share capital	33	43,782	43,782
Other equity instrument		55,000	95,000
Including: Preference shares	34	20,000	20,000
Perpetual bonds	35	35,000	75,000
Reserves			
Capital reserve	33	58,111	58,111
Surplus reserve	37	58,805	58,805
General reserve	37	95,391	95,237
Other reserves	40	3,992	2,022
Retained earnings	37	281,060	271,645
Total equity attributable to equity holders of the Bank		596,141	624,602
Non-controlling interests	38	13,501	13,199
Total equity		609,642	637,801
Total liabilities and equity		7,551,013	7,674,965

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 29 August 2024.




Gao Yingxin

Chairman



Wang Xiaoyong

President



Wen Qiuju

Director



(Company Seal)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Unaudited	Attributable to equity shareholders of the Bank											
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	Reserves			Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
					General reserve	Investment revaluation reserve	Exchange reserve					
Note 4	33	348,35	33	37	37	40	40	40	37		38	
At 31 December 2023	43,782	95,000	58,111	58,805	95,237	1,507	532	(17)	271,645	624,602	13,199	637,801
(I) Net profit	-	-	-	-	-	-	-	-	22,474	22,474	235	22,709
(II) Other comprehensive income, net of tax	-	-	-	-	-	1,920	25	23	-	1,968	68	2,036
Total comprehensive income	-	-	-	-	-	1,920	25	23	22,474	24,442	303	24,745
(III) Capital injection and deduction by equity holders												
1. Capital injection by other equity instrument holders	-	(40,000)	-	-	-	-	-	-	-	(40,000)	-	(40,000)
(IV) Profit distribution												
1. Appropriation to general reserve	-	-	-	-	154	-	-	-	(154)	-	-	-
2. Cash dividends	-	-	-	-	-	-	-	-	(9,457)	(9,457)	(1)	(9,458)
3. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(V) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	2	-	-	(2)	-	-	-
(VI) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(6)	(6)	-	(6)
At 30 June 2024	43,782	55,000	58,111	58,805	95,391	3,429	557	6	281,060	596,141	13,501	609,642

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Unaudited	Attributable to equity shareholders of the Bank												
	Note 4	Share capital	Other equity instrument	Capital reserve	Surplus reserve	Reserves			Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
						General reserve	Investment revaluation reserve	Exchange reserve					
At 31 December 2022	43,782	95,000	58,111	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814	
(I) Net profit	-	-	-	-	-	-	-	-	23,777	23,777	195	23,972	
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,348	138	39	-	2,525	196	2,721	
Total comprehensive income	-	-	-	-	-	2,348	138	39	23,777	26,302	391	26,693	
(III) Profit distribution													
1. Appropriation to general reserve	-	-	-	-	179	-	-	-	(179)	-	-	-	
2. Cash dividends	-	-	-	-	-	-	-	-	(9,369)	(9,369)	(4)	(9,373)	
3. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)	
(IV) Transfers within the owners' equity													
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	40	-	-	(40)	-	-	-	
(V) Others													
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(2)	(2)	(1)	(3)	
At 30 June 2023	43,782	95,000	58,111	55,276	90,673	1,309	604	40	268,624	613,419	13,272	626,691	

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Audited	Attributable to equity shareholders of the Bank											
	Note 4	Share capital	Other equity instrument	Capital reserve	Surplus reserve	Reserves			Cash flow hedging reserve	Retained earnings	Non-controlling interests	Total equity
						General reserve	Investment revaluation reserve	Exchange reserve				
	33	34,835	33	37	37	40	40	40	37	38		
At 31 December 2022	43,782	95,000	58,111	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814
(I) Net profit	-	-	-	-	-	-	-	-	35,823	35,823	163	35,986
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,494	66	(18)	-	2,542	190	2,732
Total comprehensive income	-	-	-	-	-	2,494	66	(18)	35,823	38,365	353	38,718
(III) Profit distribution												
1. Appropriation to surplus reserve	-	-	-	3,529	-	-	-	-	(3,529)	-	-	-
2. Appropriation to general reserve	-	-	-	-	4,743	-	-	-	(4,743)	-	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,245)	(10,245)	(37)	(10,282)
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(IV) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	92	-	-	(92)	-	-	-
(V) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(6)	(6)	(3)	(9)
At 31 December 2023	43,782	95,000	58,111	58,805	95,237	1,507	532	(17)	271,645	624,602	13,199	637,801

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED 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 (unaudited)	2023 (unaudited)
Cash flows from operating activities:		
Profit before income tax	23,476	24,747
<i>Adjustments for:</i>		
– Credit impairment losses	20,551	22,210
– Other impairment losses	109	732
– Depreciation and amortisation	4,395	4,137
– Gains/Losses on disposal of property and equipment	(327)	28
– Losses from changes in fair value	4,430	2,413
– Net gains on disposal of investment securities	(5,065)	(4,910)
– Interest expense on debt securities issued	9,362	8,350
– Interest expense on lease liabilities	168	165
– Interest income from financial investments	(28,396)	(29,791)
Subtotal	28,703	28,081
<i>Changes in operating assets:</i>		
Net decrease in balances with central bank, banks and other financial institutions	38,219	10,152
Net (increase)/decrease in placements with banks and other financial institutions	(2,185)	7,788
Net decrease/(increase) in financial assets held under resale agreements	14,608	(7,016)
Net increase in loans and advances to customers	(55,966)	(265,774)
Net increase in financial assets held for trading purposes	(11,087)	(27,817)
Net increase in other operating assets	(5,441)	(20,510)
Subtotal	(21,852)	(303,177)

CONDENSED 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 (unaudited)	2023 (unaudited)
Cash flows from operating activities: (continued)		
<i>Changes in operating liabilities:</i>		
Net (decrease)/increase in borrowings from central bank	(31,317)	35,776
Net (decrease)/increase in deposits from customers	(218,271)	247,934
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(59,626)	51,500
Net (decrease)/increase in financial assets sold under repurchase agreements	(14,745)	27,543
Income tax paid	(2,680)	(3,343)
Net increase in other operating liabilities	35,945	24,317
Subtotal	(290,694)	383,727
Net cash (used in)/generated from operating activities	(283,843)	108,631
Cash flows from investing activities:		
Proceeds from sale and redemption of investments and investment income	1,136,478	833,127
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	1,922	920
Cash payment for investments	(1,099,682)	(833,348)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets	(4,359)	(3,392)
Net cash generated from/(used in) investing activities	34,359	(2,693)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note 4	Six months ended 30 June	
		2024 (unaudited)	2023 (unaudited)
Cash flows from financing activities:			
Cash paid for redemption of other equity instruments		(40,000)	–
Proceeds from issue of debt securities		780,546	506,253
Repayment of debt securities issued		(606,378)	(530,375)
Subsidiaries shares repurchased		(6)	(3)
Interest paid on perpetual bonds		(3,440)	(3,440)
Dividends paid and interest paid on debt securities issued		(4,013)	(12,030)
Cash payment in other financing activities		(1,704)	(1,822)
Net cash generated from/(used in) financing activities		125,005	(41,417)
Effect of exchange rate changes on cash and cash equivalents		181	1,646
Net (decrease)/increase in cash and cash equivalents		(124,298)	66,167
Cash and cash equivalents at 1 January		237,336	128,305
Cash and cash equivalents at 30 June	41	113,038	194,472

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1 General information

China Minsheng Banking Corp., Ltd. (the “Bank”) is a national joint-stock commercial bank established in the People’s Republic of China (“PRC”) on 7 February 1996 with the approval of the State Council of the PRC and the People’s Bank of China (“PBOC”).

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the former China Banking and Insurance Regulatory Commission (The former “CBIRC”) (In 2023, the regulator was renamed as the National Financial Regulation Administration, The “NFRA”), and the business license as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

The Bank’s A Shares and H Shares are listed in the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, the stock codes are 600016 and 01988, respectively.

In the interim financial information for the six months ended 30 June 2024, China mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the “Group”) mainly provide corporate and personal banking, treasury business, financial leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 30 June 2024, the Bank has 43 tier-one branches and 33 subsidiaries.

2 Basis of preparation

The interim financial information for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 Summary of material accounting policy information

The interim financial information for the six months ended 30 June 2024 have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and critical accounting estimates and judgements used in preparing the unaudited interim financial information are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2023.

The interim financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2023, which have been audited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

3 Summary of material accounting policy information *(continued)*

3.1 Standards and amendments effective in 2024 relevant to and adopted by the Group

In current period, the Group has adopted the following International Financial Reporting Standards (“IFRSs”) and amendments issued by the International Accounting Standards Board (“IASB”).

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

The adoption of the above standards and amendments does not have material impact on the operating results and financial position of the Group.

3.2 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group

In current period, the Group has not adopted the following amendments issued by the IASB, that have been issued but are not yet effective.

Standards/Amendments		Effective date
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred.
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendment to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability Disclosure	1 January 2027

In addition to the impact of IFRS18 being evaluated, the Group anticipates that the adoption of the above amendments will not have material impact on the Group’s condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements

4.1 Net interest income

	Six months ended 30 June	
	2024	2023
Interest income arising from:		
Loans and advances to customers	89,312	92,399
Including: Corporate loans and advances	46,517	46,187
Personal loans and advances	40,781	43,710
Discounted bills	2,014	2,502
Financial investments	28,396	29,791
Including: Financial assets measured at amortised cost	22,574	23,038
Financial assets at fair value through other comprehensive income	5,822	6,753
Long-term receivables	3,438	3,301
Placements with banks and other financial institutions	3,095	3,717
Balances with central bank	2,212	2,422
Financial assets held under resale agreements	718	831
Balances with banks and other financial institutions	792	619
Subtotal	127,963	133,080
Interest expense arising from:		
Deposits from customers	(46,447)	(48,146)
Deposits and placements from banks and other financial institutions	(15,504)	(19,295)
Debt securities issued	(9,362)	(8,350)
Borrowings from central bank	(3,859)	(2,299)
Borrowings from banks and other financial institutions	(2,499)	(2,112)
Financial assets sold under repurchase agreements	(1,542)	(1,379)
Lease liabilities	(168)	(165)
Subtotal	(79,381)	(81,746)
Net interest income	48,582	51,334
Of which:		
Interest income from impaired loans and advances to customers	768	693

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.2 Net fee and commission income

	Six months ended 30 June	
	2024	2023
Fee and commission income from		
Bank card services	5,217	5,276
Agency services	2,299	4,008
Custodian and other fiduciary services	1,739	2,331
Settlement and clearance services	1,019	1,096
Credit commitments	546	556
Others	638	174
Subtotal	11,458	13,441
Fee and commission expense	(1,813)	(2,605)
Net fee and commission income	9,645	10,836

4.3 Net trading gain

	Six months ended 30 June	
	2024	2023
Net gains from interest rate products	3,090	2,174
Net losses from foreign-exchange and foreign exchange products	(124)	(106)
Others	1,035	780
Total	4,001	2,848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.4 Net gain from investment securities

	Six months ended 30 June	
	2024	2023
Financial instruments at fair value through profit or loss	(1,857)	1,405
Financial assets at fair value through other comprehensive income	2,687	1,354
Financial assets measured at amortised cost	1,024	850
Total	1,854	3,609

4.5 Net other operating income

	Six months ended 30 June	
	2024	2023
Operating leases income	2,138	2,162
Government subsidies	216	401
Operating leases costs	(1,530)	(1,604)
Others	683	282
Total	1,507	1,241

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.6 Operating expenses

	Six months ended 30 June	
	2024	2023
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	10,750	11,780
– Post-employment benefits-defined contribution plan	1,493	1,320
Depreciation and amortisation	3,343	3,118
Short-term lease expenses, low-value lease expenses and property management expenses	424	459
Tax and surcharges		
– Urban Maintenance Construction Tax	401	419
– Educational fee surcharge	178	189
– Other	303	435
Office expenses, business expenses and others	4,561	4,459
Total	21,453	22,179

4.7 Credit impairment losses

	Six months ended 30 June	
	2024	2023
Loans and advances to customers	18,123	19,435
Financial assets measured at amortised cost	1,787	1,908
Financial assets at fair value through other comprehensive income	(78)	397
Long-term receivables	512	529
Other receivables	302	161
Others	(95)	(220)
Total	20,551	22,210

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.8 Other impairment losses

	Six months ended 30 June	
	2024	2023
Foreclosed assets	135	732
Others	(26)	–
Total	109	732

4.9 Income tax expense

	Six months ended 30 June	
	2024	2023
Current income tax for the period	4,477	2,732
Deferred income tax (Note 4.21)	(3,710)	(1,957)
Total	767	775

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

		Six months ended 30 June	
		2024	2023
Profit before income tax		23,476	24,747
Income tax at the tax rate of 25%		5,869	6,187
Effect of non-taxable income	(a)	(4,694)	(5,110)
Effect of non-deductible expenses	(b)	352	517
Effect of interest expense on perpetual debt		(860)	(860)
Settlement variance and others		100	41
Income tax expense		767	775

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.9 Income tax expense (*continued*)

- (a) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, as well as dividends arising from fund investments, which are exempted from income tax.
- (b) It mainly includes tax effects of losses written-off that are not deductible before tax, as well as business entertainment expenses and deposit insurance premiums in excess of their respective pre-tax deductible limits.

OECD Pillar Two model rules

In December 2021, the OECD published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (the “Pillar Two”).

The Group is within the scope of the Pillar Two rules. Some members of our group are involved in the legislation of Pillar 2 regulations in their jurisdiction, which is effective in 2024. The Group is currently analysing the potential impact of Pillar Two.

4.10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of issued ordinary shares during the period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank by the adjusted weighted average number of ordinary shares in issue.

The Bank issued non-cumulative preference shares and perpetual bonds in 2019, 2021 and 2022 respectively under the terms and conditions as detailed in Note 4.34 Preference Shares and Note 4.35 Perpetual Bonds.

The conversion feature of the preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2024 and 31 December 2023, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation for the six months ended 30 June 2024 and for the six months ended 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.10 Earnings per share *(continued)*

	Six months ended 30 June	
	2024	2023
Profit for the period attributable to equity holders of the Bank	22,474	23,777
Less: profit for the period attributable to other equity instrument holders of the Bank	(3,440)	(3,440)
Net profit attributable to ordinary equity holders of the Bank	19,034	20,337
Weighted average number of ordinary shares in issue (in millions)	43,782	43,782
Basic/Diluted earnings per share (in RMB Yuan)	0.43	0.46

4.11 Cash and balances with central bank

	30 June 2024	31 December 2023
Cash	5,652	7,002
Balances with central bank		
Mandatory reserve deposits	250,789	291,972
Surplus reserve deposits	32,020	90,705
Fiscal deposits and others	561	556
Subtotal	283,370	383,233
Interest accrued	114	132
Total	289,136	390,367

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.11 Cash and balances with central bank (*continued*)

The Group places mandatory reserve deposits in accordance with the relevant provisions of PBOC or local regulators. The mandatory reserve deposits are not available for use in the Group's daily business.

As at 30 June 2024 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 6.5% (31 December 2023: 7.0%) and the reserve rate for foreign currency deposits is 4.0% (31 December 2023: 4.0%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

Surplus reserve deposits maintained with the PBOC is for the purposes of clearing interbank transactions.

4.12 Balances with banks and other financial institutions

	30 June 2024	31 December 2023
China mainland		
– Banks	39,515	103,176
– Other financial institutions	5,097	5,136
Subtotal	44,612	108,312
Overseas		
– Banks	19,475	19,795
– Other financial institutions	1,859	1,452
Subtotal	21,334	21,247
Interest accrued	102	123
Less: allowance for impairment losses	(2)	(4)
Total	66,046	129,678

For the six months ended 30 June 2024 and for the year ended 31 December 2023, the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages were insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.13 Placements with banks and other financial institutions

	30 June 2024	31 December 2023
China mainland		
– Banks	10,685	8,302
– Other financial institutions	143,073	142,298
Subtotal	153,758	150,600
Overseas		
– Banks	22,377	19,429
– Other financial institutions	2,254	3,866
Subtotal	24,631	23,295
Interest accrued	353	396
Less: allowance for impairment losses	(1,612)	(1,513)
Total	177,130	172,778

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.13 Placements with banks and other financial institutions (*continued*)

Movements in allowance for impairment losses of placements with banks and other financial institutions

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(537)	–	(976)	(1,513)
Net reversal/(charge)	118	–	(217)	(99)
Balance as at 30 June 2024	(419)	–	(1,193)	(1,612)

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(585)	–	(1,277)	(1,862)
Net reversal/(charge)	48	–	(271)	(223)
Write-offs and transfer out	–	–	572	572
Balance as at 31 December 2023	(537)	–	(976)	(1,513)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.14 Derivatives

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

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

(1) The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	30 June 2024		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	2,590,720	16,177	(14,514)
Interest rate derivatives	2,175,528	1,688	(615)
Precious metal derivatives	115,012	2,449	(9,619)
Others	1,782	38	–
Total		20,352	(24,748)

	31 December 2023		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	2,554,436	22,130	(22,011)
Interest rate derivatives	1,916,448	1,733	(676)
Precious metal derivatives	70,252	908	(6,585)
Others	1,352	26	(4)
Total		24,797	(29,276)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.14 Derivatives (continued)

(2) Hedges

		30 June 2024		
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	8,531	81	(20)
Fair value hedges				
– Interest Rate swap contracts	(b)	60,535	831	(30)
Total			912	(50)

		31 December 2023		
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	14,378	148	(136)
Fair value hedges				
– Interest Rate swap contracts	(b)	64,261	968	(84)
Total			1,116	(220)

(a) The Group uses foreign exchange swaps to hedge against cash flow fluctuations arising from its exposures to foreign exchange risks. The hedged items include foreign bond investments of the Group, loans and advances denominated in foreign currencies, and foreign currency lending to other banks and financial institutions. For the six months ended 30 June 2024 and for the six months ended 30 June 2023, the accumulative profits or losses recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments were insignificant.

(b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the six months ended 30 June 2024 and for the six months ended 30 June 2023, the fair value changes of hedging instruments and the net gains or losses arising from the hedged risk relating to the hedged items, which were the ineffective part of fair value hedging recognised in fair value changes, were insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.14 Derivatives *(continued)*

(3) Credit risk weighted amount

	30 June 2024	31 December 2023
Credit risk weighted amount for counterparty	21,181	16,361

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the former CBIRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract. The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

4.15 Financial assets held under resale agreements

Financial assets held under resale agreements are listed as follows according to collateral:

	30 June 2024	31 December 2023
Bonds	20,717	35,325
Others	435	435
Subtotal	21,152	35,760
Interest accrued	29	39
Less: allowance for impairment losses	(18)	(26)
Total	21,163	35,773

For the six months ended 30 June 2024 and for the year ended 31 December 2023, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.16 Loans and advances to customers

	30 June 2024	31 December 2023
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	2,430,386	2,337,357
Personal loans and advances		
– Micro lending (1)	650,731	651,788
– Residential mortgage	540,118	546,300
– Credit cards	474,966	487,973
– Others	83,815	81,461
Gross balance	1,749,630	1,767,522
Less: allowance for impairment losses	(96,201)	(96,793)
Subtotal	4,083,815	4,008,086
Measured at fair value through other comprehensive income:		
Corporate loans and advances		
– Corporate loans	1,816	2,419
– Discounted bills	241,395	277,579
Subtotal	243,211	279,998
Interest accrued	37,795	35,824
Total	4,364,821	4,323,908

(1) Micro lending is a loan product offered to the micro enterprise owners and proprietors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

(1) Loans and advances to customers (excluding interest accrued) analysed by types of collateral

	30 June 2024		31 December 2023	
	Amount	(%)	Amount	(%)
Unsecured loans	1,296,099	29.30	1,249,400	28.50
Guaranteed loans	830,060	18.77	774,541	17.66
Loans secured by				
– Tangible assets other than monetary assets	1,756,861	39.72	1,757,179	40.07
– Monetary assets	540,207	12.21	603,757	13.77
Total	4,423,227	100.00	4,384,877	100.00

(2) Overdue loans (excluding interest accrued) analysed by overdue period

	30 June 2024				Total
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured loans	13,413	11,569	5,243	1,942	32,167
Guaranteed loans	2,402	7,746	3,744	1,163	15,055
Loans secured by					
– Tangible assets other than monetary assets	10,608	14,664	18,207	2,119	45,598
– Monetary assets	1,490	602	682	689	3,463
Total	27,913	34,581	27,876	5,913	96,283
% of total loans and advances to customers	0.63	0.78	0.63	0.14	2.18

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

(2) Overdue loans (excluding interest accrued) analysed by overdue period *(continued)*

	31 December 2023				Total
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured loans	15,008	12,647	3,638	1,729	33,022
Guaranteed loans	4,494	2,373	4,844	753	12,464
Loans secured by					
– Tangible assets other than monetary assets	7,774	17,064	13,571	1,639	40,048
– Monetary assets	577	270	418	1,105	2,370
Total	27,853	32,354	22,471	5,226	87,904
% of total loans and advances to customers	0.63	0.74	0.51	0.12	2.00

Overdue loans represent loans of which the principal or interest are overdue for 1 day or more.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

(3) Movements in allowance for impairment losses

(a) Movements in allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(26,033)	(25,422)	(45,338)	(96,793)
Transfer:				
to stage 1	(1,710)	1,550	160	–
to stage 2	535	(650)	115	–
to stage 3	91	3,378	(3,469)	–
Net reversal/(charge)	1,575	(3,359)	(16,323)	(18,107)
Write-offs and transfer out	–	–	22,429	22,429
Recoveries of amounts previously written off	–	–	(4,740)	(4,740)
Others	(2)	(2)	1,014	1,010
Balance as at 30 June 2024	(25,544)	(24,505)	(46,152)	(96,201)
	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(23,379)	(33,602)	(40,658)	(97,639)
Transfer:				
to stage 1	(3,066)	2,597	469	–
to stage 2	554	(721)	167	–
to stage 3	429	8,901	(9,330)	–
Net charge	(556)	(2,574)	(36,619)	(39,749)
Write-offs and transfer out	–	–	48,161	48,161
Recoveries of amounts previously written off	–	–	(9,343)	(9,343)
Others	(15)	(23)	1,815	1,777
Balance as at 31 December 2023	(26,033)	(25,422)	(45,338)	(96,793)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

(3) Movements in allowance for impairment losses *(continued)*

(b) Movements in allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income are as follows:

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(199)	(2)	(450)	(651)
Net charge	(1)	(15)	–	(16)
Balance as at 30 June 2024	(200)	(17)	(450)	(667)
	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(361)	(10)	(858)	(1,229)
Net reversal/(charge)	162	8	(237)	(67)
Write-offs and transfer out	–	–	645	645
Balance as at 31 December 2023	(199)	(2)	(450)	(651)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.17 Financial investments

		30 June 2024	31 December 2023
Financial assets at fair value through profit or loss	(1)	325,974	320,547
Financial assets measured at amortised cost	(2)	1,526,370	1,531,024
Financial assets at fair value through other comprehensive income	(3)	422,092	420,571
Total		2,274,436	2,272,142

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

		30 June 2024	31 December 2023
Held for trading purpose			
Debt securities			
Government		9,545	7,999
Policy banks		53,717	35,215
Banks and non-bank financial institutions		37,099	37,429
Corporates		40,740	50,859
Subtotal		141,101	131,502
Equity investments		2,077	1,931
Subtotal		143,178	133,433

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.17 Financial investments (*continued*)

(1) Financial assets at fair value through profit or loss (*continued*)

	30 June 2024	31 December 2023
Other financial assets at fair value through profit or loss		
Debt securities		
Corporates	3,404	3,207
Banks and non-bank financial institutions	13,538	11,382
Equity investments	14,173	17,706
Investment funds (a)	125,080	131,557
Trust and asset management plans (b)	19,007	17,185
Others	7,594	6,077
Subtotal	182,796	187,114
Total	325,974	320,547
Listed	156,498	142,246
– Of which: listed in Hong Kong	6,729	3,910
Unlisted	169,476	178,301
Total	325,974	320,547

Debt securities traded in China Domestic Interbank Bond Market are classified as listed bonds.

(a) As at 30 June 2024 and 31 December 2023, the underlying investment funds primarily include public bond funds and public money market funds.

(b) As at 30 June 2024 and 31 December 2023, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (9)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

(2) Financial assets measured at amortised cost

	30 June 2024	31 December 2023
Debt securities		
Government	1,168,343	1,123,735
Policy banks	78,572	102,354
Banking and non-banking financial institutions	58,339	56,251
Corporates	168,458	190,416
Subtotal	1,473,712	1,472,756
Trust and asset management plans (a)	33,631	34,670
Debt financing plans	9,232	9,935
Others	2,998	4,034
Interest accrued	18,361	19,839
Less: allowance for impairment losses	(11,564)	(10,210)
Total	1,526,370	1,531,024
Listed	1,465,010	1,460,835
– Of which: listed in Hong Kong	15,539	10,602
Unlisted	54,563	60,560
Interest accrued	18,361	19,839
Less: allowance for impairment losses	(11,564)	(10,210)
Total	1,526,370	1,531,024

(a) As at 30 June 2024 and 31 December 2023, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2 (9)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.17 Financial investments (*continued*)

(2) Financial assets measured at amortised cost (*continued*)

Movements in allowance for impairment losses

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(2,016)	(340)	(7,854)	(10,210)
Transfer				
to stage 2	6	(214)	208	–
to stage 3	11	17	(28)	–
Net reversal/(charge)	365	72	(2,224)	(1,787)
Write-offs and transfer out	–	–	192	192
Recoveries of amounts previously written off	–	–	(95)	(95)
Others	(1)	–	337	336
Balance as at 30 June 2024	(1,635)	(465)	(9,464)	(11,564)
	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(1,500)	(925)	(8,867)	(11,292)
Transfer				
to stage 3	15	485	(500)	–
Net (charge)/reversal	(569)	100	(3,374)	(3,843)
Write-offs and transfer out	–	–	3,981	3,981
Recoveries of amounts previously written off	–	–	(104)	(104)
Others	38	–	1,010	1,048
Balance as at 31 December 2023	(2,016)	(340)	(7,854)	(10,210)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.17 Financial investments (*continued*)

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

	30 June 2024	31 December 2023
Debt securities		
Government	152,481	138,080
Policy banks	12,612	5,757
Banks and non-bank financial institutions	133,576	141,893
Corporates	111,026	121,943
Subtotal	409,695	407,673
Equity investments	8,324	8,471
Interest accrued	4,073	4,427
Total	422,092	420,571
Listed	395,976	389,848
– Of which: listed in Hong Kong	21,911	28,183
Unlisted	22,043	26,296
Interest accrued	4,073	4,427
Total	422,092	420,571

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the six months ended 30 June 2024, dividend income of RMB0.22 million (for the six months ended 30 June 2023: RMB0.19 million) recognised for such equity investments was included in the profit or loss. The amount transferred from other comprehensive income to retained earnings on disposal of such equity instruments was insignificant for the six months ended 30 June 2024 (for the six months ended 30 June 2023: insignificant).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.17 Financial investments (*continued*)

(3) Financial assets at fair value through other comprehensive income (*continued*)

Fair value

	30 June 2024	31 December 2023
Debt securities		
Cost	414,882	414,890
Cumulative amount of change in fair value that is accrued to other comprehensive income	(1,114)	(2,790)
Fair value	413,768	412,100
Equity investment		
Cost	5,284	5,407
Cumulative amount of change in fair value that is accrued to other comprehensive income	3,040	3,064
Fair value	8,324	8,471
Total	422,092	420,571

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

(3) Financial assets at fair value through other comprehensive income *(continued)*

Movements in allowance for impairment losses

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(777)	(66)	(1,333)	(2,176)
Transfer:				
to stage 3	–	60	(60)	–
Net reversal/(charge)	114	2	(38)	78
Write-offs and transfer out	–	–	83	83
Others	(3)	–	–	(3)
Balance as at 30 June 2024	(666)	(4)	(1,348)	(2,018)
	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(749)	(14)	(1,058)	(1,821)
Transfer:				
to stage 2	2	(2)	–	–
Net reversal/(charge)	24	(50)	(394)	(420)
Write-offs and transfer out	–	–	119	119
Others	(54)	–	–	(54)
Balance as at 31 December 2023	(777)	(66)	(1,333)	(2,176)

As at 30 June 2024, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB1,175 million (31 December 2023: RMB885 million), with allowance for impairment losses of RMB1,348 million (31 December 2023: RMB1,333 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.18 Long-term receivables

	30 June 2024	31 December 2023
Finance lease receivables	27,249	27,634
Sales and leaseback receivables	115,307	110,698
Less: unearned finance lease income	(16,639)	(16,119)
Present value of minimum finance lease receivables	125,917	122,213
Less: allowance for impairment losses	(2,875)	(2,779)
Total	123,042	119,434

(1) Finance lease receivables and sales and leaseback receivables are analysed by the remaining terms as follows:

	30 June 2024	31 December 2023
Indefinite (a)	9,590	8,280
Less than 1 year	61,172	57,444
1 year to 2 years	36,910	37,680
2 years to 3 years	19,545	18,107
3 years to 5 years	8,337	9,604
More than 5 years	7,002	7,217
Total	142,556	138,332

(a) The amount represents the balances being impaired or overdue for more than one month.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.18 Long-term receivables *(continued)*

(2) Movements in allowance for impairment losses of long-term receivables:

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(707)	(436)	(1,636)	(2,779)
Transfer:				
to stage 1	(69)	16	53	–
to stage 2	15	(23)	8	–
to stage 3	130	35	(165)	–
Net (charge)/reversal	(154)	39	(397)	(512)
Write-offs and transfer out	–	–	530	530
Recoveries of amounts previously written off	–	–	(115)	(115)
Others	1	–	–	1
Balance as at 30 June 2024	(784)	(369)	(1,722)	(2,875)
	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(642)	(862)	(1,977)	(3,481)
Transfer:				
to stage 1	(19)	9	10	–
to stage 2	5	(7)	2	–
to stage 3	3	352	(355)	–
Net (charge)/reversal	(13)	72	(1,243)	(1,184)
Write-offs and transfer out	–	–	2,039	2,039
Recoveries of amounts previously written off	–	–	(112)	(112)
Others	(41)	–	–	(41)
Balance as at 31 December 2023	(707)	(436)	(1,636)	(2,779)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.19 Property and equipment

	30 June 2024	31 December 2023
Property and equipment	61,350	60,484
Property and equipment to be disposed	7	6
Total	61,357	60,490

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2024	23,345	3,921	10,172	470	44,602	7,885	90,395
Increase	-	213	332	3	3,462	279	4,289
Decrease and other movement	-	(89)	(190)	(5)	(1,742)	(91)	(2,117)
Balance as at 30 June 2024	23,345	4,045	10,314	468	46,322	8,073	92,567
Accumulated depreciation							
Balance as at 1 January 2024	(7,195)	(2,629)	(7,316)	(382)	(11,453)	-	(28,975)
Increase	(375)	(278)	(441)	(12)	(1,051)	-	(2,157)
Decrease and other movement	-	88	180	5	553	-	826
Balance as at 30 June 2024	(7,570)	(2,819)	(7,577)	(389)	(11,951)	-	(30,306)
Impairment losses							
Balance as at 1 January 2024	-	-	-	-	(523)	(413)	(936)
Increase	-	-	-	-	-	-	-
Decrease and other movement	-	-	-	-	25	-	25
Balance as at 30 June 2024	-	-	-	-	(498)	(413)	(911)
Carrying amount							
Balance as at 1 January 2024	16,150	1,292	2,856	88	32,626	7,472	60,484
Balance as at 30 June 2024	15,775	1,226	2,737	79	33,873	7,660	61,350

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.19 Property and equipment *(continued)*

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2023	22,469	4,007	9,301	467	42,488	7,921	86,653
Increase	33	623	1,443	36	3,636	811	6,582
CIP transfers	847	-	-	-	-	(847)	-
Decrease and other movement	(4)	(709)	(572)	(33)	(1,522)	-	(2,840)
Balance as at 31 December 2023	23,345	3,921	10,172	470	44,602	7,885	90,395
Accumulated depreciation							
Balance as at 1 January 2023	(6,456)	(2,775)	(7,027)	(390)	(10,452)	-	(27,100)
Increase	(741)	(596)	(830)	(22)	(1,968)	-	(4,157)
Decrease and other movement	2	742	541	30	967	-	2,282
Balance as at 31 December 2023	(7,195)	(2,629)	(7,316)	(382)	(11,453)	-	(28,975)
Impairment losses							
Balance as at 1 January 2023	-	-	-	-	(594)	(70)	(664)
Increase	-	-	-	-	(41)	(342)	(383)
Decrease and other movement	-	-	-	-	112	(1)	111
Balance as at 31 December 2023	-	-	-	-	(523)	(413)	(936)
Carrying amount							
Balance as at 1 January 2023	16,013	1,232	2,274	77	31,442	7,851	58,889
Balance as at 31 December 2023	16,150	1,292	2,856	88	32,626	7,472	60,484

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.19 Property and equipment (*continued*)

As at 30 June 2024 and 31 December 2023, the Group did not have any property and equipment which were acquired by means of finance lease or held for sale.

As at 30 June 2024, there were still certain properties and buildings, with a carrying value of RMB329 million (31 December 2023: RMB341 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

4.20 Lease contract

(1) Right-of-use assets

	Buildings	Office equipment and others	Land use rights	Total
Original cost				
Balance as at 1 January 2024	19,158	95	4,646	23,899
Increase	1,387	4	–	1,391
Decrease	(1,437)	(4)	(24)	(1,465)
Balance as at 30 June 2024	19,108	95	4,622	23,825
Accumulated depreciation/ amortization				
Balance as at 1 January 2024	(9,081)	(28)	(1,511)	(10,620)
Increase	(1,620)	(8)	(58)	(1,686)
Decrease	1,337	4	9	1,350
Balance as at 30 June 2024	(9,364)	(32)	(1,560)	(10,956)
Carrying amount				
Balance as at 1 January 2024	10,077	67	3,135	13,279
Balance as at 30 June 2024	9,744	63	3,062	12,869

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.20 Lease contract *(continued)*

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

	Buildings	Office equipment and others	Land use rights	Total
Original cost				
Balance as at 1 January 2023	18,646	71	4,646	23,363
Increase	3,766	33	–	3,799
Decrease	(3,254)	(9)	–	(3,263)
Balance as at 31 December 2023	19,158	95	4,646	23,899
Accumulated depreciation/ amortization				
Balance as at 1 January 2023	(8,799)	(25)	(1,393)	(10,217)
Increase	(2,896)	(11)	(118)	(3,025)
Decrease	2,614	8	–	2,622
Balance as at 31 December 2023	(9,081)	(28)	(1,511)	(10,620)
Carrying amount				
Balance as at 1 January 2023	9,847	46	3,253	13,146
Balance as at 31 December 2023	10,077	67	3,135	13,279

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.20 Lease contract (*continued*)

(2) Lease liabilities

	30 June 2024	31 December 2023
Lease liabilities	9,322	9,560

As at 30 June 2024, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB140 million (31 December 2023: RMB113 million).

4.21 Deferred income tax assets and liabilities

(1) Deferred income tax items

	30 June 2024	31 December 2023
Deferred income tax assets	57,831	54,592
Deferred income tax liabilities	(229)	(214)
Total	57,602	54,378

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.21 Deferred income tax assets and liabilities (*continued*)

(2) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	30 June 2024		31 December 2023	
	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	56,428	225,753	50,886	203,545
Employee benefits payable	2,433	9,731	3,488	13,952
Fair value losses of derivatives	6,159	24,636	7,244	28,975
Fair value losses of financial assets at fair value through other comprehensive loss	159	597	272	1,088
Financial assets at fair value through profit or loss	2,848	11,394	2,062	8,247
Lease liabilities	2,328	9,330	2,387	9,568
Others	338	1,379	1,069	4,284
Subtotal	70,693	282,820	67,408	269,659
Deferred income tax liabilities				
Fair value gains of derivatives	(4,835)	(19,335)	(5,895)	(23,578)
Fair value gain of financial assets at fair value through other comprehensive income	(1,293)	(5,175)	(920)	(3,681)
Financial assets at fair value through profit or income	(4,340)	(17,135)	(3,508)	(14,112)
Right-of-use assets	(2,449)	(9,815)	(2,533)	(10,152)
Others	(174)	(643)	(174)	(640)
Subtotal	(13,091)	(52,103)	(13,030)	(52,163)
Deferred income tax assets, net	57,602	230,717	54,378	217,496

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.21 Deferred income tax assets and liabilities (*continued*)

(3) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
Balance as at 1 January 2024	50,886	9,578	6,944	67,408	(13,030)
Recognised in profit or loss	5,542	(299)	(1,845)	3,398	312
Recognised in other comprehensive income	–	(113)	–	(113)	(373)
Balance as at 30 June 2024	56,428	9,166	5,099	70,693	(13,091)
Balance as at 1 January 2023	51,775	11,069	6,220	69,064	(13,599)
Recognised in profit or loss	(889)	(961)	724	(1,126)	710
Recognised in other comprehensive income	–	(530)	–	(530)	(141)
Balance as at 31 December 2023	50,886	9,578	6,944	67,408	(13,030)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.22 Investment in subsidiaries

(1) Directly held subsidiaries

	30 June 2024	31 December 2023
Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing")	3,302	3,302
CMBC International Holdings Limited ("CMBC International")	3,494	3,494
Minsheng Royal Fund Limited ("Minsheng Royal Fund")	190	190
CMBC Wealth Management Co., Ltd. ("CMBC Wealth Management")	5,000	5,000
Pengzhou Minsheng Rural Bank Co., Ltd. ("Pengzhou Rural Bank")	20	20
Cixi Minsheng Rural Bank Co., Ltd. ("Cixi Rural Bank")	107	107
Shanghai Songjiang Minsheng Rural Bank Co., Ltd. ("Songjiang Rural Bank")	70	70
Qijiang Minsheng Rural Bank Co., Ltd. ("Qijiang Rural Bank")	30	30
Tongnan Minsheng Rural Bank Co., Ltd. ("Tongnan Rural Bank")	25	25
Meihekou Minsheng Rural Bank Co., Ltd. ("Meihekou Rural Bank")	169	169
Ziyang Minsheng Rural Bank Co., Ltd. ("Ziyang Rural Bank")	172	172
Wuhan Jiangxia Minsheng Rural Bank Co., Ltd. ("Jiangxia Rural Bank")	41	41
Changyuan Minsheng Rural Bank Co., Ltd. ("Changyuan Rural Bank")	26	26
Yidu Minsheng Rural Bank Co., Ltd. ("Yidu Rural Bank")	26	26
Shanghai Jiading Minsheng Rural Bank Co., Ltd. ("Jiading Rural Bank")	102	102
Zhongxiang Minsheng Rural Bank Co., Ltd. ("Zhongxiang Rural Bank")	36	36
Penglai Minsheng Rural Bank Co., Ltd. ("Penglai Rural Bank")	51	51
Anxi Minsheng Rural Bank Co., Ltd. ("Anxi Rural Bank")	74	74
Funing Minsheng Rural Bank Co., Ltd. ("Funing Rural Bank")	52	52
Taicang Minsheng Rural Bank Co., Ltd. ("Taicang Rural Bank")	76	76

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.22 Investment in subsidiaries (continued)

(1) Directly held subsidiaries (continued)

	30 June 2024	31 December 2023
Ningjin Minsheng Rural Bank Co., Ltd. ("Ningjin Rural Bank")	20	20
Zhangpu Minsheng Rural Bank Co., Ltd. ("Zhangpu Rural Bank")	25	25
Puer Minsheng Rural Bank Co., Ltd. ("Puer Rural Bank")	15	15
Jinghong Minsheng Rural Bank Co., Ltd. ("Jinghong Rural Bank")	60	60
Zhidan Minsheng Rural Bank Co., Ltd. ("Zhidan Rural Bank")	7	7
Ningguo Minsheng Rural Bank Co., Ltd. ("Ningguo Rural Bank")	20	20
Yulin Yuyang Minsheng Rural Bank Co., Ltd. ("Yuyang Rural Bank")	25	25
Chizhou Guichi Minsheng Rural Bank Co., Ltd. ("Guichi Rural Bank")	26	26
Zhejiang Tiantai Minsheng Rural Bank Co., Ltd. ("Tiantai Rural Bank")	31	31
Tianchang Minsheng Rural Bank Co., Ltd. ("Tianchang Rural Bank")	20	20
Tengchong Minsheng Rural Bank Co., Ltd. ("Tengchong Rural Bank")	20	20
Xiamen Xiang'an Minsheng Rural Bank Co., Ltd. ("Xiang'an Rural Bank")	36	36
Linzhi Minsheng Rural Bank Co., Ltd. ("Linzhi Rural Bank")	45	45
Total	13,413	13,413

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.22 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries

Name		Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing		Tianjin China	Leasing	RMB5,095 million	54.96%	54.96%
CMBC International		Hong Kong China	Investment banking	HKD4,207 million	100.00%	100.00%
Minsheng Royal Fund		Guangdong China	Fund management	RMB300 million	63.33%	63.33%
CMBC Wealth Management		Beijing China	Wealth Management	RMB5,000 million	100.00%	100.00%
Pengzhou Rural Bank	(a)	Sichuan China	Commercial bank	RMB55 million	36.36%	36.36%
Cixi Rural Bank		Zhejiang China	Commercial bank	RMB189 million	64.68%	64.68%
Songjiang Rural Bank	(a)	Shanghai China	Commercial bank	RMB150 million	35.00%	35.00%
Qijiang Rural Bank	(b)	Chongqing China	Commercial bank	RMB61.57 million	48.73%	51.27%
Tongnan Rural Bank	(a)	Chongqing China	Commercial bank	RMB50 million	50.00%	50.00%
Meihekou Rural Bank		Jilin China	Commercial bank	RMB193 million	95.36%	95.36%
Ziyang Rural Bank		Sichuan China	Commercial bank	RMB211 million	81.41%	81.41%
Jiangxia Rural Bank		Hubei China	Commercial bank	RMB86 million	51.00%	51.00%
Changyuan Rural Bank		Henan China	Commercial bank	RMB50 million	51.00%	51.00%
Yidu Rural Bank		Hubei China	Commercial bank	RMB52.4 million	51.00%	51.00%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.22 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries *(continued)*

Name	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	51.00%	51.00%
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	51.00%	51.00%
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	51.00%	51.00%
Anxi Rural Bank	Fujian China	Commercial bank	RMB128 million	57.99%	57.99%
Funing Rural Bank	Jiangsu China	Commercial bank	RMB85 million	51.00%	51.00%
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	51.00%	51.00%
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	51.00%	51.00%
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	51.00%	51.00%
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	51.00%	51.00%
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB75 million	80.40%	80.40%
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	51.00%	51.00%
Ningguo Rural Bank	Anhui China	Commercial bank	RMB41.6 million	51.00%	51.00%
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB59.4 million	51.00%	51.00%
Guichi Rural Bank	Anhui China	Commercial bank	RMB53 million	51.00%	51.00%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.22 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries *(continued)*

Name	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	51.00%	51.00%
Tianchang Rural Bank	Anhui China	Commercial bank	RMB43.68 million	51.00%	51.00%
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB52 million	51.00%	51.00%
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB77 million	51.00%	51.00%
Linzhi Rural Bank	Tibet China	Commercial bank	RMB56.6 million	86.11%	86.11%

- (a) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are regarded as the Bank's subsidiaries and have been consolidated in these financial statements.
- (b) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.23 Other assets

		30 June 2024	31 December 2023
Interest receivable	(1)	8,535	7,499
Items in the process of clearance and settlement		8,487	6,653
Foreclosed assets	(2)	5,474	5,299
Other debt receivables and advances		5,235	5,799
Prepayments for leased assets	(3)	4,488	5,472
Fee and commission receivable		3,317	3,147
Intangible assets	(4)	3,148	2,730
Investment properties		2,928	2,969
Prepayment		2,880	2,737
Research and development engineering		2,153	2,328
Long-term deferred expenses		1,890	1,795
Legal costs receivable		1,590	1,243
Continuously involved assets		1,038	1,038
Operating lease receivable		228	169
Goodwill	(5)	210	208
Assets transfer receivable		–	603
Others		5,715	4,760
Subtotal		57,316	54,449
Less: allowance for impairment losses			
– Foreclosed assets		(680)	(752)
– Others		(4,657)	(4,255)
Total		51,979	49,442

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.23 Other assets (*continued*)

- (1) In accordance with the requirements of the Notice on the Revision and Issuance of the Format of Financial Statements of Financial Enterprises in 2018, the interests of financial instruments at the reporting date are listed in the financial instruments using the effective interest rate method. Interests of relevant financial instruments which were past due but have not been collected at the reporting date are listed in other assets.
- (2) Foreclosed assets include buildings, land use rights and transportation facilities. The Group disposed foreclosed assets of RMB408 million for the six months ended 30 June 2024 (For the six months ended 30 June 2023: RMB1,849 million).
- (3) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets which would be finance leased out or operating leased out.

(4) Intangible assets

	Six months ended 30 June 2024	Year ended 31 December 2023
Cost		
Balance as at 1 January	9,114	7,790
Increase	1,032	1,338
Decrease	(1)	(14)
Balance as at 30 June/31 December	10,145	9,114
Accumulated amortization		
Balance as at 1 January	(6,384)	(5,489)
Increase	(614)	(908)
Decrease	1	13
Balance as at 30 June/31 December	(6,997)	(6,384)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.23 Other assets (*continued*)

(4) Intangible assets (*continued*)

	Six months ended 30 June 2024	Year ended 31 December 2023
Impairment losses		
Balance as at 1 January	–	–
Increase	–	–
Decrease	–	–
Balance as at 30 June/31 December	–	–
Carrying amount		
Balance as at 1 January	2,730	2,301
Balance as at 30 June/31 December	3,148	2,730

(5) Goodwill arising from CMBC International

	Six months ended 30 June 2024	Year ended 31 December 2023
Balance as at 1 January	208	205
Exchange difference	2	3
Balance as at 30 June/31 December	210	208

As at 30 June 2024 and 31 December 2023, no impairment loss of the Group's goodwill is recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.24 Allowances for impairment losses

	Note 4	Six months ended 30 June 2024				Balances as at 30 June 2024
		Balances as at 1 January 2024	Net (reversal)/ charge for the period	Write-offs and transfer out	Other	
Balances with banks and other financial institutions	12	4	(2)	-	-	2
Placements with banks and other financial institutions	13	1,513	99	-	-	1,612
Financial assets held under resale agreements	15	26	(8)	-	-	18
Loans and advances to customers	16	97,444	18,123	(22,429)	3,730	96,868
Financial investments	17	12,386	1,709	(275)	(238)	13,582
Long-term receivables	18	2,779	512	(530)	114	2,875
Property and equipment	19	936	-	-	(25)	911
Other assets	23	5,007	449	(131)	12	5,337
Total		120,095	20,882	(23,365)	3,593	121,205

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.24 Allowances for impairment losses (continued)

	Note 4	Year ended 31 December 2023				Balances as at 31 December 2023
		Balances as at 1 January 2023	Net (reversal)/ charge for the year	Write-offs and transfer out	Other	
Balances with banks and other financial institutions	12	8	(6)	–	2	4
Placements with banks and other financial institutions	13	1,862	223	(572)	–	1,513
Financial assets held under resale agreements	15	28	(2)	–	–	26
Loans and advances to customers	16	98,868	39,816	(48,806)	7,566	97,444
Financial investments	17	13,113	4,263	(4,100)	(890)	12,386
Long-term receivables	18	3,481	1,184	(2,039)	153	2,779
Property and equipment	19	664	383	–	(111)	936
Other assets	23	4,591	1,997	(1,583)	2	5,007
Total		122,615	47,858	(57,100)	6,722	120,095

4.25 Deposits and placements from banks and other financial institutions

	30 June 2024	31 December 2023
China mainland		
Banks	140,913	108,030
Other financial institutions	942,841	1,044,337
Overseas		
Banks	65,880	55,831
Other financial institutions	26,322	27,384
Subtotal	1,175,956	1,235,582
Interest accrued	6,345	6,477
Total	1,182,301	1,242,059

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.26 Financial liabilities at fair value through profit or loss

		30 June 2024	31 December 2023
Financial liabilities related to precious metals		7,174	2,320
Financial liabilities designated at fair value through profit or loss	(1)	50,668	33,475
Others		32	32
Total		57,874	35,827

(1) As at 30 June 2024 and 31 December 2023, financial liabilities designated at fair value through profit or loss are interests attributable to other unitholders in consolidated structured entities. For the six months ended 30 June 2024 and for the year ended 31 December 2023, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

4.27 Borrowings from banks and other financial institutions

		30 June 2024	31 December 2023
Unsecured borrowings		102,209	100,224
Borrowings secured by – Tangible assets and monetary assets		15,791	14,722
Subtotal		118,000	114,946
Interest accrued		851	769
Total		118,851	115,715

As at 30 June 2024 and 31 December 2023, the secured borrowings were secured by property and equipment and finance lease receivables as collateral; the above collateral has been included in the disclosure of assets pledged (Note 6.3(1)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.28 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	30 June 2024	31 December 2023
Bonds	107,771	132,510
Bills rediscounted	68,265	58,271
Subtotal	176,036	190,781
Interest accrued	238	352
Total	176,274	191,133

4.29 Deposits from customers

	30 June 2024	31 December 2023
Demand deposits		
– Corporate customers	876,931	1,024,828
– Personal customers	402,206	295,892
Time deposits (including call deposits)		
– Corporate customers	1,895,917	2,044,103
– Personal customers	883,978	910,695
Certificates of deposit	3,247	4,976
Outward remittance and remittance payables	2,453	2,509
Subtotal	4,064,732	4,283,003
Interest accrued	72,802	70,278
Total	4,137,534	4,353,281

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.29 Deposits from customers *(continued)*

The pledged deposits included in deposits from customers are analysed as follows:

	30 June 2024	31 December 2023
Pledged deposits for bank acceptances	189,128	209,868
Pledged deposits for letters of credit and guarantees	35,449	24,313
Other pledged deposits	38,280	33,553
Total	262,857	267,734

4.30 Provisions

	30 June 2024	31 December 2023
Credit loss of off-balance sheet credit commitments (1)	1,030	1,212
Litigation provision	320	459
Others	131	116
Total	1,481	1,787

(1) The movements of credit loss of off-balance sheet credit commitments are as follows:

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(1,065)	(146)	(1)	(1,212)
Transfer:				
to stage 1	(13)	13	–	–
to stage 2	5	(5)	–	–
to stage 3	–	3	(3)	–
Net reversal	98	80	4	182
Balance as at 30 June 2024	(975)	(55)	–	(1,030)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.30 Provisions (*continued*)

(1) The movements of credit loss of off-balance sheet credit commitments are as follows:
(*continued*)

	Year ended 31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2023	(1,424)	(344)	(76)	(1,844)
Transfer:				
to stage 1	(104)	89	15	–
to stage 2	28	(31)	3	–
to stage 3	15	97	(112)	–
Net reversal	420	43	169	632
Balance as at 31 December 2023	(1,065)	(146)	(1)	(1,212)

4.31 Debt securities issued

	30 June 2024	31 December 2023
Certificates of interbank deposit	661,298	474,754
Financial bonds (1)	107,974	105,577
Tier-two capital bonds (2)	79,993	89,992
Medium-term and short-term notes (3)	4,862	1,996
Subtotal	854,127	672,319
Interest accrued	1,551	3,507
Total	855,678	675,826

For the six months ended 30 June 2024 and for the year ended 31 December 2023, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.31 Debt securities issued *(continued)*

(1) Financial bonds

		30 June 2024	31 December 2023
2021-3-year fixed rate financial bonds	(a)	30,000	29,999
2021-3-year fixed rate financial bonds	(b)	29,999	29,998
2022-3-year fixed rate financial bonds	(c)	19,999	19,999
2023-3-year fixed rate financial bonds	(d)	19,998	19,997
2023-3-year fixed rate financial bonds	(e)	1,597	1,596
2023-3-year fixed rate financial bonds	(f)	1,596	1,595
2023-3-year fixed rate financial bonds	(g)	2,394	2,393
2024-3-year fixed rate financial bonds	(h)	2,391	–
Total		107,974	105,577

- (a) RMB30 billion worth of fixed-rate financial bonds were issued on 8 December 2021, with a term of 3 years, and a fixed coupon rate of 3.02% per annum.
- (b) RMB30 billion worth of fixed-rate financial bonds were issued on 10 November 2021, with a term of 3 years, and a fixed coupon rate of 3.02% per annum.
- (c) RMB20 billion worth of fixed-rate financial bonds were issued on 7 April 2022, with a term of 3 years, and a fixed coupon rate of 2.95% per annum.
- (d) RMB20 billion worth of fixed-rate financial bonds were issued on 18 May 2023, with a term of 3 years, and a fixed coupon rate of 2.68% per annum.
- (e) RMB2 billion worth of fixed-rate financial bonds were issued on 20 March 2023, with a term of 3 years, and a fixed coupon rate of 3.40% per annum. This bond was issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB400 million.
- (f) RMB2 billion worth of fixed-rate financial bonds were issued on 25 May 2023, with a term of 3 years, and a fixed coupon rate of 3.27% per annum. This bond was issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB400 million.
- (g) RMB3 billion worth of fixed-rate financial bonds were issued on 25 July 2023, with a term of 3 years, and a fixed coupon rate of 3.19% per annum. This bond was issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB600 million.
- (h) RMB3 billion worth of fixed-rate financial bonds were issued on 24 May 2024, with a term of 3 years, and a fixed coupon rate of 2.49% per annum. This bond was issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB600 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.31 Debt securities issued (*continued*)

(2) Tier-two capital bonds

		30 June 2024	31 December 2023
2020-10-year fixed rate tier-two capital bonds	(a)	49,997	49,996
2024-10-year fixed rate tier-two capital bonds	(b)	29,996	–
2019 1st tranche-10-year fixed rate tier-two capital bonds	(c)	–	39,996
Total		79,993	89,992

- (a) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued on 24 June 2020. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.
- (b) Tier-two capital bonds with a nominal value of RMB30 billion, a term of 10 years, and a fixed coupon rate of 2.50% per annum, were issued on 25 April 2024. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.
- (c) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued on 27 February 2019. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date. As at 1 March 2024, the amount was fully redeemed by the bank.

(3) Medium-term and short-term notes

		30 June 2024	31 December 2023
2023-2-year medium-term notes	(a)	1,951	1,996
2024-2-year medium-term notes	(b)	2,911	–
Total		4,862	1,996

- (a) Medium-term notes with a nominal value of RMB2 billion of medium-term notes were issued on 10 January 2023, with a term of 2 years. The coupon rate is 3.15%.
- (b) Medium-term notes with a nominal value of RMB3 billion of medium-term notes were issued on 7 March 2024, with a term of 2 years. The coupon rate is 3.08%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.32 Other liabilities

	30 June 2024	31 December 2023
Items in the process of clearance and settlement	35,125	15,380
Employee benefits payable (1)	10,084	14,439
Dividend payable	9,459	1
Deposit and advance receipts for leasing business	8,188	7,918
Other tax payable (2)	3,356	3,774
Output value added tax to be transferred	2,751	2,740
Notes payable	1,658	2,138
Accrued expenses	1,127	1,693
Continuously involved liabilities	1,038	1,038
Payable for long-term assets	448	328
Deferred fee and commission income	303	317
Intermediate collection and payment	282	281
Payable to the leasing company	–	1,378
Others	3,746	3,215
Total	77,565	54,640

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.32 Other liabilities (*continued*)

(1) Employee benefits payable

	1 January 2024	Increase	Decrease	30 June 2024
Short-term employee benefits				
– Salaries, bonuses and allowances	13,794	8,484	(12,903)	9,375
– Staff welfare fees	–	575	(575)	–
– Social insurance (a) and supplementary insurance	133	640	(630)	143
– Housing fund	126	922	(895)	153
– Labour union fee, staff and workers' education fee	42	256	(228)	70
Subtotal	14,095	10,877	(15,231)	9,741
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	164	1,122	(1,111)	175
– Unemployment insurance	21	38	(37)	22
– Annuity scheme (b)	159	345	(358)	146
Subtotal	344	1,505	(1,506)	343
Total	14,439	12,382	(16,737)	10,084

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.32 Other liabilities *(continued)*

(1) Employee benefits payable *(continued)*

	1 January 2023	Increase	Decrease	31 December 2023
Short-term employee benefits				
– Salaries, bonuses and allowances	13,766	24,063	(24,035)	13,794
– Staff welfare fees	–	1,662	(1,662)	–
– Social insurance (a) and supplementary insurance	176	1,615	(1,658)	133
– Housing fund	129	1,760	(1,763)	126
– Labour union fee, staff and workers' education fee	41	548	(547)	42
Subtotal	14,112	29,648	(29,665)	14,095
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	159	2,054	(2,049)	164
– Unemployment insurance	21	63	(63)	21
– Annuity scheme (b)	122	716	(679)	159
Subtotal	302	2,833	(2,791)	344
Total	14,414	32,481	(32,456)	14,439

(a) Social insurance includes medical insurance, maternity insurance and employment injury insurance.

(b) For the six months ended 30 June 2024, the contributions to the annuity schemes of the Bank and some subsidiaries were calculated at 3% of the employees' total annual salary (For the year ended 31 December 2023: 3%).

The Group has set up a defined contribution plan for its Hong Kong employees in accordance with the contribution rates prescribed by local regulations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.32 Other liabilities (*continued*)

(2) Other tax payable

	30 June 2024	31 December 2023
Value added tax	2,583	2,706
Others	773	1,068
Total	3,356	3,774

4.33 Share capital and capital reserve

	30 June 2024	31 December 2023
Ordinary shares listed in China mainland (A shares)	35,462	35,462
Ordinary shares listed in Hong Kong (H shares)	8,320	8,320
Total shares	43,782	43,782

All A shares and H shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

The Group's capital reserve of RMB58,111 million as at 30 June 2024 and 31 December 2023, mainly represents capital premium.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.34 Preference Shares

(1) Outstanding Preference Shares at year end

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	Issue Amount In original currency	Issue Amount In RMB	Maturity	Conversion condition	Conversion
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB100/Share	200	20,000	20,000	None	Mandatory	None

As at 30 June 2024, the transaction costs of outstanding preference shares issued by the bank were RMB25 million (31 December 2023: RMB25 million).

(2) Domestic Preference Shares Main Clauses

(a) Dividend

The non-public offering domestic preference shares (the “Domestic Preference Shares”) adopts the dividend rate that can be adjusted in stages, with 5 years as a dividend rate adjustment period, and within a dividend rate adjustment period, dividends are paid at the same dividend rate as agreed. The dividend rate for the first dividend rate adjustment period will be determined by enquiry. The dividend rate of the Domestic Preference Shares shall not be higher than the annual weighted average return on net assets of the Bank in the last two fiscal years. The nominal dividend rate includes two parts: the benchmark interest rate and the fixed premium. The fixed premium is the dividend rate determined at the time of issuance minus the benchmark interest rate at the time of issuance. Dividends are paid annually.

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years’ losses, contributing to the statutory reserve and making general provisions, and the Bank’s capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Issuer shall have the right to cancel, in whole or in part, distributions of dividends and any such cancellation shall not constitute an event of default. Any cancellation of any distribution, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

(c) Dividend stopper

The Bank will not pay dividends to the ordinary shareholders unless the Bank resolves to pay a full dividend on the current preference shares.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.34 Preference Shares (*continued*)

(2) Domestic Preference Shares Main Clauses (*continued*)

(d) Order of distribution and liquidation method

The Domestic Preference Shareholders have priority over the ordinary shareholders in the distribution of the Bank's remaining property, but the order of repayment is ranked after the depositors, general creditors and subordinated debts (including but not limited to subordinated debts, mixed capital bonds and secondary capital instruments).

(e) Mandatory conversion trigger events

If the core tier one capital adequacy ratio of the Bank falls to 5.125% (or below), the Domestic Preference Shares will be converted into A-share common shares in full or in part, so as to restore the core tier one capital adequacy ratio to more than 5.125%. In the case of partial conversion, all the Domestic Preference Shares shall be converted to shares on the same conditions in proportion.

When the earlier of the following two situations occurs, the Domestic Preference Shares will be converted into A-share common shares in full: (1) the banking regulatory authority under the State Council determines that the Bank will not survive without the conversion; (2) the relevant departments determine that the Bank will not survive without the public sector's capital injection or the support of the same effect.

(f) Redemption

With the prior approval of the banking regulatory authority under the State Council, the Bank may exercise the right of redemption under the following circumstances: (1) use the same or higher quality capital instruments to replace the redeemed Domestic Preference Shares, and the Bank's income ability is sustainable; (2) or the capital level after the exercise of the right of redemption is still significantly higher than the regulatory capital requirements specified by the banking regulatory authority under the State Council. The redemption price is the sum of the nominal amount and the dividend that has been resolved to be paid but has not been paid in the current period.

The Bank has the right to redeem all or part of the domestic Preferred Shares on the preferred stock dividend date of each year, starting from the date of expiration of 5 years after the issue date (i.e., 15 October 2019), and the redemption period shall expire on the date of conversion or redemption in full. In the case of partial redemption, all domestic preferred shares issued will be redeemed on the same terms and in proportion.

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over ordinary shareholders.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*4.34 Preference Shares *(continued)*(2) Domestic Preference Shares Main Clauses *(continued)*(g) Dividend setting mechanism *(continued)*

The dividend of the Domestic Preference Shares shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(3) Changes in preference shares outstanding

	1 January 2024		Movements		30 June 2024	
	Amount (million shares)	Issue Amount	Amount (million shares)	Issue Amount	Amount (million shares)	Issue Amount
Domestic Preference Shares	200	20,000	–	–	200	20,000

	1 January 2023		Movements		31 December 2023	
	Amount (million shares)	Issue Amount	Amount (million shares)	Issue Amount	Amount (million shares)	Issue Amount
Domestic Preference Shares	200	20,000	–	–	200	20,000

4.35 Perpetual Bonds

(1) Outstanding Perpetual Bonds at year end

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million pieces)	Issue		Maturity	Conversion condition	Conversion
						Amount In original currency	Issue Amount In RMB			
2021 Undated Capital Bonds (Series 1)	19/04/2021	Equity	4.30%	100 RMB/ Note	300	30,000	30,000	None	None	None
2022 Undated Capital Bonds (Series 1)	14/06/2022	Equity	4.20%	100 RMB/ Note	50	5,000	5,000	None	None	None
Total							35,000			

As at 30 June 2024, the transaction costs of outstanding perpetual bonds issued by the bank were RMB6 million (31 December 2023: RMB13 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.35 Perpetual Bonds (*continued*)

(2) Main Clauses

(a) Principal Amount

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds-Series 1 RMB30 billion.

2022 Undated Tier 1 Capital Bonds-Series 1 RMB5 billion.

(b) Maturity Date

The Bonds will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Bonds will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Bonds will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on ChinaBond.com.cn or other websites approved by the China Central Depository & Clearing Co., Ltd. The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Bonds Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not part of the Bonds.

(e) Subordination

The claims in respect of the Bonds, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Tier 1 Capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.35 Perpetual Bonds *(continued)*

(2) Main Clauses *(continued)*

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Bondholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Bonds, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Bonds do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option of investors is not applicable.

(3) Changes in perpetual bonds outstanding

Perpetual Bonds	1 January 2024		Movements		30 June 2024	
	Amount (million pieces)	Issue Amount	Amount (million pieces)	Issue Amount/ (Redemption Amount)	Amount (million pieces)	Issue Amount
2019 Undated Capital Bonds	400	40,000	(400)	(40,000)	-	-
2021 Undated Capital Bonds (Series 1)	300	30,000	-	-	300	30,000
2022 Undated Capital Bonds (Series 1)	50	5,000	-	-	50	5,000
Total		75,000		(40,000)		35,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.35 Perpetual Bonds (*continued*)

(3) Changes in perpetual bonds outstanding (*continued*)

Perpetual Bonds	1 January 2023		Movements		31 December 2023	
	Amount (million pieces)	Issue Amount	Amount (million pieces)	Issue Amount/ (Redemption Amount)	Amount (million pieces)	Issue Amount
2019 Undated Capital Bonds	400	40,000	-	-	400	40,000
2021 Undated Capital Bonds (Series 1)	300	30,000	-	-	300	30,000
2022 Undated Capital Bonds (Series 1)	50	5,000	-	-	50	5,000
Total		75,000		-		75,000

4.36 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the former CBIRC, the preferred shares and perpetual bonds issued by the Bank have met the criteria of qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	30 June 2024	31 December 2023
Total equity attributable to equity holders of the Bank	596,141	624,602
Equity attributable to ordinary equity holders of the Bank	541,141	529,602
Equity attributable to other equity holders of the Bank	55,000	95,000
Total equity attributable to non-controlling interests	13,501	13,199
Equity attributable to non-controlling interests of ordinary shares	13,501	13,199

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.37 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit. The appropriation to the statutory surplus reserves may cease when such reserves has reached 50% of the share capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group did not appropriate statutory surplus reserve for the six months ended 30 June 2024 (for the year ended 31 December 2023: RMB3,529 million).

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations, which were included in the Group's general reserve.

The Group appropriated RMB154 million of profits to the general reserve for the six months ended 30 June 2024 (for the year ended 31 December 2023: RMB4,743 million).

(3) Retained earnings

As at 30 June 2024, the retained earnings included the statutory surplus reserve of RMB996 million contributed by the subsidiaries (31 December 2023: RMB993 million). The surplus reserve of the subsidiaries included in the retained earnings cannot be distributed.

4.38 Non-controlling interests

As at 30 June 2024, the non-controlling interests in the subsidiaries were RMB13,501 million (31 December 2023: RMB13,199 million).

4.39 Dividends/Interests

(1) Dividends for Ordinary Shares

The board of directors approved the cash dividends distribution plan for 2024 interim at the Board Meeting on 29 August 2024. The cash dividends declared was RMB1.30 (tax inclusive) for every 10 shares. A total dividend of RMB5,692 million (tax inclusive) was based on total number of shares of 43,782 million as at 30 June 2024. This plan is still pending approval by the shareholders' meeting.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)

4.39 Dividends/Interests (*continued*)

(1) Dividends for Ordinary Shares (*continued*)

The shareholders approved the cash dividends distribution plan for 2023 at the Annual General Meeting on 26 June 2024. The cash dividends declared was RMB2.16 (tax inclusive) for every 10 shares. A total dividend of RMB9,457 million (tax inclusive) was based on total number of shares of 43,782 million as at 31 December 2023.

The shareholders approved the cash dividends distribution plan for 2022 at the Annual General Meeting on 9 June 2023. The cash dividends declared was RMB2.14 (tax inclusive) for every 10 shares. A total dividend of RMB9,369 million (tax inclusive) was based on total number of shares of 43,782 million as at the record dates.

(2) Dividends for Preference Shares

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 30 August 2023, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax) before the first reset date pursuant to the terms and conditions of domestic preference shares. The dividend payment date was 18 October 2023.

(3) Interests for Perpetual Bonds

On 3 June 2024, the Bank declared interest for 2022 undated capital bonds. Interest approved amounted to RMB210 million (including tax), calculated at the initial annual pay-out ratio of 4.20% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 6 May 2024, the Bank declared interest for 2019 undated capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 10 April 2024, the Bank declared interest for 2021 undated capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 4 June 2023, the Bank declared interest for 2022 undated capital bonds. Interest approved amounted to RMB210 million (including tax), calculated at the initial annual pay-out ratio of 4.20% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 2 June 2023, the Bank declared interest for 2019 undated capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 10 April 2023, the Bank declared interest for 2021 undated capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements *(continued)*

4.40 Other reserves

	Six months ended 30 June	
	2024	2023
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	173	884
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	4,667	3,279
Allowance for impairment losses	30	204
Amount transferred to profit or loss from other comprehensive income (a)	(2,403)	(1,010)
Less: Tax effect	(479)	(673)
Subtotal	1,988	2,684
Effective hedging portion of gains or losses arising from cash flow hedging instruments	30	52
Less: Tax effect	(7)	(13)
Subtotal	23	39
Exchange difference on translating foreign operations	25	(2)
Total	2,036	2,721

(a) It refers to the amount transferred to profit or loss due to disposal.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.40 Other reserves (continued)

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Attributable to equity shareholders of the Bank			
	Investment revaluation reserve	Cash flow hedging reserve	Exchange reserve	Total
1 January 2024	1,507	(17)	532	2,022
Movement during the period	1,922	23	25	1,970
30 June 2024	3,429	6	557	3,992
1 January 2023	(1,079)	1	466	(612)
Movement during the year	2,586	(18)	66	2,634
31 December 2023	1,507	(17)	532	2,022

4.41 Notes to the consolidated cash flow statement

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	30 June 2024	31 December 2023
Cash (Note 4.11)	5,652	7,002
Surplus deposit reserves with central bank (Note 4.11)	32,020	90,705
Balances with banks and other financial institutions – demand deposits	43,154	109,925
Original maturity within 3 months:		
– Balances with banks and other financial institutions	4,546	4,347
– Placements with banks and other financial institutions	27,666	25,357
Total	113,038	237,336

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.42 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

(1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the six months ended 30 June 2024, the Group transferred loans through securitisation transactions with gross balance of RMB3,958 million (For the year ended 31 December 2023: RMB10,524 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing financial assets

For the six months ended 30 June 2024, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB1,965 million (For the year ended 31 December 2023: RMB28,982 million). The Group transferred substantially all the risks and rewards of these non-performing financial assets and therefore has derecognized them.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2024, the carrying amount of debt securities lent to counterparties was RMB79,189 million (31 December 2023: RMB45,483 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

5 Segment information

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

5.1 Business segments

- | | | |
|-----|-------------------|--|
| (a) | Corporate banking | Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business. |
| (b) | Retail banking | Providing banking products and services for individual clients and small and micro-enterprises. These products and services include deposits and loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses. |
| (c) | Others | Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries. |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

5 Segment information (continued)

5.1 Business segments (continued)

	Six months ended 30 June 2024			
	Corporate banking	Retail banking	Others	Total
Operating income	31,833	29,973	3,783	65,589
Net interest income	22,430	23,887	2,265	48,582
Include: inter-segment net interest income/(expense)	3,673	(4,732)	1,059	–
Net fee and commission income	2,958	5,970	717	9,645
Net other income	6,445	116	801	7,362
Operating expenses	(7,035)	(10,457)	(3,961)	(21,453)
Credit impairment losses	(7,631)	(11,785)	(1,135)	(20,551)
Other impairment losses	(194)	(3)	88	(109)
Profit before income tax	16,973	7,728	(1,225)	23,476
Depreciation and amortisation	1,589	1,493	1,313	4,395
Capital expenditure	1,389	1,305	7,686	10,380
	As at 30 June 2024			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,722,383	1,860,240	910,559	7,493,182
Deferred income tax assets				57,831
Total assets				7,551,013
Segment liabilities	(4,531,191)	(1,419,488)	(990,463)	(6,941,142)
Deferred income tax liabilities				(229)
Total liabilities				(6,941,371)
Credit commitments	758,502	511,130	–	1,269,632

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

5 Segment information (continued)

5.1 Business segments (continued)

	Six months ended 30 June 2023			
	Corporate banking	Retail banking	Others	Total
Operating income	34,570	31,601	3,697	69,868
Net interest income	25,077	25,405	852	51,334
Include: inter-segment net interest income/(expense)	9,382	(6,226)	(3,156)	–
Net fee and commission income	3,888	6,080	868	10,836
Net other income	5,605	116	1,977	7,698
Operating expenses	(6,889)	(10,592)	(4,698)	(22,179)
Credit impairment losses	(10,256)	(10,875)	(1,079)	(22,210)
Other impairment losses	(728)	–	(4)	(732)
Profit before income tax	16,697	10,134	(2,084)	24,747
Depreciation and amortisation	1,512	1,377	1,248	4,137
Capital expenditure	1,902	1,734	5,642	9,278
	As at 31 December 2023			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,746,660	1,869,630	1,004,083	7,620,373
Deferred income tax assets				54,592
Total assets				7,674,965
Segment liabilities	(4,712,506)	(1,355,082)	(969,362)	(7,036,950)
Deferred income tax liabilities				(214)
Total liabilities				(7,037,164)
Credit commitments	734,613	545,007	–	1,279,620

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

5 Segment information *(continued)*

5.2 Geographical segments

The Group mainly operates in China mainland, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also has a number of subsidiaries in China mainland and has one branch and subsidiaries in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
Northeastern Region	Including branches in Liaoning Province, Jilin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shaanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

5 Segment information *(continued)*5.2 Geographical segments *(continued)*

	Six months ended 30 June 2024		As at 30 June 2024
	Operating income	Profit before income tax	Segment assets (1)
Head Office	22,685	4,641	3,151,158
Yangtze River Delta	10,734	2,755	1,189,535
Pearl River Delta	7,438	3,970	789,619
Bohai Rim	8,009	4,123	1,330,581
Northeastern Region	1,344	725	150,852
Central Region	5,618	2,887	578,793
Western Region	4,940	2,128	675,957
Overseas and subsidiaries	4,821	2,247	451,865
Inter-segment elimination	–	–	(825,178)
Total	65,589	23,476	7,493,182

	Six months ended 30 June 2023		As at 31 December 2023
	Operating income	Profit before income tax	Segment assets (1)
Head Office	22,020	4,627	3,369,881
Yangtze River Delta	12,044	4,038	1,260,635
Pearl River Delta	8,401	4,664	758,206
Bohai Rim	8,625	2,410	1,490,154
North-Eastern Region	843	(832)	154,292
Central Region	5,945	3,424	563,519
Western Region	7,468	4,639	667,749
Overseas and subsidiaries	4,522	1,777	397,135
Inter-segment elimination	–	–	(1,041,198)
Total	69,868	24,747	7,620,373

(1) Segment assets do not include deferred tax assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

6 Contingent liabilities and commitments

6.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise 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.

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	30 June 2024	31 December 2023
Bank acceptances	464,786	476,334
Guarantees	136,628	130,996
Letters of credit	113,735	107,030
Unused credit card commitments	510,741	514,685
Irrevocable credit commitments		
– original maturity date within 1 year	28,170	33,943
– original maturity date over 1 year	15,572	16,632
Total	1,269,632	1,279,620

Details of credit loss of off-balance-sheet credit commitments (Note 4.30).

	30 June 2024	31 December 2023
Credit risk weighted amounts of credit commitments	608,254	368,187

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

6 Contingent liabilities and commitments *(continued)*

6.2 Capital commitments

	30 June 2024	31 December 2023
Contracted but not paid for	13,106	13,339

6.3 Collateral

(1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

	30 June 2024	31 December 2023
Balances with banks and other financial institutions	10,047	5,224
Loans and advances to customers	2,040	2,062
Discounted bills	68,694	58,685
Financial investments	246,468	339,352
Long-term receivables	7,688	10,998
Property and equipment	5,355	8,701
Total	340,292	425,022

As at 30 June 2024, except for assets pledged mentioned above, the amount of RMB888 million of the Group's Balances with banks and other financial institutions was mainly used as special funds for a subsidiary's business (31 December 2023: RMB1,384 million).

(2) Collateral received

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 30 June 2024, the Group had no collateral that was sold or lent to counterparties, but obligated to return (31 December 2023: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

6 Contingent liabilities and commitments *(continued)*

6.4 Underwriting of securities

As at 30 June 2024, there was no unexpired underwriting commitment for the Group (31 December 2023: Nil).

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 30 June 2024 was RMB2,905 million (31 December 2023: RMB2,524 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 30 June 2024 and 31 December 2023. The Group makes provisions for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 4.30).

7 Interests in structured entities

7.1 Consolidated structured entities

As at 30 June 2024, the consolidated structured entities amounted to RMB100,485 million (31 December 2023: RMB80,977 million).

7.2 Unconsolidated structured entities

(1) Invested structured entities in which the Group holds an interest

Unconsolidated invested structured entities include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

7 Interests in structured entities (continued)

7.2 Unconsolidated structured entities (continued)

(1) Invested structured entities in which the Group holds an interest (continued)

The following tables set out an analysis of the line items in the consolidated statement of financial position in which assets are recognised relating to the Group's interests in invested structured entities:

	30 June 2024			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	1,822	132,573	19,120	153,515
Funds	125,080	–	–	125,080
Trust and asset management plans	19,007	28,005	–	47,012
Others	7,594	–	–	7,594
Total	153,503	160,578	19,120	333,201

	31 December 2023			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	1,756	158,140	21,860	181,756
Funds	131,557	–	–	131,557
Trust and asset management plans	17,185	30,482	–	47,667
Others	5,278	–	–	5,278
Total	155,776	188,622	21,860	366,258

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

7 Interests in structured entities *(continued)*

7.2 Unconsolidated structured entities *(continued)*

(1) Invested structured entities in which the Group holds an interest *(continued)*

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the consolidated statement of financial positions.

(2) Interests held in structured entities sponsored and managed but not consolidated by the Group

Structured entities sponsored and managed but not consolidated by the Group primarily include wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

As at 30 June 2024, the balance of wealth management products sponsored and managed but not consolidated by the Group is RMB954,729 million (31 December 2023: RMB867,693 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB103,525 million (31 December 2023: RMB107,869 million).

For the six months ended 30 June 2024, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB1,730 million (For the six months ended 30 June 2023: RMB1,564 million). As at 30 June 2024 and 31 December 2023, the carrying amounts of commission receivable being recognised are not material in the consolidated statement of financial positions.

8 Entrusted lending business

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	30 June 2024	31 December 2023
Entrusted loans	277,169	275,968
Entrusted funds	277,169	275,968

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties

9.1 Related parties

- (1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be a natural person, corporate or unincorporated organization.

Related parties of the Group mainly include corporates or unincorporated organizations that hold or control more than 5% of the Bank's equity interests, and corporates or unincorporated organizations that hold less than 5% of the Bank's equity interests but have significant influence on the Bank, and the controlling shareholders, actual controllers, persons acting in concert, and ultimate beneficiaries of these entities as well as corporates or unincorporated organizations under the control of these entities; the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers (hereinafter referred to as "insiders of the Bank"), their close family members, and the corporates or unincorporated organizations controlled by the aforementioned persons; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; corporates or unincorporated organizations under control or significant influence of the Bank; and natural persons, corporates or unincorporated organizations identified by the Bank as being related on a substance over form basis and/or see-through basis.

The eligibility of the Bank's major shareholders complies with the Interim Measures for Equity Management of Commercial Banks (former CBIRC order [2018] No. 1).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders

Company name	Registered location	30 June 2024		31 December 2023		Business (a)	Legal form	Legal representative
		No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)	No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)			
Dajia Life Insurance Inc.	Beijing	7,810,214,889	17.84	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
Shanghai Giant Lifetech Co., Ltd.	Shanghai	1,379,679,587	3.15	1,379,679,587	3.15	Retail business	Limited company	Wei Wei
Alpha Frontier Limited	Cayman Islands	713,501,653	1.63	713,501,653	1.63	Investment holding	Limited company	Zhang lv
Liberal Rise Limited	British Virgin Islands	84,522,480	0.19	84,522,480	0.19	Investment holding	Limited company	Shi Yuzhu
New Hope Liuhe Investment Co., Ltd.	Tibet	1,828,327,362	4.18	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Tibet	343,177,327	0.78	343,177,327	0.78	Retail business	Limited company	Li Jianxiong
Tongfang Guoxin Investment Co., Ltd.	Chongqing	1,888,530,701	4.31	1,888,530,701	4.31	Commercial service	Limited company	Liu Qinqin
Chongqing International Trust Co., Ltd.	Chongqing	103,658,821	0.24	103,658,821	0.24	Other financial industry	Joint stock limited company	Weng Zhenjie
China Shipowners Mutual Assurance Association	Shanghai	1,324,284,453	3.02	1,324,284,453	3.02	Marine mutual insurance and services	National social group	Song Chunfeng
Orient Group Incorporation	Heilongjiang	1,280,117,123	2.92	1,280,117,123	2.92	Agricultural and sideline food processing industry	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Beijing	15,344,100	0.04	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
Good First Group Co., Ltd.	Fujian	133,200,000	0.30	133,200,000	0.30	Wholesale business	Limited company	Wu Di
Tibet Hengxun Corporate Management Co., Ltd.	Tibet	80,500,000	0.18	80,500,000	0.18	Commercial service	Limited company	Chen Jianjun
Tibet Fujin Enterprise Management Co., Ltd.	Tibet	52,900,000	0.12	52,900,000	0.12	Commercial service	Limited company	Chen Jianjun

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

In accordance with the announcement published on the website of the Bank on 24 April 2024, China Oceanwide Holdings Group Co., Ltd. (China Oceanwide Holdings Group) and companies acting in concert with China Oceanwide Holdings Group, including Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited, and Long Prosper Capital Company Limited (hereinafter collectively referred to as "China Oceanwide Holdings Group and companies acting in concert"), collectively held 2,185,239,409 unrestricted shares of the Bank, representing 4.99% of the total shares of the Bank (As at 31 December 2023, China Oceanwide Holdings Group and companies acting in concert collectively held 2,219,553,255 unrestricted shares of the Bank, representing 5.07% of the total shares of the Bank). In accordance with the announcement on 26 June 2024 on the resolution of the Annual General Meeting, China Oceanwide Holdings Group Co., Ltd. ceased to designate director to the Bank. Therefore, China Oceanwide Holdings Group and companies acting in concert are not the Bank's major shareholder.

(a) Particulars of principal operations:

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former CBIRC.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale non-physical means pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

Alpha Frontier Limited: investment holdings.

Liberal Rise Limited: investment holdings.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)

9.1 Related parties (*continued*)

(2) The Bank's major shareholders (*continued*)

(a) Particulars of principal operations: (*continued*)

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, by products and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

Tongfang Guoxin Investment Co., Ltd.: engage in investment activities with its own funds (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management.

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the former China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations: (continued)

Orient Group Incorporation: permitted item: food production (branch operation); grain processed food production (branch operation); bean products manufacturing (branch operation); crop seed management (branch operation); job intermediary activities. general items: grain purchase; import and export of goods; technology import and export; foreign contracted projects; estate management; sales of light building materials; sales of building materials; sales of construction machinery; furniture sales; wholesale of hardware products; sanitary ware sales; sales of metal materials; research and development of new material technology; grain sales; grain planting (branch operation); enterprise headquarters management; primary processing of edible agricultural products (branch operation).

Oriental Group Co., Ltd.: engage in investment activities with its own funds; information system integration services; domestic trade agency; import and export agency; technology import and export; realty management; coal sales; wholesale of hardware products.

Good First Group Co., Ltd.: high-tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials.

Tibet Fuju Enterprise Management Co., Ltd.: management; business management consulting; corporate image planning; marketing planning; conference and exhibition services; Market research (excluding foreign-related research).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations: *(continued)*

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	30 June 2024	31 December 2023
Dajia Life Insurance Inc.	RMB30,790 million	RMB30,790 million
Shanghai Giant Lifetech Co., Ltd.	RMB245 million	RMB245 million
Alpha Frontier Limited	USD17.5 thousand	USD17.5 thousand
Liberal Rise Limited	USD0.05 million	USD0.05 million
New Hope Liuhe Investment Co., Ltd.	RMB577 million	RMB577 million
South Hope Industrial Co., Ltd.	RMB1,034 million	RMB1,034 million
Tongfang Guoxin Investment Co., Ltd.	RMB2,574 million	RMB2,574 million
Chongqing International Trust Co., Ltd.	RMB15,000 million	RMB15,000 million
China Shipowners Mutual Assurance Association	RMB0.10 million	RMB0.10 million
Orient Group Incorporation	RMB3,659 million	RMB3,659 million
Oriental Group Co., Ltd.	RMB1,000 million	RMB1,000 million
Good First Group Co., Ltd.	RMB133 million	RMB133 million
Tibet Heng Xun Corporate Management Co., Ltd.	RMB10 million	RMB10 million
Tibet Fujun Enterprise Management Co., Ltd.	RMB300 million	RMB300 million

As at 30 June 2024, China Oceanwide Holdings Group and companies acting in concert are not the Bank's major shareholder (As at 31 December 2023, the registered capital of China Oceanwide Holdings Group Co., Ltd. was RMB20,000 million; the registered capital of Oceanwide International Equity Investment Limited was USD0.05 million; the registered capital of China Oceanwide International Investment Company Limited was HKD1,548 million; the registered capital of Long Prosper Capital Company Limited was USD0.05 million).

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.22.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (continued)

9.1 Related parties (continued)

(4) Relationship with related parties

Company name	Relationship with the Bank
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
China Oceanwide Holdings Group Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Guizhou Guoyuan Mining Development Co., Ltd.	Related party with equity interests held by the Bank
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Chongqing Yufu Expressway Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Beijing Dacheng Hotel Co., Ltd.	Related party of Orient Group Incorporation
Tianjin Languang Hejun Small Station Culture and Tourism Entertainment Development Co., Ltd.	Related party of CMBC INTERNATIONAL HOLDINGS LIMITED
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Tianjin Shengshi Xinhe Real Estate Co., Ltd.	Related party of Dajia Life Insurance Inc.
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Chongqing Gengyu Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	Related party of Dajia Life Insurance Inc.
Beijing Xingtai Tonggang Real Estate Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Sichuan Dazhou Steel Group Co., Ltd.	Related party with equity interests held by the Bank
Yunnan Textile Corporation	Related party of Tongfang Guoxin Investment Co., Ltd.
Kunming Dashanghai Industrial Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Guangxi Xindi Investment Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Hongfu Co., Ltd.	Related party of Good First Group Co., Ltd.
Tianjin Yuanchuan Investment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Tianjin Boda Warehousing Service Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
New Hope Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shenyang New Hope Jinyu Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (continued)

9.1 Related parties (continued)

(4) Relationship with related parties (continued)

Company name	Relationship with the Bank
QUAM PLUS INTERNATIONAL FINANCIAL LIMITED	Related party of the Bank's insiders
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Tianjin Yuanxi Real Estate Development Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Dalian Jianhua Sludge Treatment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Hope Deepblue Energy & Chemical Industry Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Hope Senlan Science and Technology Holding Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Hope Deepblue Air Conditioning Manufacture Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Zhaojiu Technology Co., Ltd.	Related party of the Bank's insiders
Beijing ENRELY Technology Co., Ltd.	Related party of the Bank's insiders
Wuxi Yuanmai Information Technology Co., Ltd.	Related party of the Bank's insiders
Jiangsu Zhijun Power Equipment Co., Ltd.	Related party of the Bank's insiders
Quanzhou Fengze District best art auto parts shop	Related party of the Bank's insiders
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shenzhen Dianshi Chengjin Network Technology Co., Ltd.	Related party of the Bank's insiders
Hangzhou Dashu Yunzhi Technology Co., Ltd.	Related party of the Bank's insiders
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
SINO-OCEAN GROUP HOLDING LIMITED	Related party of the Bank's insiders

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(4) Relationship with related parties *(continued)*

Company name	Relationship with the Bank
Sichuan Hope Deepblue Energy & Chemical Industry Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Sanya Minsheng Tourism Co., Ltd.	Related party of Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Minsheng Real Estate Co., Ltd.	Companies funded by the Labour Union Committee of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Companies funded by the Labour Union Committee of Beijing branch of the Bank
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.

(5) Related natural persons

The related natural persons of the Group include: the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers, and their close family members; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and natural persons identified by the Bank as being related on a substance over form basis and/or look-through basis. As at 30 June 2024, the Bank has 13,657 related natural persons, including 152 who were directors of the Bank and their close family members, 77 who were supervisors of the Bank and their close family members, 186 who were senior executives of the head office and their close family members, 12,901 who were senior executives of key branches of the Bank or people with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers, and their close family members, 181 who were directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries, and 202 other natural persons.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(5) Related natural persons *(continued)*

Note: Among the Bank's directors and their close family members, 33 were also senior executives of the head office or close family members. Among the Bank's directors, supervisors and their close family members, 9 were also directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries.

9.2 Related party transactions

(1) Material related party transactions

Material related party transactions refer to transactions where an individual transaction between the Group and a single related party amounts to more than 1% of the Group's net capital at the end of the previous quarter, or where the cumulative total of transactions between the Group and a single related party amounts to more than 5% of the Group's net capital at the end of the previous quarter.

For the year ended 31 December 2023, the Bank granted to Dajia Life Insurance Inc. a comprehensive credit limit of RMB26 billion with a term of 2 years. As at 30 June 2024, the loan balance was RMB23.37 billion (31 December 2023: RMB26 billion).

(2) Pricing policy

Transactions between the Group and its related parties are mainly conducted in the normal course of its business and on normal commercial terms, following the pricing policies that are consistent with those applicable to similar transactions with independent non-related parties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	30 June 2024	31 December 2023
Dajia Life Insurance Inc.	Pledged/ Collateralised/ Guaranteed	23,370	26,000
Oceanwide Holding Co., Ltd.	Pledged/ Collateralised/ Guaranteed	6,800	6,800
Shanghai Cibi Business Information Consulting Co., Ltd.	Pledged/ Guaranteed	6,610	6,611
China Oceanwide Holdings Group Co., Ltd.	Pledged/ Guaranteed	4,666	4,666
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,972	3,972
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/ Collateralised/ Guaranteed	3,758	4,329
Orient Group Incorporation	Pledged/ Collateralised/ Guaranteed	3,467	3,478
Guizhou Guoyuan Mining Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,335	3,335
Wuhan CBD Co., Ltd.	Collateralised/ Guaranteed	3,046	3,046
Oriental Group Co., Ltd.	Pledged/ Guaranteed	2,252	2,252
Chongqing Yufu Expressway Co., Ltd.	Pledged/ Guaranteed	1,875	1,987
Beijing Dacheng Hotel Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,685	1,698
Tongfang Guoxin Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,262	1,443

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)9.2 Related party transactions (*continued*)(3) Loans to related parties (*continued*)

	Types of collateral	30 June 2024	31 December 2023
Tianjin Languang Hejun Small Station Culture and Tourism Entertainment Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,169	1,169
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	982	985
Tianjin Shengshi Xinhe Real Estate Co., Ltd.	Pledged/ Collateralised	970	–
Xiamen Rongyin Co., Ltd.	Pledged/ Collateralised/ Guaranteed	894	900
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/ Guaranteed	875	900
Chongqing Gengyu Real Estate Development Co., Ltd.	Collateralised	844	937
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	Collateralised/ Guaranteed	838	867
Beijing Xingtai Tonggang Real Estate Co., Ltd.	Collateralised	737	698
Sichuan Dazhou Steel Group Co., Ltd.	Pledged/ Collateralised/ Guaranteed	725	725
Yunnan Textile Corporation	Pledged/ Collateralised/ Guaranteed	624	640
Kunming Dashanghui Industrial Co., Ltd.	Collateralised/ Guaranteed	560	580
Guangxi Xindi Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	559	569
Xiamen Hongfu Co., Ltd.	Pledged/ Collateralised/ Guaranteed	394	400
Tianjin Yuanchuan Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	316	317
Tianjin Boda Warehousing Service Co., Ltd.	Pledged/ Collateralised/ Guaranteed	275	276

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

	Types of collateral	30 June 2024	31 December 2023
New Hope Group Co., Ltd.	Guaranteed	270	300
Shenyang New Hope Jinyu Real Estate Co., Ltd.	Pledged/ Collateralised/ Guaranteed	240	500
QUAM PLUS INTERNATIONAL FINANCIAL LIMITED	Pledged/ Guaranteed	201	227
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/ Guaranteed	146	146
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	145	150
Grass Green Group Co., Ltd.	Pledged/ Guaranteed	139	149
Tianjin Yuanxi Real Estate Development Co., Ltd.	Pledged/ Collateralised	133	229
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd.	Guaranteed	80	80
Dalian Jianhua Sludge Treatment Co., Ltd.	Collateralised	70	70
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	70	70
Sichuan Hope Deepblue Energy & Chemical Industry Corp., Ltd.	Guaranteed	60	–
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	40	130
Hope Senlan Science and Technology Holding Corp., Ltd.	Guaranteed	30	30
Hope Deepblue Air Conditioning Manufacture Corp., Ltd.	Guaranteed	30	30
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd.	Collateralised	15	15
Shanghai Zhaojiu Technology Co., Ltd.	Collateralised	13	14
Beijing ENRELY Technology Co., Ltd.	Guaranteed	3	4
Wuxi Yuanmai Information Technology Co., Ltd.	Pledged	3	–
Jiangsu Zhijun Power Equipment Co., Ltd.	Collateralised	2	3

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)9.2 Related party transactions (*continued*)(3) Loans to related parties (*continued*)

	Types of collateral	30 June 2024	31 December 2023
Quanzhou Fengze District best art auto parts shop	Collateralised	1	2
Shenzhen Dianshi Chengjin Network Technology Co., Ltd. (a)(b)	Collateralised	0	N/A
Hangzhou Dashu Yunzhi Technology Co., Ltd. (b)	Pledged	0	–
UNITED ENERGY GROUP (HONG KONG) LIMITED	Pledged/ Guaranteed	–	2,171
SINO-OCEAN GROUP HOLDING LIMITED	Guaranteed	–	198
Sichuan Hope Hydropower Development Co., Ltd.	Pledged/ Guaranteed	–	60
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Guaranteed	–	50
Individuals	Pledged/ Collateralised/ Guaranteed	1,356	1,401
Total		79,907	85,609
Ratio to similar transactions (%)		1.83	1.98
Interest rate ranges of corporate related parties		1.65%-8.95%	1.65%-8.95%

(a) Since 2024, these companies have become related parties of the Group.

(b) The balances are rounded to less than RMB1 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

Amount of transactions:

	Six months ended 30 June	
	2024	2023
Interest income from loans	1,887	2,105
Ratio to similar transactions (%)	2.11	2.28

(4) Other transactions with related parties

Balances as at the end of the reporting period:

	30 June 2024		31 December 2023	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost	3,702	0.24	3,212	0.21
– Financial assets at fair value through profit or loss	876	0.27	867	0.27
– Financial assets at fair value through other comprehensive income	883	0.21	646	0.15
Long-term receivables	73	0.06	109	0.09
Other assets (a)	920	1.77	850	1.72
Balances with banks and other financial institutions	2	0.00	6	0.00
Deposits and placements from banks and other financial institutions	913	0.08	1,133	0.09
Deposits from customers	31,564	0.76	34,825	0.80
Other liabilities	22	0.03	22	0.04

(a) Sanya Minsheng Tourism Co., Ltd. provides project management and business promotion assistant services for Minsheng Financial Leasing regarding its retail vehicle financial leasing business. Other assets mainly include the prepayment from Minsheng Financial Leasing to Sanya Minsheng Tourism Co., Ltd. for the above mentioned service fees to be amortised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)9.2 Related party transactions (*continued*)(4) Other transactions with related parties (*continued*)

Interest rate ranges for transaction balances as at the end of reporting period

	30 June 2024	31 December 2023
Financial investments		
– Financial assets measured at amortised cost	3.80%-5.50%	3.80%-5.50%
– Financial assets at fair value through other comprehensive income	2.70%-5.50%	2.70%-5.50%
Long-term receivables	9.32%	9.31%
Balances with banks and other financial institutions	0.35%	0.32%-0.35%
Deposits and placements from banks and other financial institutions	0.20%-2.78%	0.20%-2.35%
Deposits from customers	0.00%-5.31%	0.00%-5.35%

Amount of transactions:

	Six months ended 30 June			
	2024		2023	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	195	0.15	118	0.09
Fee and commission income (a)	115	1.00	372	2.77
Interest expense	250	0.31	347	0.42
Operating expenses (b)	847	3.95	670	3.02
Net other operating income (c)	250	16.59	286	23.05

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

Amount of transactions: (continued)

In addition to the above transactions, for the six months ended 30 June 2024, the Bank entrusted related parties to develop software and systems, and paid a total of RMB393 million (For the six months ended 30 June 2023: RMB634 million). The main service provider was Minsheng Fintech Co., Ltd.

- (a) For the six months ended 30 June 2024 and for the six months ended 30 June 2023, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc.
- (b) Operating expenses of the Group were mainly for property management service and assets recovery service provided by Minsheng Real Estate Co., Ltd. and its related parties, financial business outsourcing service, travel and publicity campaigns provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.
- (c) For the six months ended 30 June 2024, Minsheng Financial Leasing recognized RMB209 million fees for ancillary service in asset management provided by Sanya Minsheng Tourism Co. Ltd. (For the six months ended 30 June 2023: RMB274 million).

Balance of off-balance sheet items:

	30 June 2024		31 December 2023	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	79	0.02	89	0.02
Guarantees (a)	0	0.00	–	–
Letters of credit	290	0.25	290	0.27
Unused credit card commitments	590	0.12	596	0.12

- (a) The balance is rounded to less than RMB1 million.

Balances of loans guaranteed by related parties:

	30 June 2024	31 December 2023
Loans guaranteed by related parties	44,929	42,677
Ratio to similar transactions (%)	1.03	0.99

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the six months ended 30 June 2024 and for the six months ended 30 June 2023.

(6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB0.77 million as at 30 June 2024 (31 December 2023: RMB2.26 million), which have been included in the above loans granted to related parties.

For the six months ended 30 June 2024, the pre-tax compensation (including wages and short-term benefits) of key management personnel totalled RMB25 million (for the six months ended 30 June 2023: RMB28 million).

(7) Transactions between the Bank and its subsidiaries

Balances as at the end of the reporting period:

	30 June 2024	31 December 2023
Placements with banks and other financial institutions	24,070	28,829
Loans and advances to customers	1,342	1,385
Financial investment	2,050	1,427
Balances with banks and other financial institutions	300	220
Other assets	70	103
Deposits and placements from banks and other financial institutions	11,642	24,598
Deposits from customers	731	614
Debt securities issued	498	257
Other liabilities	51	51

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (continued)

9.2 Related party transactions (continued)

(7) Transactions between the Bank and its subsidiaries (continued)

Amount of transactions for the reporting period:

	Six months ended 30 June	
	2024	2023
Interest income	667	637
Interest expense	134	120
Fee and commission income	302	473
Fee and commission expense	2	87
Operating expenses	–	4
Net other operating income	1	1

(8) Material transactions between the Bank and its subsidiaries

(a) For the year ended 31 December 2022, the Bank granted Minsheng Financial Leasing a maximum credit limit of RMB38,520 million with a term of 2 years. Under the maximum credit limit:

(1) As at 30 June 2024, the balance of placements with banks and other financial institutions was RMB17,225 million (For the year ended 31 December 2023: RMB22,017 million).

(2) For the year ended 31 December 2023, Minsheng Financial Leasing transferred its financial leasing assets with a carrying amount of RMB10,381 million to the Bank through non-recourse factoring. For the six months ended 30 June 2024, no such related party transactions have occurred.

(b) For the year ended 31 December 2023, the Bank granted CMBC Wealth Management Co., Ltd. a maximum credit limit of RMB68,000 million with a term of 2 years. As at 30 June 2024, the credit line remained unused.

(9) Transactions between subsidiaries

For the six months ended 30 June 2024, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 30 June 2024, the balance of the above transactions was RMB20 million (31 December 2023: RMB153 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management

10.1 Financial risk management overview

The financial risks the Group is exposed to mainly include credit risk, market risk, liquidity risk and operational risk etc. Risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

In response to new regulatory requirements and market changes as well as in light of the actual needs and current position, the Group sets its risk preferences, risk management strategies and risk policies, and takes a host of measures to ensure the risk preferences and policies are concretely implemented and complied with and strengthen the role of risk management in support of strategic decision-making, including improving its risk quantification tools and information systems, adopting and continuously improving its end-to-end risk control mechanisms and based on oversight and reviews of actual implementations, re-examining and optimising the risk preference funneling mechanisms, credit policies, limit management, and relevant systems and tools.

The Bank's Risk Management Committee, which operates under the Board of Directors, assists the Board in setting the Bank's risk preferences and risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing their effectiveness. In accordance with the risk preferences and management strategies, the Bank's senior management develops corresponding risk management policies and procedures and drives their implementation.

10.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, problem asset professional management and collecting and other major methods for credit risk management.

After exhausting all necessary measures and implementing necessary procedures, the Group writes off the bad debts as determined in accordance with the criteria set out in the Group's write-off policy. For bad debts that have been written off, the Group continues to make its best effort to recover them.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(1) Credit risk measurement

The Group measures and manages the quality of its on-balance sheet and off-balance sheet financial assets exposed to credit risk in accordance with the Rules on Risk Classification of Financial Assets of Commercial Banks (CBIRC and PBOC Order [2023] No. 1). The Rules on Risk Classification of Financial Assets of Commercial Banks require commercial banks to classify their financial assets by their risk level into five categories, namely Normal, Special-Mention, Substandard, Doubtful and Loss, with assets classified into the latter three categories collectively referred to as "non-performing assets". The Bank has also formulated the Administrative Measures for Risk Classification of Financial Assets of China Minsheng Banking Corporation Limited to guide its daily risk classification management of financial assets, and the Bank's classification of its financial assets complies with the Rules on Risk Classification of Financial Assets of Commercial Banks.

The core definitions for classification of financial assets in the Rules on Risk Classification of Financial Assets of Commercial Banks are as follows:

Normal:	The debtor is capable of meeting its contractual obligations and there is no objective evidence indicating that the principal, interests, and income cannot be paid in full and on time.
Special-Mention:	The debtor is currently capable of paying the principal, interests, and income notwithstanding a number of factors that might adversely affect its capacity to meet its contractual obligations.
Substandard:	The debtor is incapable of paying the principal, interests, or income in full or the financial assets have become credit impaired.
Doubtful:	The debtor is incapable of paying the principal, interests, or income in full and the financial assets have become significantly credit impaired.
Loss:	None or only a minimum fraction of the financial assets can be recovered after exhausting all available options.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(2) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on – and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and preventing and controlling customer concentration risks.

(a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. Critical methods for the Group to control its credit risks include acquiring collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Financial instruments such as time deposits, debt securities and equities.
- Trade receivables, rent receivables and various rights to receive payments
- Mining rights and machinery

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(2) Risk limit control and mitigation policies (*continued*)

(a) Collateral (*continued*)

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collaterals from counterparties/require additional guarantors or squeeze the credit exposure.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivative instruments

The credit risk of derivative financial instruments comes from the counterparty credit risk that the Bank faces during transactions with counterparties who fail to fulfill their obligations. The Bank manages the counterparty credit risk of derivative financial instruments through credit limits or other credit risk mitigation measures. The Bank incorporates counterparties' credit limits into the bank-wide unified credit management system and sets credit limits in the management system to monitor credit limits. To reduce the credit risk of derivative financial instruments, the Bank also adopts measures such as margin requirements, participation in central counterparty clearing, etc.

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable commitments that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of credit commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss (“ECL”) measurement

According to the IFRS 9: Financial Instruments, the Group classifies its financial instruments into three stages for the purpose of ECL measurement and applies the ECL model to calculate credit loss provisions for on-balance sheet financial instruments that are exposed to credit risk and measured either at amortised cost or at fair value through other comprehensive income, such as loans, debt securities, balances with banks and other financial institutions, account receivables, lease receivables, and other debt investments, as well as off-balance sheet financial instruments that are exposed to credit risk, such as financial guarantee contracts and loan commitments.

The Group adopts the parameters-based approach and the discounted cash flow (“DCF”) method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group regularly reviews and optimizes its expected credit loss model, and makes timely updates to the forward-looking information and relevant parameters in accordance with the requirements of *Implementation Rules on Expected Credit Loss Approach of Commercial Banks* (CBIRC [2022] No.10) and internal relevant management system.

(a) Financial instrument risk stages

The Group applies a “three-stage model” for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1:	Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.
Stage 2:	For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.
Stage 3:	For financial assets with objective evidence of impairment as at the end of reporting period, expected credit losses are recognised for the remaining lifetime.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss ("ECL") measurement (*continued*)

(b) *Criteria for significant increases in credit risk ("SICR")*

The Group assesses, at each reporting period end, whether or not the credit risk of relevant financial instruments has increased significantly since their initial recognition. In order to determine whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and supportable information that is available without undue cost or effort and sets qualitative and quantitative criteria accordingly. The quantitative criteria include overdue days of the principal or interest for more than 30 days, credit asset classified as special-mention, the absolute level or relative change of Probability of Default in excess of the preset thresholds, among others; and the qualitative criteria mainly cover the regulatory and business environments, the borrowers' repayment ability, borrowers' operation capability, borrowers' repayment behaviors, and forward-looking information, among others.

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

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss ("ECL") measurement (*continued*)

(d) Segmentation of risk exposures

For the purpose of expected credit loss measurement, the Group classifies exposures with similar credit risk characteristics into segmentation. The Group segments corporate financial assets mainly according to the borrower types and the industry in which they operate, and retail assets mainly according to product types, and the Group reviews the appropriateness of its risk grouping and makes corrections to the grouping results on an annual basis.

(e) Parameters for ECL measurement

Except for credit-impaired financial assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument according to whether there is a significant increase in credit risk. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;
- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;
- EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet credit risk conversion factor etc., and may vary by product types.

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the quarterly year-on-year (Y/Y) growth rates of Gross Domestic Product (GDP), Broad Money Supply (M2) and Consumer Price Index (CPI) respectively. The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indicators for ECL calculation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss (“ECL”) measurement (*continued*)

(f) *Forward-looking information incorporated in the ECL (continued)*

As at 30 June 2024, the Group has considered different macroeconomic scenarios, and the main economic indicators with predicted ranges in estimating ECL are set out as below:

Variables	Range
Quarterly Y/Y growth rate of GDP	3.4%~5.4%
Quarterly Y/Y growth rate of M2	7.9%~13.7%
Quarterly Y/Y growth rate of CPI	-0.3%~3.2%

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

The Group combines macro-economic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. As at 30 June 2024 and 31 December 2023, the positive, neutral and negative scenarios had similar weightings.

(g) *Cash flow forecasts for Stage 3 corporate financial assets*

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets. The DCF method estimates the expected credit losses based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.2 Credit risk (*continued*)

(4) Maximum credit risk exposure

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	30 June 2024	31 December 2023
Balances with central bank	283,484	383,365
Balances with banks and other financial institutions	66,046	129,678
Placements with banks and other financial institutions	177,130	172,778
Derivative financial assets	20,352	24,797
Financial assets held under resale agreements	21,163	35,773
Loans and advances to customers	4,364,821	4,323,908
Financial investments		
– Financial assets at fair value through profit or loss	178,106	165,173
– Financial assets measured at amortised cost	1,526,370	1,531,024
– Financial assets at fair value through other comprehensive income	413,768	412,100
Long-term receivables	123,042	119,434
Other financial assets	35,016	30,608
Total	7,209,298	7,328,638
Off-balance sheet credit commitments	1,269,632	1,279,620
Maximum credit risk exposure	8,478,930	8,608,258

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (continued)

10.2 Credit risk (continued)

(5) Analysis on the credit quality of financial instruments

(a) As at 30 June 2024, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	283,484	-	-	283,484	-	-	-	-
Balances with banks and other financial institutions	66,048	-	-	66,048	(2)	-	-	(2)
Placements with banks and other financial institutions	177,549	-	1,193	178,742	(419)	-	(1,193)	(1,612)
Financial assets held under resale agreements	20,724	-	457	21,181	-	-	(18)	(18)
Loans and advances to customers								
– Corporate loans and advances	2,491,336	158,455	57,379	2,707,170	(18,123)	(17,612)	(25,866)	(61,601)
– Personal loans and advances	1,693,428	30,668	29,756	1,753,852	(7,621)	(6,910)	(20,736)	(35,267)
Financial investments	1,909,857	7,095	34,750	1,951,702	(2,301)	(469)	(10,812)	(13,582)
Long-term receivables	111,312	8,529	6,076	125,917	(784)	(369)	(1,722)	(2,875)
Off-balance sheet credit commitments	1,265,316	4,315	1	1,269,632	(975)	(55)	-	(1,030)

(b) As at 31 December 2023, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	383,365	-	-	383,365	-	-	-	-
Balances with banks and other financial institutions	129,682	-	-	129,682	(4)	-	-	(4)
Placements with banks and other financial institutions	173,098	-	1,193	174,291	(537)	-	(976)	(1,513)
Financial assets held under resale agreements	35,364	-	435	35,799	(1)	-	(25)	(26)
Loans and advances to customers								
– Corporate loans and advances	2,439,174	150,250	59,039	2,648,463	(18,374)	(18,204)	(26,816)	(63,394)
– Personal loans and advances	1,712,002	33,255	26,981	1,772,238	(7,858)	(7,220)	(18,972)	(34,050)
Financial investments	1,912,187	5,125	36,022	1,953,334	(2,793)	(406)	(9,187)	(12,386)
Long-term receivables	107,995	7,909	6,309	122,213	(707)	(436)	(1,636)	(2,779)
Off-balance sheet credit commitments	1,273,665	5,939	16	1,279,620	(1,065)	(146)	(1)	(1,212)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.2 Credit risk (*continued*)

(6) Loans and advances to customers

(a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	30 June 2024	31 December 2023
Stage 1		
Unsecured loans	1,256,632	1,207,124
Guaranteed loans	792,024	737,403
Loans secured by		
Tangible assets other than monetary assets	1,622,009	1,627,683
Monetary assets	497,370	562,834
Subtotal	4,168,035	4,135,044
Stage 2		
Unsecured loans	19,399	23,083
Guaranteed loans	21,011	23,835
Loans secured by		
Tangible assets other than monetary assets	91,569	85,945
Monetary assets	36,196	31,075
Subtotal	168,175	163,938
Stage 3		
Unsecured loans	20,068	19,193
Guaranteed loans	17,025	13,303
Loans secured by		
Tangible assets other than monetary assets	43,283	43,551
Monetary assets	6,641	9,848
Subtotal	87,017	85,895
Total	4,423,227	4,384,877
Credit-impaired loans secured by collateral	25,337	21,649

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.2 Credit risk (*continued*)(6) Loans and advances to customers (*continued*)

(b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	30 June 2024		31 December 2023	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	551,841	12.47	556,874	12.70
Manufacturing	505,553	11.43	465,092	10.61
Real estate	340,400	7.69	346,298	7.90
Wholesale and retail	302,001	6.83	286,014	6.52
Water, environment and public utilities management	172,905	3.91	170,648	3.89
Transportation, storage and postal services	168,471	3.81	168,187	3.84
Financial services	147,281	3.33	165,194	3.77
Production and supply of electric power, heat, gas and water	138,355	3.13	130,512	2.98
Construction	130,797	2.96	119,477	2.72
Mining	66,139	1.49	69,034	1.57
Information transmission, software and IT services	42,630	0.96	42,602	0.97
Scientific research and technical service	30,405	0.69	22,216	0.50
Agriculture, forestry, animal husbandry and fishery	21,993	0.50	21,376	0.49
Others	54,826	1.24	53,831	1.23
Subtotal	2,673,597	60.44	2,617,355	59.69
Personal loans and advances	1,749,630	39.56	1,767,522	40.31
Total	4,423,227	100.00	4,384,877	100.00

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

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

(c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	30 June 2024		31 December 2023	
	Amount	(%)	Amount	(%)
Head Office	480,433	10.86	492,829	11.24
Yangtze River Delta	1,136,666	25.70	1,125,915	25.68
Pearl River Delta	712,879	16.12	689,726	15.73
Bohai Rim	681,068	15.40	701,020	15.99
Western Region	666,740	15.07	660,499	15.06
Central Region	527,173	11.92	509,089	11.61
Northeastern Region	98,690	2.23	100,418	2.29
Overseas and subsidiaries	119,578	2.70	105,381	2.40
Total	4,423,227	100.00	4,384,877	100.00

(7) Rescheduled loans and advances

Rescheduled loans and advances to customers are those loans and advances for which, due to financial difficulties on the part of the borrowers, the Group has made modifications to the contract terms that are favorable to the borrowers, or has entered into refinancing arrangements with the borrowers, including borrowing for repaying or additional debt financing, etc., to facilitate the borrowers to meet their repayment obligations. As at 30 June 2024, the amount of the Group's rescheduled loans and advances to customers is RMB26,057 million (31 December 2023: RMB22,958 million).

Rescheduled loans and advances which were not past due or past due for no more than 90 days are as follows:

	30 June 2024	31 December 2023
Loans and advances to customers	15,336	10,199
Ratio of total loans and advances to customers (%)	0.35	0.23

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.2 Credit risk (*continued*)

(8) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	30 June 2024					Total
	Unrated(a)	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions (b)	26,589	–	–	–	–	26,589
– Corporates	5,933	–	–	–	130	6,063
Gross balance	32,522	–	–	–	130	32,652
Interest accrued						2,098
Less: Allowance for impairment losses of financial assets measured at amortised cost						(9,464)
Subtotal						25,286
Not impaired						
– Government	913,756	406,512	10,101	–	–	1,330,369
– Policy banks	144,187	–	–	714	–	144,901
– Banks and non-bank financial institutions	115,997	114,596	3,526	22,023	12,459	268,601
– Corporates	113,129	171,966	14,497	16,219	15,040	330,851
Gross balance	1,287,069	693,074	28,124	38,956	27,499	2,074,722
Interest accrued						20,336
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,100)
Subtotal						2,092,958
Total						2,118,244

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.2 Credit risk (*continued*)(8) Distribution of debt instruments analysed by issuers and rating (*continued*)

	31 December 2023					Total
	Unrated(a)	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions (b)	29,010	–	–	–	12	29,022
– Corporates	4,134	–	–	–	740	4,874
Gross balance	33,144	–	–	–	752	33,896
Interest accrued						2,126
Less: Allowance for impairment losses of financial assets measured at amortised cost						(7,854)
Subtotal						28,168
Not impaired						
– Government	884,983	377,417	5,145	2,269	–	1,269,814
– Policy banks	142,368	10	–	948	–	143,326
– Banks and non-bank financial institutions	55,027	169,880	3,645	24,516	16,720	269,788
– Corporates	84,949	227,347	32,774	13,393	18,954	377,417
Gross balance	1,167,327	774,654	41,564	41,126	35,674	2,060,345
Interest accrued						22,140
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,356)
Subtotal						2,080,129
Total						2,108,297

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates and bonds issued by policy banks, etc..

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(9) Investments classified as trust and asset management plans analysed by type of underlying assets

	30 June 2024	31 December 2023
Trust and asset management plans		
Credit assets	28,005	30,482
Bonds and others	19,007	17,185
Total	47,012	47,667

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on – and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments, foreign exchange and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Exchange rate risk of trading books arises from currency exposure conducted for customers, market making, proprietary trading, foreign exchange and foreign exchange derivative financial instrument transactions for the purpose of obtaining spreads or locking in arbitrage. The Bank measures exchange rate risk indicators through the identification of exchange rate risk factors and comprehensively evaluates the impact of changes in risk factors on each portfolio, product category and the Bank's profit and loss situation.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest are mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.3 Market risk (*continued*)(2) Currency risk (*continued*)

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

	30 June 2024				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	283,737	4,852	324	223	289,136
Balances with banks and other financial institutions	36,090	25,439	1,735	2,782	66,046
Placements with banks and other financial institutions	154,739	18,506	3,466	419	177,130
Financial assets held under resale agreements	21,163	–	–	–	21,163
Loans and advances to customers	4,212,216	92,942	37,389	22,274	4,364,821
Financial investments	2,143,235	108,924	6,315	15,962	2,274,436
Long-term receivables	106,126	16,916	–	–	123,042
Other assets	160,158	43,311	898	30,872	235,239
Total assets	7,117,464	310,890	50,127	72,532	7,551,013
Liabilities:					
Borrowings from central bank	296,279	–	–	–	296,279
Deposits and placements from banks and other financial institutions	1,069,971	82,571	13,367	16,392	1,182,301
Borrowings from banks and other financial institutions	80,996	36,675	1,180	–	118,851
Financial assets sold under repurchase agreements	162,350	8,067	3,356	2,501	176,274
Deposits from customers	3,925,448	177,391	19,499	15,196	4,137,534
Debt securities issued	855,678	–	–	–	855,678
Lease liabilities	9,201	–	121	–	9,322
Other liabilities	137,239	20,062	2,699	5,132	165,132
Total liabilities	6,537,162	324,766	40,222	39,221	6,941,371
Net position	580,302	(13,876)	9,905	33,311	609,642
Foreign currency derivatives	56,596	(33,437)	(15,805)	(6,918)	436
Off-balance sheet credit commitments	1,223,505	39,701	3,577	2,849	1,269,632

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.3 Market risk (*continued*)(2) Currency risk (*continued*)

	31 December 2023				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	352,299	37,584	286	198	390,367
Balances with banks and other financial institutions	60,976	18,731	2,417	47,554	129,678
Placements with banks and other financial institutions	154,348	15,767	1,996	667	172,778
Financial assets held under resale agreements	35,773	–	–	–	35,773
Loans and advances to customers	4,171,618	96,216	35,541	20,533	4,323,908
Financial investments	2,140,966	109,853	6,594	14,729	2,272,142
Long-term receivables	102,608	16,826	–	–	119,434
Other assets	160,120	41,659	802	28,304	230,885
Total assets	7,178,708	336,636	47,636	111,985	7,674,965
Liabilities:					
Borrowings from central bank	326,454	–	–	–	326,454
Deposits and placements from banks and other financial institutions	1,127,986	83,835	16,994	13,244	1,242,059
Borrowings from banks and other financial institutions	76,798	35,854	3,063	–	115,715
Financial assets sold under repurchase agreements	178,632	10,227	1,913	361	191,133
Deposits from customers	4,164,357	159,474	19,084	10,366	4,353,281
Debt securities issued	675,614	212	–	–	675,826
Lease liabilities	9,409	–	151	–	9,560
Other liabilities	111,001	10,814	1,290	31	123,136
Total liabilities	6,670,251	300,416	42,495	24,002	7,037,164
Net position	508,457	36,220	5,141	87,983	637,801
Foreign currency derivatives	66,000	(33,807)	(11,776)	(20,421)	(4)
Off-balance sheet credit commitments	1,239,280	34,165	2,380	3,795	1,279,620

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(2) Currency risk (*continued*)

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 30 June 2024, assuming other variables remain unchanged, with 1% appreciation of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB201 million (31 December 2023 with 1% appreciation increase by RMB475 million); with 1% depreciation of the US dollar against the RMB would increase both the Group's net profit and equity by RMB201 million (31 December 2023: decrease by RMB475 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

- a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by 1% against the RMB's average rate on the reporting date;
- b. The fluctuation of exchange rates by 1% is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;
- c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;
- d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps, etc.;
- e. Other variables (including interest rates) remained unchanged; and
- f. The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

(a) *The trading books*

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) *The banking books*

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, valuation analyses, sensitivity analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group strengthens interest rate risk management in the banking book by setting risk limits such as duration and valuation loss tolerance. The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs scenario analyses and stress tests on a regular basis, and adjusts asset and liability repricing maturity strategy and manage interest rate risk.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

(b) The banking books (continued)

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates or maturity dates whichever are earlier.

	30 June 2024						Total
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Assets:							
Cash and balances with central bank	283,370	-	-	-	-	5,766	289,136
Balances with banks and other financial institutions	49,807	4,850	9,510	1,771	6	102	66,046
Placements with banks and other financial institutions	26,499	19,680	115,383	15,215	-	353	177,130
Financial assets held under resale agreements	21,134	-	-	-	-	29	21,163
Loans and advances to customers	588,474	793,413	2,059,937	725,028	160,174	37,795	4,364,821
Financial investments	95,293	84,696	290,403	1,061,352	555,770	186,922	2,274,436
Long-term receivables	19,287	10,358	46,845	42,433	4,119	-	123,042
Other assets	-	338	23	48	-	234,830	235,239
Total assets	1,083,864	913,335	2,522,101	1,845,847	720,069	465,797	7,551,013
Liabilities:							
Borrowings from central bank	5,258	53,353	233,547	-	-	4,121	296,279
Deposits and placements from banks and other financial institutions	692,171	346,100	137,685	-	-	6,345	1,182,301
Borrowings from banks and other financial institutions	33,223	19,653	59,331	5,389	404	851	118,851
Financial assets sold under repurchase agreements	115,792	28,460	31,784	-	-	238	176,274
Deposits from customers	1,877,121	276,608	861,919	1,049,060	24	72,802	4,137,534
Debt securities issued	60,737	189,696	542,810	60,884	-	1,551	855,678
Lease liabilities	211	467	2,098	5,533	1,013	-	9,322
Other liabilities	57,030	243	2,240	-	-	105,619	165,132
Total liabilities	2,841,543	914,580	1,871,414	1,120,866	1,441	191,527	6,941,371
Interest rate gap	(1,757,679)	(1,245)	650,687	724,981	718,628	274,270	609,642

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.3 Market risk (*continued*)(3) Interest rate risk (*continued*)(b) The banking books (*continued*)

	31 December 2023						Total
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:							
Cash and balances with central bank	383,233	-	-	-	-	7,134	390,367
Balances with banks and other financial institutions	115,119	5,719	7,065	1,567	85	123	129,678
Placements with banks and other financial institutions	26,141	26,616	71,398	48,227	-	396	172,778
Financial assets held under resale agreements	35,434	300	-	-	-	39	35,773
Loans and advances to customers	792,629	711,038	1,850,375	776,058	157,984	35,824	4,323,908
Financial investments	89,858	147,604	324,086	996,360	518,235	195,999	2,272,142
Long-term receivables	18,054	8,370	44,018	44,041	4,951	-	119,434
Other assets	211	29	183	30	-	230,432	230,885
Total assets	1,460,679	899,676	2,297,125	1,866,283	681,255	469,947	7,674,965
Liabilities:							
Borrowings from central bank	10,013	68,923	244,539	-	-	2,979	326,454
Deposits and placements from banks and other financial institutions	574,151	281,427	380,004	-	-	6,477	1,242,059
Borrowings from banks and other financial institutions	26,396	32,744	50,883	4,502	422	768	115,715
Financial assets sold under repurchase agreements	133,326	21,316	36,139	-	-	352	191,133
Deposits from customers	2,198,701	333,487	692,635	1,057,624	556	70,278	4,353,281
Debt securities issued	33,723	177,805	323,222	47,576	89,992	3,508	675,826
Lease liabilities	230	362	2,153	5,608	1,207	-	9,560
Other liabilities	67	1,053	985	-	-	121,031	123,136
Total liabilities	2,976,607	917,117	1,730,560	1,115,310	92,177	205,393	7,037,164
Interest rate gap	(1,515,928)	(17,441)	566,565	750,973	589,078	264,554	637,801

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(3) Interest rate risk (*continued*)

(b) *The banking books (continued)*

If yield curves for respective currencies move in parallel for 100 basis points at the end of the reporting period, their potential impact on the Group's net interest income and shareholders' equity for the following 12 months is as follows:

	30 June 2024 (Loss)/Gain	31 December 2023 (Loss)/Gain
Up 100 bps parallel shift in yield curves	(10,811)	(8,469)
Down 100 bps parallel shift in yield curves	10,811	8,469

In performing the interest rate sensitivity analysis, the Group and the Bank has made general assumptions in defining business terms and financial parameters, but have not considered the following:

- a. business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;
- b. the impact of interest rate fluctuations on customers' behaviour;
- c. the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- d. the impact of interest rate fluctuations on market prices;
- e. the impact of interest rate fluctuations on off-balance sheet products;
- f. the impact of interest rate fluctuations on fair value of financial instruments;
- g. other variables (including foreign exchange rate); and
- h. other risk management measures in the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Asset and Liability and Financial Management Department is responsible for the daily liquidity risk management through the following procedures:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(1) Liquidity risk management policy (*continued*)

To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;

To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios, net stable funding ratios and liquidity matching rate;

To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;

To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)

(2) Maturity analysis

The following tables present the maturity analysis of assets and liabilities of the Group as at the end of the reporting period. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments in financial investment; and repayable on demand with respect to loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

	30 June 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	251,464	37,672	-	-	-	-	-	289,136
Balances with banks and other financial institutions	-	43,148	5,700	4,865	9,543	2,784	6	66,046
Placements with banks and other financial institutions	-	-	26,668	19,833	115,414	15,215	-	177,130
Financial assets held under resale agreements	439	-	20,724	-	-	-	-	21,163
Loans and advances to customers	52,920	12,436	349,569	298,111	1,306,507	1,207,664	1,137,614	4,364,821
Financial investments	192,400	-	75,847	78,977	287,477	1,078,412	561,323	2,274,436
Long-term receivables	6,271	2,403	4,700	8,778	39,908	55,717	5,265	123,042
Other assets	184,636	925	11,339	5,463	17,310	13,816	1,750	235,239
Total assets	688,130	96,584	494,547	416,027	1,776,159	2,373,608	1,705,958	7,551,013

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(2) Maturity analysis (*continued*)

	30 June 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	5,327	54,407	236,545	-	-	296,279
Deposits and placements from banks and other financial institutions	-	465,255	231,443	347,619	137,984	-	-	1,182,301
Borrowings from banks and other financial institutions	-	-	21,021	16,895	62,268	15,090	3,577	118,851
Financial assets sold under repurchase agreements	-	-	115,909	28,558	31,807	-	-	176,274
Deposits from customers	-	1,743,800	164,703	278,260	873,672	1,077,075	24	4,137,534
Debt securities issued	-	50	60,786	189,723	544,235	60,884	-	855,678
Lease liabilities	-	-	211	467	2,098	5,533	1,013	9,322
Other liabilities	1,947	16,354	91,816	20,225	20,761	12,068	1,961	165,132
Total liabilities	1,947	2,225,459	691,216	936,154	1,909,370	1,170,650	6,575	6,941,371
Net position	686,183	(2,128,875)	(196,669)	(520,127)	(133,211)	1,202,958	1,699,383	609,642
Notional amount of derivatives	-	-	796,825	891,439	2,262,398	928,074	4,306	4,883,042

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(2) Maturity analysis (*continued*)

	31 December 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	292,660	97,707	-	-	-	-	-	390,367
Balances with banks and other financial institutions	-	109,921	5,306	5,729	7,070	1,567	85	129,678
Placements with banks and other financial institutions	217	-	26,028	26,743	71,520	48,270	-	172,778
Financial assets held under resale agreements	432	-	35,040	301	-	-	-	35,773
Loans and advances to customers	50,052	9,377	372,788	313,879	1,260,862	1,204,067	1,112,883	4,323,908
Financial investments	192,027	-	56,271	139,940	316,281	1,043,099	524,524	2,272,142
Long-term receivables	5,242	1,198	4,715	9,261	37,843	55,852	5,323	119,434
Other assets	178,662	618	11,284	10,229	17,390	11,178	1,524	230,885
Total assets	719,292	218,821	511,432	506,082	1,710,966	2,364,033	1,644,339	7,674,965
Liabilities:								
Borrowings from central bank	-	-	10,269	70,450	245,735	-	-	326,454
Deposits and placements from banks and other financial institutions	-	450,230	128,399	282,733	380,697	-	-	1,242,059
Borrowings from banks and other financial institutions	-	-	21,102	22,674	58,122	11,860	1,957	115,715
Financial assets sold under repurchase agreements	-	-	133,431	21,384	36,318	-	-	191,133
Deposits from customers	-	2,041,989	192,282	339,835	703,849	1,074,916	410	4,353,281
Debt securities issued	-	-	33,723	179,346	325,189	47,576	89,992	675,826
Lease liabilities	-	-	230	362	2,153	5,608	1,207	9,560
Other liabilities	2,178	10,448	14,081	61,728	20,064	12,748	1,889	123,136
Total liabilities	2,178	2,502,667	533,517	978,512	1,772,127	1,152,708	95,455	7,037,164
Net position	717,114	(2,283,846)	(22,085)	(472,430)	(61,161)	1,211,325	1,548,884	637,801
Notional amount of derivatives	-	-	751,399	946,685	1,952,414	889,620	2,370	4,542,488

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than 1 month, and also equity investments and fund investments in financial investments; and repayable on demand with respect to, loans and advances and long-term receivables refer to the unimpaired amounts of such assets that have been overdue for less than 1 month.

	30 June 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	251,464	37,672	-	-	-	-	-	289,136
Balances with banks and other financial institutions	-	43,154	5,702	4,871	9,605	2,784	6	66,122
Placements with banks and other financial institutions	1,193	-	27,270	20,498	115,895	15,575	-	180,431
Financial assets held under resale agreements	457	-	20,725	-	-	-	-	21,182
Loans and advances to customers	100,482	14,400	367,245	327,590	1,415,442	1,463,328	1,524,015	5,212,502
Financial investments	195,705	-	78,833	86,279	336,767	1,183,895	668,146	2,549,625
Long-term receivables	9,590	2,609	5,117	9,626	43,858	64,754	7,002	142,556
Other assets	184,636	925	6,213	1,766	7,643	12,067	1,637	214,887
Total assets (expected maturity date)	743,527	98,760	511,105	450,630	1,929,210	2,742,403	2,200,806	8,676,441

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (*continued*)

	30 June 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	5,331	54,660	239,290	-	-	299,281
Deposits and placements from banks and other financial institutions	-	465,677	231,891	350,019	139,295	-	-	1,186,882
Borrowings from banks and other financial institutions	-	-	21,093	17,145	63,263	16,729	4,353	122,583
Financial assets sold under repurchase agreements	-	-	115,951	28,720	32,117	-	-	176,788
Deposits from customers	-	1,743,800	166,604	283,435	910,749	1,161,404	25	4,266,017
Debt securities issued	-	50	60,867	190,925	554,488	64,935	-	871,265
Lease liabilities	-	-	228	506	2,272	5,989	1,097	10,092
Other liabilities	1,947	16,354	84,443	13,062	11,541	11,096	1,941	140,384
Total liabilities (contractual maturity date)	1,947	2,225,881	686,408	938,472	1,953,015	1,260,153	7,416	7,073,292

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (*continued*)

	31 December 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	292,660	97,707	-	-	-	-	-	390,367
Balances with banks and other financial institutions	-	109,925	5,322	5,833	7,184	1,567	85	129,916
Placements with banks and other financial institutions	1,193	-	26,666	27,901	73,815	49,066	-	178,641
Financial assets held under resale agreements	457	-	35,047	301	-	-	-	35,805
Loans and advances to customers	99,954	12,319	389,545	342,981	1,373,433	1,471,118	1,514,245	5,203,595
Financial investments	192,112	-	60,009	147,978	357,696	1,152,401	627,474	2,537,670
Long-term receivables	8,280	1,317	5,115	10,073	41,373	64,956	7,218	138,332
Other assets	183,277	618	6,524	1,707	8,975	9,083	1,443	211,627
Total assets (expected maturity date)	777,933	221,886	528,228	536,774	1,862,476	2,748,191	2,150,465	8,825,953
Liabilities:								
Borrowings from central bank	-	-	10,276	70,738	250,580	-	-	331,594
Deposits and placements from banks and other financial institutions	-	450,627	128,757	283,159	381,551	-	-	1,244,094
Borrowings from banks and other financial institutions	-	-	21,165	24,296	59,660	13,193	2,217	120,531
Financial assets sold under repurchase agreements	-	-	133,456	21,471	36,913	-	-	191,840
Deposits from customers	-	2,041,989	193,088	347,730	712,469	1,099,296	411	4,394,983
Debt securities issued	-	-	33,772	180,476	331,485	64,360	95,542	705,635
Lease liabilities	-	-	251	394	2,342	6,100	1,313	10,400
Other liabilities	2,178	10,448	7,896	49,716	10,569	11,174	1,879	93,860
Total liabilities (contractual maturity date)	2,178	2,503,064	528,661	977,980	1,785,569	1,194,123	101,362	7,092,937

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)

(4) Analysis on contractual undiscounted cash flows of derivatives

(a) Derivatives settled on a net basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Interest rate derivatives	Interest rate swaps
Credit derivatives	Credit default swaps

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

	30 June 2024					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	(59)	241	1,279	47	–	1,508
Interest rate derivatives	253	163	992	558	9	1,975
Credit derivatives	28	–	28	192	–	248
Total	222	404	2,299	797	9	3,731

	31 December 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	(168)	70	412	63	–	377
Interest rate derivatives	39	681	780	786	11	2,297
Credit derivatives	16	–	37	82	–	135
Total	(113)	751	1,229	931	11	2,809

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (continued)

10.4 Liquidity risk (continued)

(4) Analysis on contractual undiscounted cash flows of derivatives (continued)

(b) Derivatives settled on a gross basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards and swaps

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

	30 June 2024					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(207,877)	(106,179)	(199,960)	(76,137)	–	(590,153)
– Cash inflow	207,588	106,020	198,757	76,716	–	589,081
Precious metal derivatives						
– Cash outflow	(47,046)	(39,442)	(37,690)	–	–	(124,178)
– Cash inflow	44,635	35,294	37,007	–	–	116,936
Total cash outflow	(254,923)	(145,621)	(237,650)	(76,137)	–	(714,331)
Total cash inflow	252,223	141,314	235,764	76,716	–	706,017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (continued)**10.4 Liquidity risk (continued)****(4) Analysis on contractual undiscounted cash flows of derivatives (continued)****(b) Derivatives settled on a gross basis (continued)**

	31 December 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(120,834)	(94,199)	(158,192)	(128,398)	–	(501,623)
– Cash inflow	120,784	93,355	158,387	128,716	–	501,242
Precious metal derivatives						
– Cash outflow	(25,222)	(23,262)	(28,125)	–	–	(76,609)
– Cash inflow	23,873	20,224	26,927	–	–	71,024
Total cash outflow	(146,056)	(117,461)	(186,317)	(128,398)	–	(578,232)
Total cash inflow	144,657	113,579	185,314	128,716	–	572,266

(5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	30 June 2024			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	464,786	–	–	464,786
Letters of credit	113,274	461	–	113,735
Guarantees	97,233	38,189	1,206	136,628
Unused credit card commitments	510,741	–	–	510,741
Irrevocable credit commitments	31,003	10,622	2,117	43,742
Total	1,217,037	49,272	3,323	1,269,632

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(5) Analysis on contractual undiscounted cash flows of commitments (*continued*)

	31 December 2023			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	476,334	–	–	476,334
Letters of credit	106,523	507	–	107,030
Guarantees	86,733	43,912	351	130,996
Unused credit card commitments	514,685	–	–	514,685
Irrevocable credit commitments	35,731	11,177	3,667	50,575
Total	1,220,006	55,596	4,018	1,279,620

10.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk the Group is exposed to mainly comprises internal and external fraud, employment practices and safety incidents in working places, events related to customers, products and business operations, damages of tangible assets, interruption of business, IT system incidents, and execution, delivery and process management incidents.

During the reporting period, the Bank continued to optimize its operational risk management system, improve the closed-loop management process, and promote the “Year for Strengthening Operational Risk Governance” initiative, which comprised various programs for operational risk reviews, assessments, rectifications and improvements. Other major efforts include: continuing to promote the implementation of standardized approach for operational risk, and preparation of operational risk capital measurement statements under the New Capital Rules; implementing the new mechanisms for outsourced risk control, further refining the scope of activities eligible for outsourcing, and dynamically updating the management standards for outsourced activities; and continuing to improve its business continuity management practices and capabilities, conducting special inspections of business continuity management, and organizing subject matter training on business continuity across the bank.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of policies to accrue country risk reserve.

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2024, the Group computes the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 and Appendix 3 of *The Capital Rules for Commercial Banks (Provisional)*, and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The Group's capital adequacy ratios are calculated in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. For the Group, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.75%, 8.75% and 10.75%, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (continued)

10.7 Capital management (continued)

The Group's capital adequacy ratios are as below:

	30 June 2024	31 December 2023
Core tier-one capital adequacy ratio	9.35%	9.28%
Tier-one capital adequacy ratio	10.32%	10.95%
Capital adequacy ratio	12.30%	13.14%
Components of capital base		
Core tier-one capital:		
Share capital	43,782	43,782
Valid portion of capital reserve	58,111	58,149
Surplus reserve	58,805	58,805
General reserve	95,391	95,237
Retained earnings	281,060	271,645
Valid portion of non-controlling interests	7,198	8,053
Others	3,992	2,022
Core tier-one capital	548,339	537,693
Core tier-one capital deductions	(6,647)	(3,841)
Net core tier-one capital	541,692	533,852
Net other tier-one capital	55,826	96,036
Net tier-one capital	597,518	629,888
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	79,993	89,992
Surplus provision for loan impairment	32,874	33,388
Valid portion of non-controlling interests	1,786	2,148
Net tier-two capital	114,653	125,528
Net capital base	712,171	755,416
Credit risk-weighted assets	5,449,014	5,413,859
Market risk-weighted assets	59,103	65,225
Operational risk-weighted assets	282,625	270,988
Total risk-weighted assets	5,790,742	5,750,072

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.
- Level 2: The debt securities classified as level 2 are RMB bonds and foreign currency bonds. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Other financial instruments classified as level 2 include derivative contracts, discounted bills and forfaiting, which are valued using discounted cash flow method and Blair-Scholes model, etc. All significant valuation parameters are obtained from observable market information.
- Level 3: Financial instruments classified as level 3 include equity instruments and debt instruments, whose valuation involves one or more significant unobservable inputs, mainly including right of trust benefit, non-listed equities, subordinated tranches of asset-backed securities, convertible bonds, and asset management plans, etc. The valuation techniques used include discounted cash flow method, market approach and income approach, etc. Unobservable inputs for valuation models include discount rates and discounts for lack of marketability (DLOM), etc.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments (continued)**11.1 Financial instruments recorded at fair value**

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

	30 June 2024			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	154,228	3,815	158,043
Equity investments	1,315	2,077	12,858	16,250
Investment funds	105,207	18,693	1,180	125,080
Trust and asset management plans	–	12,645	6,362	19,007
Others	5,833	706	1,055	7,594
Financial assets at fair value through other comprehensive income				
Debt securities	–	412,521	1,247	413,768
Equity investments	–	2,309	6,015	8,324
Loans and advances to customers at fair value through other comprehensive income	–	243,211	–	243,211
Derivative financial assets				
Foreign exchange derivatives	–	16,177	–	16,177
Interest rate derivatives	–	1,688	–	1,688
Precious metal derivatives	–	2,449	–	2,449
Others	–	38	–	38
Total	112,355	866,742	32,532	1,011,629
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(14,514)	–	(14,514)
Interest rate derivatives	–	(615)	–	(615)
Precious metal derivatives	–	(9,619)	–	(9,619)
Financial liabilities at fair value through profit or loss	–	(57,542)	(332)	(57,874)
Total	–	(82,290)	(332)	(82,622)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments (continued)**11.1 Financial instruments recorded at fair value (continued)**

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	142,836	3,255	146,091
Equity investments	1,535	1,932	16,170	19,637
Investment funds	118,979	11,115	1,463	131,557
Trust and asset management plans	–	10,975	6,210	17,185
Others	3,979	202	1,896	6,077
Financial assets at fair value through other comprehensive income				
Debt securities	–	411,160	940	412,100
Equity investments	–	2,578	5,893	8,471
Loans and advances to customers at fair value through other comprehensive income				
	–	279,998	–	279,998
Derivative financial assets				
Foreign exchange derivatives	–	22,130	–	22,130
Interest rate derivatives	–	1,733	–	1,733
Precious metal derivatives	–	908	–	908
Others	–	26	–	26
Total	124,493	885,593	35,827	1,045,913
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(22,011)	–	(22,011)
Interest rate derivatives	–	(676)	–	(676)
Precious metal derivatives	–	(6,585)	–	(6,585)
Others	–	(4)	–	(4)
Financial liabilities at fair value through profit or loss				
	–	(35,013)	(814)	(35,827)
Total	–	(64,289)	(814)	(65,103)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

For equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of level 3 financial instruments during the period:

	Six months ended 30 June 2024					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total	Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities			
As at 1 January 2024	28,994	940	5,893	35,827	814	814
Total gains/(losses)						
In profit or loss	(2,619)	(103)	–	(2,722)	–	–
In other comprehensive income	–	(321)	122	(199)	–	–
Purchase/transfer in	1,565	759	–	2,324	–	–
Settlement/transfer out	(2,670)	(28)	–	(2,698)	(482)	(482)
As at 30 June 2024	25,270	1,247	6,015	32,532	332	332
Total realised gains included in the consolidated statement of profit or loss	245	–	–	245	–	–
Total unrealised losses included in the consolidated statement of profit or loss	(2,864)	(103)	–	(2,967)	–	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments *(continued)*

11.2 Movement in level 3 financial instruments measured at fair value *(continued)*

The following table shows the movement of level 3 financial instruments during the period:
(continued)

	Year ended 31 December 2023					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total	Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities			
As at 1 January 2023	29,338	841	5,261	35,440	270	270
Total gains/(losses)						
In profit or loss	(617)	(13)	–	(630)	–	–
In other comprehensive income	–	2	569	571	–	–
Purchase/transfer in	4,639	140	63	4,842	544	544
Settlement/transfer out	(4,366)	(30)	–	(4,396)	–	–
As at 31 December 2023	28,994	940	5,893	35,827	814	814
Total realised gains included in the consolidated statement of profit or loss	55	–	–	55	–	–
Total unrealised losses included in the consolidated statement of profit or loss	(672)	(13)	–	(685)	–	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments *(continued)*

11.3 Fair value of financial assets and liabilities not carried at fair value

The Group's financial assets and liabilities that are not measured at fair value mainly include cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers measured at amortised cost, financial investments measured at amortised cost, long-term receivables, borrowings from central bank, placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers, debt securities issued, and financial assets held under resale agreements and sold under repurchase agreements.

Except for loans and advances measured at amortised cost, financial investments measured at amortised cost and debt securities issued, the majority of financial assets and financial liabilities not carried at fair value have a maturity of less than a year or have a floating interest rate, and their book values approximate their fair values.

(1) Loans and advances to customers measured at amortised cost

Loans and advances to customers are stated at amortised costs less loss/allowances for impairment loss. Since the loans and advances at amortised cost are mostly priced with reference to the Loan Prime Rates (LPRs), they are repriced at least annually with reference to the market interest rates. For impaired loans, impairment allowances are made to reduce their carrying amounts to reflect their estimated recoverable amounts. Accordingly, the carrying values of loans and advances to customers approximate their fair values.

(2) Financial investments measured at amortised cost

The fair values of financial investments measured at amortised cost are usually measured based on "bid" market prices or quotations of the brokers'/dealers. If relevant market information is not available, their fair value are based on quoted prices of security products with similar characteristics, such as credit risk, maturity and yield.

(3) Debt securities issued

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments *(continued)*11.3 Fair value of financial assets and liabilities not carried at fair value *(Continued)*

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

	30 June 2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,526,370	1,574,497	–	1,530,020	44,477
Financial liabilities					
Debt securities issued	855,678	853,005	–	853,005	–

31 December 2023

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,531,024	1,536,026	–	1,488,415	47,611
Financial liabilities					
Debt securities issued	675,826	669,980	–	669,980	–

12 Subsequent events

RMB30 billion worth of 2024 Undated Capital Bonds-Series 1 were issued on 15 August 2024, with a coupon rate of 2.35% per annum.

13 Comparative figures

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

1 Liquidity coverage ratio

	As at 30 June 2024	As at 31 December 2023
Liquidity coverage ratio (%) (RMB and foreign currency)	140.61	146.06
High Quality Liquid Assets	1,087,109	1,125,729
Net cash outflows in 30 days from the end of the reporting period	773,127	770,717

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the former CBIRC and based on the financial information prepared in accordance with PRC GAAP.

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

2 Currency concentration

	30 June 2024			
	USD	HKD	Others	Total
Spot assets	310,699	51,206	72,982	434,887
Spot liabilities	(321,118)	(40,127)	(39,221)	(400,466)
Forward purchases	1,156,713	17,212	116,772	1,290,697
Forward sales	(1,164,919)	(33,017)	(148,455)	(1,346,391)
Net (short)/long position (a)	(18,625)	(4,726)	2,078	(21,273)

	31 December 2023			
	USD	HKD	Others	Total
Spot assets	338,056	48,543	112,637	499,236
Spot liabilities	(297,245)	(42,175)	(24,002)	(363,422)
Forward purchases	1,137,604	5,724	73,280	1,216,608
Forward sales	(1,141,366)	(17,499)	(117,890)	(1,276,755)
Net long/(short) position (a)	37,049	(5,407)	44,025	75,667

(a) The net position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reporting periods.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

3 Loans and advances to customers

3.1 Impaired loans by geographical area

	30 June 2024		31 December 2023	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	17,050	15,628	16,273	15,012
Bohai Rim	25,273	12,016	21,695	10,577
Yangtze River Delta	14,133	6,616	16,247	6,484
Western Region	12,657	4,651	12,779	5,255
Pearl River Delta	6,716	3,031	8,062	3,751
Central Region	6,930	2,324	7,274	2,986
Northeastern Region	1,394	642	1,269	533
Overseas and subsidiaries	2,982	1,694	2,421	1,190
Total	87,135	46,602	86,020	45,788

3.2 Loans overdue for more than 3 months by geographical area

	30 June 2024		31 December 2023	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	16,898	15,617	16,141	15,000
Bohai Rim	13,311	5,088	10,993	3,835
Western Region	11,812	4,320	10,549	4,497
Yangtze River Delta	11,837	4,758	8,685	3,522
Pearl River Delta	6,168	2,797	5,608	2,978
Central Region	4,480	1,666	4,842	2,251
Northeastern Region	975	470	878	390
Overseas and subsidiaries	2,889	1,512	2,355	1,111
Total	68,370	36,228	60,051	33,584


UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

4 International claims

	30 June 2024				
	Asia Pacific	North and South America	Europe	Other Locations	Total
Banks	37,796	22,962	14,736	2,616	78,110
Public sector	4,473	21,155	–	–	25,628
Non-bank private sector	126,357	86,379	38,577	18,104	269,417
Total	168,626	130,496	53,313	20,720	373,155

	31 December 2023				
	Asia Pacific	North and South America	Europe	Other Locations	Total
Banks	44,559	24,429	24,458	2,296	95,742
Public sector	8,949	49,043	–	–	57,992
Non-bank private sector	102,399	85,028	26,936	18,486	232,849
Total	155,907	158,500	51,394	20,782	386,583

 This interim report is printed on environmental paper.