



中国建设银行
China Construction Bank

China Construction Bank Corporation

Half-Year Report 2023

CCB

BUILT A BETTER
LIFE TOGETHER



IMPORTANT NOTICE

The Board, the board of supervisors, directors, supervisors and senior management of the Bank warrant that the information in this half-year report is truthful, accurate and complete and there are no false presentations, misleading statements or material omissions, and they assume several and joint legal liability for such contents.

The Half-Year Report 2023 and results announcement have been reviewed and approved at the Board meeting of the Bank held on 23 August 2023. All 14 directors of the Bank attended the meeting in person.

As approved by the 2022 annual general meeting, the Bank distributed the 2022 cash dividend of RMB0.389 per share (including tax), totalling RMB3,732 million approximately, on 14 July 2023 to its A-share holders whose names appeared on the register of members after the close of market on 13 July 2023; the Bank distributed the 2022 cash dividend of RMB0.389 per share (including tax), totalling RMB93,522 million approximately, on 4 August 2023 to its H-share holders whose names appeared on the register of members after the close of market on 13 July 2023. The Bank does not declare any 2023 interim dividend, nor does it propose any capitalisation of capital reserve into share capital.

The Group's 2023 half-year financial statements prepared under PRC GAAP have been reviewed by Ernst & Young Hua Ming LLP, and the Group's 2023 half-year financial statements prepared under IFRS have been reviewed by Ernst & Young.

Mr. Zhang Jinliang, vice chairman, executive director and president of the Bank, Mr. Kenneth Patrick Chung and Mr. Graeme Wheeler, independent non-executive directors of the Bank, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this half-year report.

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, market risk, operational risk, liquidity risk, reputational risk, country risk, IT risk and strategic risk. We proactively took measures to manage various risks effectively. For more information, please refer to "Management Discussion and Analysis – Risk Management" in this half-year report.

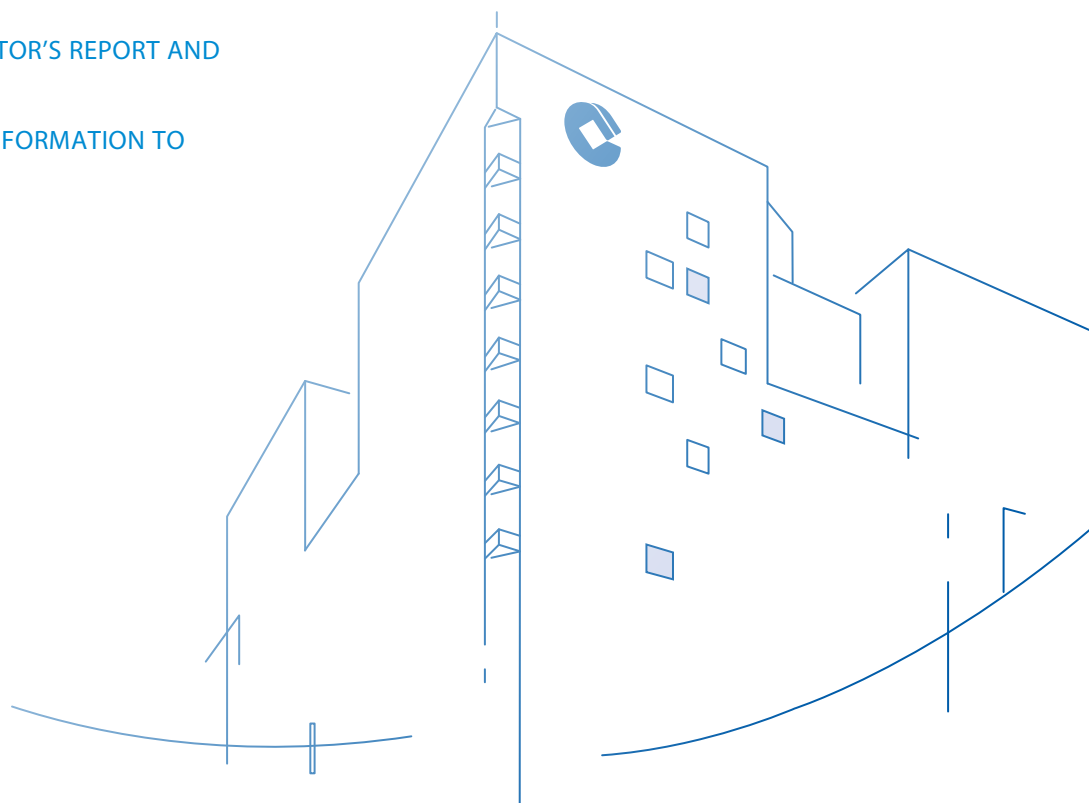
This report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.

CONTENTS

DEFINITIONS	3
FINANCIAL HIGHLIGHTS	6
CORPORATE INFORMATION	8
MANAGEMENT DISCUSSION AND ANALYSIS	10
FINANCIAL REVIEW	10
Statement of Comprehensive Income Analysis	10
Statement of Financial Position Analysis	19
Other Financial Information	28
BUSINESS REVIEW	29
New Finance Initiatives	29
Corporate Finance Business	33
Personal Finance Business	35
Treasury and Asset Management Business	37
Overseas Commercial Banking Business	40
Integrated Operation Subsidiaries	41
Entities, Outlets and E-channels	45
RISK MANAGEMENT	48
Credit Risk Management	48
Market Risk Management	53
Operational Risk Management	56
Liquidity Risk Management	56
Reputational Risk Management	58
Country Risk Management	58
IT Risk Management	58
Strategic Risk Management	58
Emerging Risk Management	58
Consolidated Management	59
Internal Audit	59
CAPITAL MANAGEMENT	60
Capital Adequacy Ratios	60
Leverage Ratio	61
PROSPECTS	62

CONTENTS

CORPORATE GOVERNANCE	63
SHAREHOLDERS' GENERAL MEETING	63
PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	63
Particulars of Directors, Supervisors and Senior Management	63
Changes in Directors, Supervisors and Senior Management	63
Directors' and Supervisors' Securities Transactions	64
EMPLOYEES	64
FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY	65
ENVIRONMENTAL AND SOCIAL RESPONSIBILITY	66
MAJOR ISSUES	68
CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS	70
CHANGES IN ORDINARY SHARES	70
NUMBER OF ORDINARY SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING	70
CHANGES IN CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLING PARTY	71
INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS	71
DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS	71
DETAILS OF PREFERENCE SHARES	72
APPENDIX I: INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS	
APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS	





DEFINITIONS

In this half-year report, unless the context otherwise requires, the following terms shall have the meanings set out below.

Abbreviations of organisations

"Bank"	China Construction Bank Corporation
"Baowu Steel Group"	China Baowu Steel Group Corporation Limited
"Board"	Board of directors
"CBIRC"	Former China Banking and Insurance Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Brasil"	China Construction Bank (Brasil) Banco Múltiplo S/A
"CCB Consulting"	CCB Engineering Consulting Co., Ltd.
"CCB Consumer Finance"	CCB Consumer Finance Co., Ltd.
"CCB Europe"	China Construction Bank (Europe) S.A.
"CCB Financial Leasing"	CCB Financial Leasing Co., Ltd.
"CCB FinTech"	CCB FinTech Co., Ltd.
"CCB Futures"	CCB Futures Co., Ltd.
"CCB Housing"	CCB Housing Services Co., Ltd.
"CCB Housing Rental"	CCB Housing Rental Private Fund Management Co., Ltd.
"CCB Housing Rental Fund"	CCB Housing Rental Fund (Limited Partnership)
"CCB Indonesia"	PT Bank China Construction Bank Indonesia Tbk
"CCB International"	CCB International (Holdings) Limited
"CCB Investment"	CCB Financial Asset Investment Co., Ltd.
"CCB Life"	CCB Life Insurance Co., Ltd.
"CCB London"	China Construction Bank (London) Limited
"CCB Malaysia"	China Construction Bank (Malaysia) Berhad
"CCB New Zealand"	China Construction Bank (New Zealand) Limited
"CCB Pension"	CCB Pension Management Co., Ltd.
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Private Equity"	CCB Private Equity Investment Management Co., Ltd.
"CCB Property & Casualty"	CCB Property & Casualty Insurance Co., Ltd.
"CCB Russia"	China Construction Bank (Russia) Limited
"CCB Trust"	CCB Trust Co., Ltd.
"CCB Wealth Management"	CCB Wealth Management Co., Ltd.



DEFINITIONS

“CSRC”	China Securities Regulatory Commission
“Group” or “CCB”	China Construction Bank Corporation and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huijin”	Central Huijin Investment Ltd.
“MOF”	Ministry of Finance of the People’s Republic of China
“PBC”	The People’s Bank of China
“Sino-German Bausparkasse”	Sino-German Bausparkasse Co., Ltd.
“State Grid”	State Grid Corporation of China
“Yangtze Power”	China Yangtze Power Co., Limited

Platforms, products and services

“Blockchain Trade (BCTrade) Finance Platform”	An online platform integrating technologies such as blockchain, artificial intelligence, Internet of Things with trade finance to provide diversified trade finance services for market players such as financial institutions and corporate customers
“CCB Huidongni”	An integrated ecological service platform built by the Bank for inclusive finance customers by using the Internet, big data, artificial intelligence and biometric technologies
“CCB Match Plus”	An open platform leveraging FinTech to provide corporate customers with cross-border smart matchmaking services and comprehensive financial solutions in cross-border transaction scenarios
“CCB Start-up Station”	A one-stop online and offline comprehensive service platform featuring “Finance + Incubation + Industry + Education” for startups and innovative enterprises, established by the Bank in cooperation with government departments, venture capital investment companies, core enterprises, research institutions and incubators with internal and external high-quality resources
“Cross-border Quick Loan”	An online unsecured trade financing service provided by the Bank for small and micro cross-border trade enterprises
“FITS e+”	A sub-brand of FITS® (Financial Total Solutions) that provides multi-dimensional services including all round investment and financing matchmaking and specialised think tanks for various types of customers based on CCB’s strength as a group
“Long Pay”	An internet-based enterprise-wide mobile digital payment brand of the Bank, which includes a group of comprehensive integrated payment and settlement products and services
“Yudao – Treasury Cloud”	A comprehensive service platform for multi-bank fund management provided by the Bank for corporate customers
“Yunong Quick Loan”	An online loan product provided by the Bank, based on agriculture production and operation data mainly for farmers and corporate customers



DEFINITIONS

“Yunongtong”	A comprehensive service brand for rural revitalisation by implementing New Finance through offline inclusive finance service sites and online comprehensive service platform of the Bank
“Zhangbutong”	A classified fund management product provided by the Bank for corporate customers
“3R”	The Risk Scan & Detect System, Risk Model Decision System, and Risk Alert & Detect System developed by the Bank for online business

Others

“AML”	Anti-money laundering
“ESG”	Environment, society and governance
“IFRS”	<i>International Financial Reporting Standards</i>
“Listing Rules of Hong Kong Stock Exchange”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New financial instruments standard”	<i>International Financial Reporting Standard No. 9 – Financial Instruments</i> issued by International Accounting Standards Board, which came into effect on 1 January 2018
“PRC GAAP”	<i>Accounting Standards for Business Enterprises</i> and other relevant requirements promulgated by the MOF on 15 February 2006 and afterwards
“WMPs”	Wealth management products



FINANCIAL HIGHLIGHTS

The financial information set forth in this half-year report is prepared on a consolidated basis in accordance with the IFRS, and expressed in RMB unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Change (%)	Six months ended 30 June 2022(Before restatement)	Six months ended 30 June 2021
For the period					
Operating income	388,155	389,877	(0.44)	390,361	380,907
Net interest income	312,185	317,669	(1.73)	317,340	296,085
Net fee and commission income	70,601	70,247	0.50	68,823	69,438
Operating expenses	(95,987)	(94,036)	2.07	(95,018)	(88,160)
Credit impairment losses	(95,414)	(103,294)	(7.63)	(103,294)	(108,320)
Other impairment losses	46	(81)	(156.79)	(81)	(192)
Profit before tax	197,264	192,884	2.27	192,386	184,463
Net profit	167,295	162,234	3.12	161,730	154,106
Net profit attributable to equity shareholders of the Bank	167,344	161,899	3.36	161,642	153,300
Per share (In RMB)					
Basic and diluted earnings per share ¹	0.67	0.65	3.08	0.65	0.61
Profitability indicators (%)					
			Change +/-)		
Annualised return on average assets ²	0.92	1.01	(0.09)	1.01	1.06
Annualised return on average equity ¹	11.95	12.62	(0.67)	12.59	13.10
Net interest spread	1.60	1.90	(0.30)	1.90	1.95
Net interest margin	1.79	2.09	(0.30)	2.09	2.13
Net fee and commission income to operating income	18.19	18.02	0.17	17.63	18.23
Cost-to-income ratio ³	23.72	23.18	0.54	23.40	22.22

1. Calculated in accordance with the *Rule No.9 on the Preparation of Information Disclosure of Companies Issuing Public Securities – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)* issued by the CSRC.
2. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then annualising the quotient.
3. Operating expenses (after deduction of taxes and surcharges) divided by operating income.
4. From 1 January 2023, the Group has implemented *IFRS 17 Insurance Contracts*. According to the standard, the Group has retroactively adjusted relevant data and indicators of the comparative period.
5. According to the *Interim Measures for the Administration of the Gold Leasing Business* issued by the PBC, the Group has adjusted the presentation of interbank gold leasing business and relevant data of the comparative period accordingly from 2023.

FINANCIAL HIGHLIGHTS

(Expressed in millions of RMB unless otherwise stated)	As at 30 June 2023	As at 31 December 2022 (Restated)	Change (%)	As at 31 December 2022 (Before restatement)	As at 31 December 2021
At the end of the period					
Total assets	38,254,706	34,600,711	10.56	34,601,917	30,253,979
Net loans and advances to customers	22,360,543	20,493,042	9.11	20,495,117	18,170,492
Total liabilities	35,298,478	31,724,467	11.27	31,723,157	27,639,857
Deposits from customers	27,628,473	25,020,807	10.42	25,020,807	22,378,814
Total equity	2,956,228	2,876,244	2.78	2,878,760	2,614,122
Total equity attributable to equity shareholders of the Bank	2,935,258	2,855,450	2.79	2,856,733	2,588,231
Share capital	250,011	250,011	–	250,011	250,011
Common Equity Tier 1 capital after regulatory adjustments ¹	2,788,059	2,706,459	3.02	2,706,459	2,475,462
Additional Tier 1 capital after regulatory adjustments ¹	140,081	140,074	–	140,074	100,066
Tier 2 capital after regulatory adjustments ¹	877,171	793,905	10.49	793,905	676,754
Total capital after regulatory adjustments ¹	3,805,311	3,640,438	4.53	3,640,438	3,252,282
Risk-weighted assets ¹	21,874,906	19,767,834	10.66	19,767,834	18,215,893
Per share (In RMB)					
Net assets per share attributable to ordinary shareholders of the Bank	11.18	10.86	2.95	10.87	9.95
Capital adequacy indicators (%)					
			Change +/-		
Common Equity Tier 1 ratio ¹	12.75	13.69	(0.94)	13.69	13.59
Tier 1 ratio ¹	13.39	14.40	(1.01)	14.40	14.14
Total capital ratio ¹	17.40	18.42	(1.02)	18.42	17.85
Total equity to total assets	7.73	8.31	(0.58)	8.32	8.64
Asset quality indicators (%)					
			Change +/-		
Non-performing loan (NPL) ratio	1.37	1.38	(0.01)	1.38	1.42
Allowances to NPLs ²	244.48	241.53	2.95	241.53	239.96
Allowances to total loans ²	3.35	3.34	0.01	3.34	3.40

1. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.
2. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income. Total loans and NPLs do not include the accrued interest.



CORPORATE INFORMATION

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as “中國建設銀行”)
Legal name and abbreviation in English	CHINA CONSTRUCTION BANK CORPORATION (abbreviated as “CCB”)
Legal representative	Tian Guoli
Authorised representatives	Zhang Jinliang Qiu Jicheng
Secretary to the Board	Hu Changmiao
Contact address	No. 25, Financial Street, Xicheng District, Beijing
Joint company secretaries	Qiu Jicheng and Chiu Ming King
Principal place of business in Hong Kong	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Registered address and office address	No. 25, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: 86-10-67597114
Websites	www.ccb.cn www.ccb.com
Hotline for customer service and complaints	95533
Contact information for investors	Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email: ir@ccb.com
Media and websites for information disclosure	<i>China Securities Journal</i> , www.cs.com.cn <i>Shanghai Securities News</i> , www.cnstock.com <i>Securities Times</i> , www.stcn.com <i>Securities Daily</i> , www.zqrb.cn
Website of the Shanghai Stock Exchange for publishing the half-year report prepared in accordance with PRC GAAP	www.sse.com.cn
“HKEXnews” website of Hong Kong Exchanges and Clearing Limited for publishing the half-year report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this half-year report are kept	Board of Directors Office of the Bank



CORPORATE INFORMATION

Listing stock exchanges, stock abbreviations and stock codes	<p>A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939</p> <p>H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939</p> <p>Domestic preference share: Shanghai Stock Exchange Stock abbreviation: 建行優1 Stock code: 360030</p>
Certified public accountants	<p>Ernst & Young Hua Ming LLP Address: 17/F, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Avenue, Dongcheng District, Beijing Signing accountants: Jiang Changzheng, Gu Jun and Li Linlin Ernst & Young Address: 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong</p>
Legal advisor as to PRC laws	<p>Commerce & Finance Law Offices Address: 12-14/F, China World Office 2, No.1 Jianguomenwai Avenue, Beijing</p>
Legal advisor as to Hong Kong laws	<p>Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong</p>
A-share registrar	<p>China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai</p>
H-share registrar	<p>Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong</p>
Rating information	<p>Standard & Poor's: long-term "A"/short-term "A-1"/stable outlook Moody's: long-term "A1"/short-term "P-1"/stable outlook Fitch: long-term "A"/short-term "F1+"/stable outlook ESG rating of MSCI: A</p>



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In the first half of 2023, the global economy faced mounting downside risks from high inflation, high interest rates, and geopolitical conflicts, and the international financial markets became more vulnerable due to slower overall economic growth in Europe and the US and increased overseas bank failures. China's economy was on track to recovery with fairly steady production demand and overall stable employment and consumer price. In the first half of 2023, China's GDP increased by 5.5% year-on-year, while CPI increased by 0.7% year-on-year.

Domestic financial supervision focused on pursuing reforms, improving weak areas, promoting development, benefiting people's livelihood and preventing risks, and comprehensively promoted the implementation of the Three Major Tasks of serving the real economy, preventing and controlling financial risks and deepening financial reform. The former CBIRC and the PBC issued the *Rules on Risk Classification of Financial Assets of Commercial Banks* and the *Capital Rules for Commercial Banks (Request for Comments Draft)*, encouraging banks to improve refined management of risk measurement and better serve the real economy. The banking industry strengthened risk prevention and control, and maintained steady operation as a whole. At the end of June, total assets of banking institutions were RMB406.2 trillion, an increase of 10.4% over the same period last year. NPL ratio of commercial bank industry was 1.62%, and major regulatory risk indicators were controlled within a reasonable range; allowances to NPLs was 206.1%, remaining at a high level; risk mitigation capability was sufficient with total capital ratio of 14.66%.

In the first half of 2023, the Group enhanced the quality and efficiency in serving the real economy, and made new progress in its high-quality development. Assets and liabilities both achieved relatively fast growth. Total assets reached RMB38.25 trillion, an increase of 10.56%. Net loans and advances to customers were RMB22.36 trillion, an increase of 9.11%. Total liabilities amounted to RMB35.30 trillion, an increase of 11.27%. Deposits from customers totalled RMB27.63 trillion, an increase of 10.42%. The Group maintained leading operating efficiency in the industry. It achieved a net profit of RMB167,295 million, an increase of 3.12%, and net interest income of RMB312,185 million. Net interest margin was 1.79%, annualised return on average assets was 0.92%, annualised return on average equity was 11.95%, and total capital ratio was 17.40%. Asset quality was stable on the whole. The Group's NPL ratio was 1.37%, remaining stable with a slight dip; allowances to NPLs was 244.48%, representing good risk mitigation capability.

Statement of Comprehensive Income Analysis

In the first half of 2023, the Group achieved steady growth in profitability. Profit before tax of the Group was RMB197,264 million, an increase of 2.27% over the same period last year. Net profit was RMB167,295 million, an increase of 3.12% over the same period last year. Key factors affecting the Group's profitability are as follows: Net interest income decreased by RMB5,484 million, or 1.73% from the same period last year, due to factors such as the Bank's continuous efforts in surrendering profits to support the real economy and the overall downward trend of market interest rates. Net fee and commission income increased by RMB354 million, or 0.50% over the same period last year, as the Group seized market opportunities and enhanced its comprehensive customer service capabilities. Operating expenses increased by 2.07% over the same period last year as the Group continued to improve total cost management and optimise expenditure structure, and actively supported New Finance initiatives and strategy implementation. Cost-to-income ratio was 23.72%, staying at a sound level. Provision for losses of assets such as loans and advances to customers was made mainly based on substantive risk judgement, with total impairment losses of RMB95,368 million, a decrease of 7.75% from the same period last year.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

(In millions of RMB, except percentages)	Six months ended 30 June 2023	Six months ended 30 June 2022	Change (%)
Net interest income	312,185	317,669	(1.73)
Net non-interest income	75,970	72,208	5.21
– Net fee and commission income	70,601	70,247	0.50
Operating income	388,155	389,877	(0.44)
Operating expenses	(95,987)	(94,036)	2.07
Credit impairment losses	(95,414)	(103,294)	(7.63)
Other impairment losses	46	(81)	(156.79)
Share of profits of associates and joint ventures	464	418	11.00
Profit before tax	197,264	192,884	2.27
Income tax expense	(29,969)	(30,650)	(2.22)
Net profit	167,295	162,234	3.12

MANAGEMENT DISCUSSION AND ANALYSIS

Net interest income

In the first half of 2023, the Group's net interest income amounted to RMB312,185 million, a decrease of RMB5,484 million, or 1.73% from the same period last year. The net interest income accounted for 80.43% of the operating income.

The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and annualised average yields or costs during the respective periods.

(In millions of RMB, except percentages)	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Average balance	Interest income/expense	Annualised average yield/cost (%)	Average balance	Interest income/expense	Annualised average yield/cost (%)
Assets						
Gross loans and advances to customers	22,436,735	435,577	3.94	19,692,211	412,987	4.23
Financial investments	8,208,452	135,769	3.34	7,269,928	122,282	3.39
Deposits with central banks	2,749,571	22,554	1.65	2,493,993	18,267	1.48
Deposits and placements with banks and non-bank financial institutions	853,686	12,528	2.96	471,015	4,986	2.13
Financial assets held under resale agreements	1,104,376	10,325	1.89	724,715	6,795	1.89
Total interest-earning assets	35,352,820	616,753	3.53	30,651,862	565,317	3.72
Total allowances for impairment losses	(757,646)			(688,612)		
Non-interest-earning assets	2,003,947			1,938,439		
Total assets	36,599,121	616,753		31,901,689	565,317	
Liabilities						
Deposits from customers	26,030,664	228,496	1.77	22,709,815	193,193	1.72
Deposits and placements from banks and non-bank financial institutions	3,214,655	37,681	2.36	2,546,707	23,669	1.87
Debt securities issued	1,679,280	26,058	3.13	1,389,857	20,254	2.94
Borrowings from central banks	809,741	10,928	2.72	705,990	9,902	2.83
Financial assets sold under repurchase agreements	92,503	1,405	3.06	49,119	630	2.59
Total interest-bearing liabilities	31,826,843	304,568	1.93	27,401,488	247,648	1.82
Non-interest-bearing liabilities	1,840,228			1,782,279		
Total liabilities	33,667,071	304,568		29,183,767	247,648	
Net interest income		312,185			317,669	
Net interest spread			1.60			1.90
Net interest margin			1.79			2.09

In the first half of 2023, the Group dynamically grasped the pulse of the market, further consolidated and improved its external operating capability and internal management standard, and reasonably adjusted asset and liability structure across the bank, to provide strong support for the high-quality development of the real economy. Loan yield declined due to factors such as a lower loan prime rate (LPR). The yield of bond investments fell due to the overall downward trend of market interest rates. Deposit cost rose from the same period last year driven by factors such as intensified market competition and structural changes. As a result, net interest spread was 1.60%, and net interest margin was 1.79%, both down 30 basis points from the same period last year.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the effects of the movement of average balances and average interest rates of the Group's assets and liabilities on the change in interest income and expense in the first half of 2023 as compared with the same period last year.

(In millions of RMB)	Volume factor ¹	Interest rate factor ¹	Change in interest income/expense
Assets			
Gross loans and advances to customers	53,105	(30,515)	22,590
Financial investments	15,340	(1,853)	13,487
Deposits with central banks	2,021	2,266	4,287
Deposits and placements with banks and non-bank financial institutions	5,097	2,445	7,542
Financial assets held under resale agreements	3,530	-	3,530
Change in interest income	79,093	(27,657)	51,436
Liabilities			
Deposits from customers	29,449	5,854	35,303
Deposits and placements from banks and non-bank financial institutions	7,009	7,003	14,012
Debt securities issued	4,429	1,375	5,804
Borrowings from central banks	1,420	(394)	1,026
Financial assets sold under repurchase agreements	643	132	775
Change in interest expense	42,950	13,970	56,920
Change in net interest income	36,143	(41,627)	(5,484)

1. Changes caused by both average balances and average interest rates were allocated to the volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

Net interest income decreased by RMB5,484 million from the same period last year. Specifically, an increase of RMB36,143 million was due to the movement of average balances of assets and liabilities, and a decrease of RMB41,627 million was due to the movement of average yields and costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest income

In the first half of 2023, the Group achieved interest income of RMB616,753 million, an increase of RMB51,436 million or 9.10% over the same period last year. Specifically, interest income from loans and advances to customers, interest income from financial investments, interest income from deposits with central banks, interest income from deposits and placements with banks and non-bank financial institutions, and interest income from financial assets held under resale agreements accounted for 70.63%, 22.01%, 3.66%, 2.03% and 1.67%, respectively.

The following table sets forth the average balance, interest income and annualised average yield of each component of the Group's loans and advances to customers during the respective periods.

(In millions of RMB, except percentages)	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans and advances	12,293,986	215,174	3.56	10,106,058	198,692	3.96
Short-term loans	3,440,181	52,778	3.12	2,891,846	50,214	3.50
Medium to long-term loans	8,853,805	162,396	3.73	7,214,212	148,478	4.15
Personal loans and advances	8,290,477	188,124	4.59	7,977,788	193,289	4.89
Discounted bills	856,436	5,952	1.40	528,718	4,348	1.66
Overseas operations and subsidiaries	995,836	26,327	5.33	1,079,647	16,658	3.11
Gross loans and advances to customers	22,436,735	435,577	3.94	19,692,211	412,987	4.23

Interest income from loans and advances to customers amounted to RMB435,577 million, an increase of RMB22,590 million or 5.47% over the same period last year, mainly because the Group continuously enhanced efforts in supporting the real economy, and the average balance of loans and advances to customers increased by 13.94% over the same period last year, offsetting the effect of 29 basis points drop in the annualised average yield from the same period last year.

Interest income from financial investments amounted to RMB135,769 million, an increase of RMB13,487 million or 11.03% over the same period last year, mainly because the average balance of financial investments increased by 12.91% over the same period last year.

Interest income from deposits with central banks amounted to RMB22,554 million, an increase of RMB4,287 million or 23.47% over the same period last year, mainly because the annualised average yield of deposits with central banks rose by 17 basis points and the average balance increased by 10.25% over the same period last year.

Interest income from deposits and placements with banks and non-bank financial institutions amounted to RMB12,528 million, an increase of RMB7,542 million or 151.26% over the same period last year, mainly because the average balance of deposits and placements with banks and non-bank financial institutions increased by 81.24% and the annualised average yield rose by 83 basis points over the same period last year.

Interest income from financial assets held under resale agreements amounted to RMB10,325 million, an increase of RMB3,530 million or 51.95% over the same period last year, mainly because the average balance of financial assets held under resale agreements increased by 52.39% over the same period last year.



MANAGEMENT DISCUSSION AND ANALYSIS

Interest expense

In the first half of 2023, the Group's interest expense was RMB304,568 million, an increase of RMB56,920 million or 22.98% over the same period last year. Specifically, interest expense on deposits from customers accounted for 75.02%, interest expense on deposits and placements from banks and non-bank financial institutions accounted for 12.37%, interest expense on debt securities issued accounted for 8.56%, interest expense on borrowings from central banks accounted for 3.59%, and interest expense on financial assets sold under repurchase agreements accounted for 0.46%.

The following table sets forth the average balance, interest expense and annualised average cost of each component of the Group's deposits from customers during the respective periods.

(In millions of RMB, except percentages)	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Average balance	Interest expense	Annualised average cost (%)	Average balance	Interest expense	Annualised average cost (%)
Corporate deposits	11,614,180	99,317	1.72	10,515,235	82,345	1.58
Demand deposits	6,520,749	30,778	0.95	6,390,462	29,058	0.92
Time deposits	5,093,431	68,539	2.71	4,124,773	53,287	2.61
Personal deposits	13,897,016	121,624	1.76	11,783,058	108,695	1.86
Demand deposits	5,330,391	6,584	0.25	4,869,304	7,625	0.32
Time deposits	8,566,625	115,040	2.71	6,913,754	101,070	2.95
Overseas operations and subsidiaries	519,468	7,555	2.93	411,522	2,153	1.06
Total deposits from customers	26,030,664	228,496	1.77	22,709,815	193,193	1.72

Interest expense on deposits from customers amounted to RMB228,496 million, an increase of RMB35,303 million or 18.27% over the same period last year, mainly because deposits from customers maintained steady and balanced growth, the average balance of deposits from customers increased by 14.62%, and the annualised average cost rose by five basis points over the same period last year.

Interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB37,681 million, an increase of RMB14,012 million or 59.20% over the same period last year, mainly because the average balance of deposits and placements from banks and non-bank financial institutions increased by 26.23% over the same period last year, and the annualised average cost of placements from banks and non-bank financial institutions rose by 49 basis points over the same period last year driven by higher cost of overseas placements in the wake of interest rate hikes.

Interest expense on debt securities issued amounted to RMB26,058 million, an increase of RMB5,804 million or 28.66% over the same period last year, mainly because the average balance of debt securities issued increased by 20.82% and the annualised average cost rose by 19 basis points over the same period last year.

Interest expense on borrowings from central banks amounted to RMB10,928 million, an increase of RMB1,026 million or 10.36% over the same period last year, mainly because the average balance of borrowings from central banks increased by 14.70% over the same period last year, offsetting the effect of 11 basis points drop in the annualised average cost from the same period last year.

Interest expense on financial assets sold under repurchase agreements amounted to RMB1,405 million, an increase of RMB775 million or 123.02% over the same period last year, mainly because the average balance of financial assets sold under repurchase agreements increased by 88.32% and the annualised average cost rose by 47 basis points over the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Net non-interest income

The following table sets forth the composition and change of the Group's net non-interest income during the respective periods.

(In millions of RMB, except percentages)	Six months ended 30 June 2023	Six months ended 30 June 2022	Change (%)
Fee and commission income	77,474	77,139	0.43
Fee and commission expense	(6,873)	(6,892)	(0.28)
Net fee and commission income	70,601	70,247	0.50
Other net non-interest income	5,369	1,961	173.79
Total net non-interest income	75,970	72,208	5.21

In the first half of 2023, the Group's net non-interest income was RMB75,970 million, an increase of RMB3,762 million or 5.21% over the same period last year. Net non-interest income accounted for 19.57% of operating income.

Net fee and commission income

The following table sets forth the composition and change of the Group's net fee and commission income during the respective periods.

(In millions of RMB, except percentages)	Six months ended 30 June 2023	Six months ended 30 June 2022	Change (%)
Fee and commission income	77,474	77,139	0.43
Settlement and clearing fees	20,685	20,018	3.33
Agency service fees	13,549	12,954	4.59
Commission on trust and fiduciary activities	11,872	11,274	5.30
Bank card fees	10,285	8,512	20.83
Consultancy and advisory fees	8,675	7,876	10.14
Income from asset management business	5,837	9,166	(36.32)
Others	6,571	7,339	(10.46)
Fee and commission expense	(6,873)	(6,892)	(0.28)
Net fee and commission income	70,601	70,247	0.50

In the first half of 2023, net fee and commission income of the Group amounted to RMB70,601 million, an increase of RMB354 million or 0.50% over the same period last year. The ratio of net fee and commission income to operating income was 18.19%, up 0.17 percentage points over the same period last year.

Specifically, settlement and clearing service fees totalled RMB20,685 million, an increase of RMB667 million or 3.33% from the same period last year, mainly due to the rapid growth of electronic banking service fees. Agency service fees totalled RMB13,549 million, an increase of RMB595 million or 4.59% from the same period of last year, mainly due to the rapid growth of agency insurance service fees driven by optimised customer asset allocation and increased regular premium payment insurance. Commission on trust and fiduciary activities totalled RMB11,872 million, an increase of RMB598 million or 5.30% from the same period last year. Custody services accelerated product innovation and business expansion in key areas, and achieved a slight increase in service fees driven by growth of business scale. Meanwhile, the Bank improved high-quality customer marketing and services in the field of housing funds, and actively improved the quality and efficiency of businesses such as housing provident fund contributions and entrusted loans. Bank card fees totalled RMB10,285 million, an increase of RMB1,773 million or 20.83% from the same period last year, mainly due to the rapid growth of fees from credit cards driven by the Bank's increased efforts in brand marketing, creation of consumption ecological scenarios and consumer base expansion, as well as the enhanced quality and efficiency of operations driven by the optimised merchant structure. Consultancy and advisory fee income totalled RMB8,675 million, an increase of RMB799 million or 10.14% from the same period last year, mainly because the income from businesses such as financial advisory and cost consulting services grew as the Group expanded customer base, deepened digital empowerment, and seized market opportunities such as project construction. Income from asset management business was RMB5,837 million, a decrease of RMB3,329 million or 36.32% from the same period last year, mainly because income from wealth management and trust products decreased as a result of lower business volume. Other fee and commission income was RMB6,571 million, a decrease of RMB768 million, or 10.46% from the same period last year.



MANAGEMENT DISCUSSION AND ANALYSIS

Other net non-interest income

The following table sets forth the composition and change of the Group's other net non-interest income during the respective periods.

(In millions of RMB, except percentages)	Six months ended 30 June 2023	Six months ended 30 June 2022	Change (%)
Net trading gain	3,766	2,274	65.61
Dividend income	3,568	3,509	1.68
Net gain/(loss) arising from investment securities	542	(4,046)	N/A
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(44)	34	(229.41)
Other net operating (expense)/income	(2,463)	190	(1,396.32)
Total other net non-interest income	5,369	1,961	173.79

Other net non-interest income of the Group was RMB5,369 million, an increase of RMB3,408 million, or 173.79% over the same period last year. Specifically, net trading gain was RMB3,766 million, an increase of RMB1,492 million over the same period last year, mainly due to the year-on-year increase in investment valuation and trading gain of certain financial assets as affected by market movements. Dividend income was RMB3,568 million, an increase of RMB59 million over the same period last year. Net gain arising from investment securities was RMB542 million, a substantial increase over the same period last year, mainly due to the year-on-year increase in gains on revaluation and disposal of shares held through debt-equity swap, equity investments and certain bond investments measured at fair value through profit or loss amid fluctuations in the stock market and bond market. Net loss on derecognition of financial assets measured at amortised cost was RMB44 million. Other net operating expense was RMB2,463 million, mainly due to the year-on-year decrease in net income from subsidiaries' insurance business.

Operating expenses

The following table sets forth the composition of the Group's operating expenses during respective periods.

(In millions of RMB, except percentages)	Six months ended 30 June 2023	Six months ended 30 June 2022	Change (%)
Staff costs	56,225	53,779	4.55
Premises and equipment expenses	15,251	16,942	(9.98)
Taxes and surcharges	3,933	3,677	6.96
Others	20,578	19,638	4.79
Total operating expenses	95,987	94,036	2.07
Cost-to-income ratio (%)	23.72	23.18	0.54

In the first half of 2023, the Group continuously strengthened cost management and optimised its expense structure. Cost-to-income ratio reached 23.72%, up 0.54 percentage points over the same period last year, continuously staying at a sound level. Operating expenses were RMB95,987 million, an increase of RMB1,951 million or 2.07% over the same period last year. Specifically, staff costs were RMB56,225 million, an increase of RMB2,446 million or 4.55% over the same period last year, mainly due to the increase in related expenses driven by the Group's continuous increasing efforts in frontline employee care; premises and equipment expenses were RMB15,251 million, a decrease of RMB1,691 million or 9.98% from the same period last year, mainly due to the decrease in depreciation charges and general expenses driven by the reinforced total cost management and intensive asset management; taxes and surcharges were RMB3,933 million, an increase of RMB256 million or 6.96% over the same period last year; other operating expenses were RMB20,578 million, an increase of RMB940 million or 4.79% over the same period last year, mainly due to the increased support in New Finance initiatives, strategy implementation and business marketing.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment losses

The following table sets forth the composition of the Group's impairment losses during respective periods.

(In millions of RMB, except percentages)	Six months ended 30 June 2023	Six months ended 30 June 2022	Change (%)
Loans and advances to customers	91,592	92,792	(1.29)
Financial investments	63	6,599	(99.05)
Financial assets measured at amortised cost	(802)	5,922	(113.54)
Financial assets measured at fair value through other comprehensive income	865	677	27.77
Others	3,713	3,984	(6.80)
Total impairment losses	95,368	103,375	(7.75)

In the first half of 2023, the Group's impairment losses were RMB95,368 million, a decrease of RMB8,007 million or 7.75% from the same period last year. This was mainly because impairment losses on financial investments decreased by RMB6,536 million, mainly driven by the improvement in macroeconomic prospect compared with the same period last year. Specifically, impairment losses on financial assets measured at amortised cost decreased by RMB6,724 million from the same period last year. Impairment losses on financial assets measured at fair value through other comprehensive income increased by RMB188 million over the same period last year. Impairment losses on loans and advances to customers decreased by RMB1,200 million from the same period last year, and other impairment losses decreased by RMB271 million from the same period last year.

Income tax expense

In the first half of 2023, the Group's income tax expense was RMB29,969 million, a decrease of RMB681 million from the same period last year. The effective income tax rate was 15.19%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysed by geographical segment

The following table sets forth the distribution of the Group's operating income by geographical segment as at the dates indicated.

(In millions of RMB, except percentages)	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Amount	% of total	Amount	% of total
Yangtze River Delta	67,382	17.36	64,272	16.49
Pearl River Delta	62,842	16.19	64,375	16.51
Bohai Rim	62,348	16.06	60,988	15.64
Central	68,273	17.59	64,427	16.53
Western	66,913	17.24	63,974	16.41
Northeastern	16,342	4.21	15,611	4.00
Head Office	34,011	8.76	49,077	12.59
Overseas	10,044	2.59	7,153	1.83
Operating income	388,155	100.00	389,877	100.00

The following table sets forth the distribution of the Group's profit before tax by geographical segment as at the dates indicated.

(In millions of RMB, except percentages)	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Amount	% of total	Amount	% of total
Yangtze River Delta	37,016	18.76	33,577	17.41
Pearl River Delta	33,380	16.92	40,136	20.81
Bohai Rim	34,492	17.48	25,705	13.33
Central	38,310	19.42	35,335	18.32
Western	33,175	16.82	30,682	15.91
Northeastern	8,022	4.07	2,865	1.48
Head Office	7,706	3.91	23,807	12.34
Overseas	5,163	2.62	777	0.40
Profit before tax	197,264	100.00	192,884	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Financial Position Analysis

Assets

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

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Loans and advances to customers	22,360,543	58.45	20,493,042	59.23
Loans and advances to customers measured at amortised cost	22,302,101	58.30	20,099,484	58.09
Allowances for impairment losses on loans	(771,712)	(2.02)	(704,088)	(2.03)
Book values of loans and advances to customers at fair value through other comprehensive income	776,016	2.03	1,048,651	3.03
Accrued interest	54,138	0.14	48,995	0.14
Financial investments	9,255,528	24.20	8,542,312	24.69
Cash and deposits with central banks	3,431,782	8.97	3,159,296	9.13
Deposits and placements with banks and non-bank financial institutions	892,641	2.33	695,209	2.01
Financial assets held under resale agreements	1,411,258	3.69	1,040,847	3.01
Others¹	902,954	2.36	670,005	1.93
Total assets	38,254,706	100.00	34,600,711	100.00

1. These comprise precious metals, positive fair value of derivatives, long-term equity investments, fixed assets, construction in progress, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

At the end of June, the Group's total assets reached RMB38.25 trillion, an increase of RMB3.65 trillion or 10.56% over the end of last year. Loans and advances to customers increased by RMB1.87 trillion or 9.11% over the end of last year as the Group actively promoted high-quality development of the real economy, and increased credit supply to areas such as inclusive finance, advanced manufacturing, strategic emerging industries, and green finance. The Group supported the implementation of proactive fiscal policies, and increased purchase of government bonds such as treasury bonds and local government bonds and investment in green bonds. Financial investments increased by RMB713,216 million or 8.35% over the end of last year. Cash and deposits with central banks increased by RMB272,486 million or 8.62% over the end of last year. Deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements increased by RMB197,432 million and RMB370,411 million, or 28.40% and 35.59%, respectively, over the end of last year driven by the relatively ample short-term funds. In the Group's total assets, the proportion of net loans and advances to customers decreased by 0.78 percentage points to 58.45%, that of financial investments decreased by 0.49 percentage points to 24.20%, that of cash and deposits with central banks decreased by 0.16 percentage points to 8.97%, that of deposits and placements with banks and non-bank financial institutions increased by 0.32 percentage points to 2.33%, and that of financial assets held under resale agreements increased by 0.68 percentage points to 3.69%.



MANAGEMENT DISCUSSION AND ANALYSIS

Loans and advances to customers

At the end of June, the Group's gross loans and advances to customers stood at RMB23.13 trillion, an increase of RMB1.94 trillion or 9.13% over the end of last year, mainly due to the increase in domestic loans. Specifically, the Group's corporate loans and advances totalled RMB13.78 trillion, personal loans and advances totalled RMB8.53 trillion, and discounted bills amounted to RMB776,016 million, with a proportion in gross loans and advances excluding accrued interest reaching 59.70%, 36.94% and 3.36%, respectively. For further details, please refer to Note "Risk management – Credit risk" to the financial statements.

The following table sets forth the composition of the Group's gross loans and advances to customers as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Domestic loans and advances of the Bank	22,191,173	95.93	20,305,569	95.80
Corporate loans and advances	12,984,030	56.13	11,020,150	51.99
Short-term loans	3,695,394	15.98	2,927,713	13.81
Medium to long-term loans	9,288,636	40.15	8,092,437	38.18
Personal loans and advances	8,431,127	36.45	8,236,768	38.86
Residential mortgages	6,406,705	27.70	6,479,609	30.57
Credit card loans	939,596	4.06	924,873	4.37
Personal consumer loans	368,802	1.60	295,443	1.39
Personal business loans ¹	608,865	2.63	415,344	1.96
Other loans ²	107,159	0.46	121,499	0.57
Discounted bills	776,016	3.35	1,048,651	4.95
Overseas operations and subsidiaries	886,944	3.84	842,566	3.97
Accrued interest	54,138	0.23	48,995	0.23
Gross loans and advances to customers	23,132,255	100.00	21,197,130	100.00

1. These mainly include personal loans for production and operation and online business loans.

2. These mainly include personal commercial property mortgage loans and home equity loans.

Domestic corporate loans and advances of the Bank reached RMB12.98 trillion, an increase of RMB1.96 trillion or 17.82% over the end of last year, mainly extended to sectors such as infrastructure, manufacturing, and wholesale and retail trade. Short-term and medium to long-term loans were RMB3.70 trillion and RMB9.29 trillion, respectively.

Domestic personal loans and advances of the Bank reached RMB8.43 trillion, an increase of RMB194,359 million or 2.36% over the end of last year. Specifically, residential mortgages were RMB6.41 trillion, a decrease of RMB72,904 million or 1.13% from the end of last year, mainly because the increase in residential mortgage prepayments offset the effect of the increase in lending; credit card loans amounted to RMB939,596 million, an increase of RMB14,723 million or 1.59% over the end of last year; personal consumer loans amounted to RMB368,802 million, an increase of RMB73,359 million or 24.83% over the end of last year; personal business loans amounted to RMB608,865 million, an increase of RMB193,521 million or 46.59% over the end of last year.

Discounted bills amounted to RMB776,016 million, a decrease of RMB272,635 million from the end of last year.

Loans and advances made by overseas operations and subsidiaries were RMB886,944 million, an increase of RMB44,378 million or 5.27% over the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution of loans and advances by geographical segment

The following table sets forth the distribution of loans and advances by geographical segment as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Yangtze River Delta	4,530,303	19.59	4,059,468	19.15
Pearl River Delta	3,886,441	16.80	3,534,462	16.68
Bohai Rim	3,911,692	16.91	3,578,965	16.88
Central	3,817,791	16.51	3,502,347	16.52
Western	4,268,015	18.45	3,925,921	18.52
Northeastern	949,054	4.10	898,474	4.24
Head Office	967,188	4.18	942,131	4.45
Overseas	747,633	3.23	706,367	3.33
Accrued interest	54,138	0.23	48,995	0.23
Gross loans and advances to customers	23,132,255	100.00	21,197,130	100.00

Distribution of loans by type of collateral

The following table sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Unsecured loans	9,289,723	40.16	8,053,048	37.99
Guaranteed loans	2,979,757	12.88	2,584,435	12.19
Loans secured by property and other immovable assets	9,139,793	39.51	8,972,422	42.33
Other pledged loans	1,668,844	7.22	1,538,230	7.26
Accrued interest	54,138	0.23	48,995	0.23
Gross loans and advances to customers	23,132,255	100.00	21,197,130	100.00



MANAGEMENT DISCUSSION AND ANALYSIS

Allowances for impairment losses on loans and advances to customers

(In millions of RMB)	Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	339,557	176,141	188,390	704,088
Transfers:				
Transfers in/(out) to Stage 1	12,077	(11,410)	(667)	–
Transfers in/(out) to Stage 2	(7,947)	13,039	(5,092)	–
Transfers in/(out) to Stage 3	(1,980)	(16,904)	18,884	–
Newly originated or purchased financial assets	119,040	–	–	119,040
Transfer out/repayment	(74,849)	(16,467)	(20,316)	(111,632)
Remeasurements	(7,171)	53,274	29,437	75,540
Write-offs	–	–	(23,502)	(23,502)
Recoveries of loans and advances written off	–	–	8,178	8,178
As at 30 June 2023	378,727	197,673	195,312	771,712

The Group made provisions for impairment losses on loans in line with factors such as macro-economy and credit asset quality as required by the new financial instruments standard. At the end of June, allowances for impairment losses on loans and advances measured at amortised cost were RMB771,712 million. In addition, allowances for impairment losses on discounted bills at fair value through other comprehensive income were RMB2,408 million. The Group's allowances to NPLs and allowances to total loans were 244.48% and 3.35%, respectively.

The Group adopts a “three-stage” model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses (ECL). For Stage 1, financial instruments with no significant increase in credit risk since initial recognition, impairment losses are measured as ECL for the next 12 months. For Stage 2, financial instruments with a significant increase in credit risk since initial recognition, but not yet credit impaired impairment losses are measured as lifetime ECL. For Stage 3, financial instruments that are credit impaired on the balance sheet date, impairment losses are measured as lifetime ECL. The Group adhered to substantive risk judgement and sufficiently considered all reasonable and supportable information when assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, including but not limited to: internal credit rating of the borrower; information such as business risk classification, overdue status, and contract terms; information on changes in the credit strategy or credit risk management methods towards the borrower; information such as the borrower's credit information, external ratings, changes in debt and equity prices, credit default swap prices, credit spreads, and public opinion; business and financial information of the borrower, its shareholders, and affiliated enterprises; and the macro economy, industry development, technological innovation, climate change, natural disasters, socio-economic and financial policies, government support or relief measures that may have a potential impact on the borrower's repayment capacity. The measurement of ECL requires consideration of forward-looking information. The Group developed specific scenarios for ECL measurement by reference to forecast of authoritative institutions at home and abroad and leveraging the capability of internal experts. The Group calculated ECL as weighted average of the products of probability of defaults (PD), loss given defaults (LGD) and exposure at default (EAD) under the optimistic, baseline and pessimistic scenarios, having considered the discount factor. Please refer to Note “Loans and advances to customers” to the financial statements for details of allowances for impairment losses on loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial investments

The following table sets forth the composition of the Group's financial investments by measurement as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Financial assets measured at fair value through profit or loss	567,261	6.13	568,097	6.65
Financial assets measured at amortised cost	6,395,058	69.09	5,958,397	69.75
Financial assets measured at fair value through other comprehensive income	2,293,209	24.78	2,015,818	23.60
Total financial investments	9,255,528	100.00	8,542,312	100.00

For further details on financial instruments measured at fair value, please refer to Note "Risk management – Fair value of financial instruments" to the financial statements.

The following table sets forth the composition of the Group's financial investments by nature as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Debt securities ¹	9,024,328	97.50	8,306,800	97.24
Equity instruments and funds	231,200	2.50	235,512	2.76
Total financial investments	9,255,528	100.00	8,542,312	100.00

1. These include credit investments.

At the end of June, the Group's financial investments totalled RMB9.26 trillion, an increase of RMB713,216 million or 8.35% over the end of last year. Specifically, debt securities investments increased by RMB717,528 million or 8.64% over the end of last year, and accounted for 97.50% of total financial investments, up 0.26 percentage points over the end of last year; equity instruments and funds decreased by RMB4,312 million from the end of last year, and accounted for 2.50% of total financial investments, down 0.26 percentage points from the end of last year.

Debt securities

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
RMB	8,671,481	96.09	8,019,441	96.54
USD	214,498	2.38	171,897	2.07
HKD	44,343	0.49	46,104	0.56
Other foreign currencies	94,006	1.04	69,358	0.83
Total debt securities	9,024,328	100.00	8,306,800	100.00

At the end of June, total investments in RMB denominated debt securities were RMB8.67 trillion, an increase of RMB652,040 million or 8.13% over the end of last year. Total investments in foreign currency denominated debt securities were RMB352,847 million, an increase of RMB65,488 million or 22.79% over the end of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Government	7,101,995	78.70	6,525,229	78.55
Central banks	46,308	0.51	47,370	0.57
Policy banks	838,757	9.29	820,233	9.87
Banks and non-bank financial institutions	635,843	7.05	493,812	5.95
Enterprises	401,425	4.45	420,156	5.06
Total debt securities	9,024,328	100.00	8,306,800	100.00

At the end of June, government bonds held by the Group amounted to RMB7.10 trillion, an increase of RMB576,766 million or 8.84% over the end of last year. Central bank bonds amounted to RMB46,308 million, a decrease of RMB1,062 million or 2.24% from the end of last year. Financial debt securities amounted to RMB1.47 trillion, an increase of RMB160,555 million or 12.22% over the end of last year. Specifically, bonds amounting to RMB838,757 million were issued by policy banks, and bonds amounting to RMB635,843 million were issued by banks and non-bank financial institutions, up 2.26% and 28.76%, respectively.

The following table sets forth the top ten financial debt securities held by the Group by par value at the end of the reporting period.

(In millions of RMB, except percentages)	Par value	Annual interest rate (%)	Maturity date	Allowances for impairment losses ¹
Policy bank bond issued in 2019	17,440	3.75	2029-01-25	-
Policy bank bond issued in 2020	16,400	3.74	2030-11-16	-
Policy bank bond issued in 2019	16,120	3.86	2029-05-20	-
Policy bank bond issued in 2020	15,980	3.23	2030-03-23	-
Policy bank bond issued in 2020	15,510	2.96	2030-04-17	-
Policy bank bond issued in 2021	14,270	3.52	2031-05-24	-
Policy bank bond issued in 2021	13,780	3.48	2028-02-04	-
Policy bank bond issued in 2019	13,100	3.48	2029-01-08	-
Policy bank bond issued in 2021	13,080	3.38	2031-07-16	-
Policy bank bond issued in 2020	12,960	3.34	2025-07-14	-

1. Excluding Stage 1 allowances for impairment losses made in accordance with the ECL model.

Reposessed assets

As part of its effort to recover impaired loans and advances to customers, the Group may obtain the title to the collateral, through legal actions or voluntary transfer from borrowers, as compensation for losses on loans and advances and interest receivable. At the end of June, the Group's reposessed assets were RMB1,502 million, and impairment allowances for reposessed assets were RMB908 million. Please refer to Note "Other assets" to the financial statements for details.

MANAGEMENT DISCUSSION AND ANALYSIS

Liabilities

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

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Deposits from customers	27,628,473	78.27	25,020,807	78.87
Deposits and placements from banks and non-bank financial institutions	3,746,229	10.61	2,950,031	9.30
Debt securities issued	1,798,899	5.10	1,646,870	5.19
Borrowings from central banks	892,062	2.53	774,779	2.44
Financial assets sold under repurchase agreements	155,203	0.44	242,676	0.77
Others ¹	1,077,612	3.05	1,089,304	3.43
Total liabilities	35,298,478	100.00	31,724,467	100.00

- These comprise financial liabilities measured at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, provisions, deferred tax liabilities and other liabilities.

The Group continuously expanded low-cost funds, diversified funding sources, and optimised liability structure, so as to improve its liability quality management. At the end of June, the Group's total liabilities were RMB35.30 trillion, an increase of RMB3.57 trillion or 11.27% over the end of last year. Specifically, deposits from customers were RMB27.63 trillion, an increase of RMB2.61 trillion or 10.42% over the end of last year. In light of the positive growth of settlement demand deposits such as deposits from securities and mutual funds companies, deposits and placements from banks and non-bank financial institutions amounted to RMB3.75 trillion, an increase of RMB796,198 million or 26.99% over the end of last year. Debt securities issued were RMB1.80 trillion, an increase of RMB152,029 million or 9.23% over the end of last year. Borrowings from central banks were RMB892,062 million, an increase of 15.14% over the end of last year, mainly due to the increase in the use of structured monetary policy tools such as special relending facility. In the Group's total liabilities, deposits from customers accounted for 78.27% of total liabilities, down 0.60 percentage points from the end of last year. Deposits and placements from banks and non-bank financial institutions accounted for 10.61% of total liabilities, up 1.31 percentage points over the end of last year. Debt securities issued accounted for 5.10% of total liabilities, down 0.09 percentage points from the end of last year. Borrowings from central banks accounted for 2.53% of total liabilities, up 0.09 percentage points over the end of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Corporate deposits	12,233,744	44.28	11,099,805	44.36
Demand deposits	6,962,659	25.20	6,641,755	26.54
Time deposits	5,271,085	19.08	4,458,050	17.82
Personal deposits	14,536,638	52.62	13,074,250	52.25
Demand deposits	5,544,826	20.07	5,407,599	21.61
Time deposits	8,991,812	32.55	7,666,651	30.64
Overseas operations and subsidiaries	462,587	1.67	447,188	1.79
Accrued interest	395,504	1.43	399,564	1.60
Total deposits from customers	27,628,473	100.00	25,020,807	100.00

At the end of June, domestic corporate deposits of the Bank were RMB12.23 trillion, an increase of RMB1.13 trillion or 10.22% over the end of last year, and accounted for 45.70% of domestic deposits from customers, down 0.22 percentage points; domestic personal deposits of the Bank were RMB14.54 trillion, an increase of RMB1.46 trillion or 11.19% over the end of last year, and accounted for 54.30% of domestic deposits from customers, up 0.22 percentage points. Deposits from overseas operations and subsidiaries amounted to RMB462,587 million, an increase of RMB15,399 million over the end of last year, accounting for 1.67% of total deposits from customers. With the increasing preference for time deposits, domestic demand deposits were RMB12.51 trillion, an increase of RMB458,131 million or 3.80% over the end of last year, and accounted for 46.72% of domestic deposits from customers, down 3.12 percentage points. Domestic time deposits were RMB14.26 trillion, an increase of RMB2.14 trillion or 17.64% over the end of last year, and accounted for 53.28% of domestic deposits, up 3.12 percentage points.

Distribution of deposits by geographical segment

The following table sets forth the distribution of the Group's deposits by geographical segment as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Yangtze River Delta	5,432,093	19.66	4,692,062	18.75
Pearl River Delta	4,348,922	15.74	3,909,449	15.62
Bohai Rim	4,986,710	18.05	4,546,577	18.17
Central	5,021,101	18.17	4,530,522	18.11
Western	5,243,361	18.98	4,852,032	19.39
Northeastern	1,751,221	6.34	1,651,621	6.60
Head Office	16,276	0.06	19,399	0.08
Overseas	433,285	1.57	419,581	1.68
Accrued interest	395,504	1.43	399,564	1.60
Deposits from customers	27,628,473	100.00	25,020,807	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

Total equity

The following table sets forth the Group's total equity and its composition as at the dates indicated.

(In millions of RMB)	As at 30 June 2023	As at 31 December 2022
Share capital	250,011	250,011
Other equity instruments	139,968	139,968
– preference shares	59,977	59,977
– perpetual bond	79,991	79,991
Capital reserve	135,653	135,653
Other comprehensive income	27,121	17,403
Surplus reserve	337,527	337,527
General reserve	445,105	444,786
Retained earnings	1,599,873	1,530,102
Total equity attributable to equity shareholders of the Bank	2,935,258	2,855,450
Non-controlling interests	20,970	20,794
Total equity	2,956,228	2,876,244

At the end of June, the Group's total equity was RMB2.96 trillion, an increase of RMB79,984 million or 2.78% over the end of last year, primarily driven by the increase of RMB69,771 million in retained earnings. As the growth rate of total equity was slower than that of assets, the ratio of total equity to total assets for the Group was 7.73%, down 0.58 percentage points from the end of last year.

Off-balance sheet items

The Group's off-balance sheet items include agency investment and financing services, intermediary services, derivatives, commitments and contingent liabilities. Agency investment and financing services mainly include asset management products and entrusted loans. For details of entrusted loans, please refer to Note "Entrusted lending business" to the financial statements. Intermediary services mainly include assets under custody and agency services. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metals and commodity contracts. For details on the nominal amounts and fair value of derivatives, please refer to Note "Derivatives and hedge accounting" to the financial statements. Commitments and contingent liabilities mainly include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigations and disputes. Among these, credit commitments were the largest component, including undrawn loan facilities which were approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of June, the balance of credit commitments was RMB3.89 trillion, an increase of RMB207,885 million or 5.64% over the end of last year. Please refer to Note "Commitments and contingent liabilities" to the financial statements for details.

In the first half of 2023, the Group adhered to the principle of prudent operation and the bottom line of compliance development to continuously consolidate the foundation for off-balance sheet business development, and diversified related products to better meet customers' comprehensive service needs. It strengthened management of off-balance sheet business, clarified off-balance sheet business development strategies and targets, and formulated and implemented whole-process management measures covering planning, monitoring, measurement, assessment and reporting. The Group calculated regulatory capital for off-balance sheet business accurately in line with regulatory requirements. With regard to different off-balance sheet businesses, it implemented categorised management, and tilted resources towards capital-light and high-return products to continuously enhance the intensified use of capital.



MANAGEMENT DISCUSSION AND ANALYSIS

Analysed by geographical segment

The following table sets forth the distribution of the Group's assets by geographical segment as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Yangtze River Delta	6,516,122	17.03	5,921,490	17.11
Pearl River Delta	5,471,601	14.30	4,772,288	13.79
Bohai Rim	8,201,958	21.44	7,692,628	22.23
Central	5,347,731	13.98	4,884,770	14.12
Western	5,575,996	14.58	5,174,224	14.95
Northeastern	1,836,815	4.80	1,716,962	4.96
Head Office	13,782,672	36.03	12,413,295	35.88
Overseas	1,703,848	4.45	1,550,019	4.48
Deferred tax assets and elimination	(10,182,037)	(26.61)	(9,524,965)	(27.52)
Total assets	38,254,706	100.00	34,600,711	100.00

Other Financial Information

There is no difference in net profit for the six months ended 30 June 2023 or total equity as at 30 June 2023 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

The International Accounting Standards Board issued *IFRS 17 Insurance Contracts* (new insurance contract standard) in 2017 and required implementation from 1 January 2023. The Group has implemented the above new standard from 1 January 2023 and has retroactively adjusted the financial statements for the comparative period as required. Please refer to Note "Basis of preparation and significant accounting policies – Changes in significant accounting policies" to the financial statements for the impact of the implementation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's major business segments are corporate finance business, personal finance business, treasury and asset management business, and others including overseas business.

The following table sets forth, for the periods indicated, the operating income, impairment losses, and profit before tax of each major business segment.

(In millions of RMB)	Operating income		Impairment losses		Profit before tax	
	Six months ended 30 June 2023	Six months ended 30 June 2022	Six months ended 30 June 2023	Six months ended 30 June 2022	Six months ended 30 June 2023	Six months ended 30 June 2022
Corporate finance business	158,462	166,740	(67,830)	(75,226)	53,749	54,149
Personal finance business	202,636	186,343	(22,581)	(17,129)	130,215	121,305
Treasury and asset management business	18,664	30,178	(464)	(6,931)	12,709	17,446
Others	8,393	6,616	(4,493)	(4,089)	591	(16)
Total	388,155	389,877	(95,368)	(103,375)	197,264	192,884

In the first half of 2023, operating income of the Group's corporate finance business was RMB158,462 million, down 4.96%; impairment losses were RMB67,830 million, down 9.83%; profit before tax was RMB53,749 million, down 0.74%, accounting for 27.25% of the Group's profit before tax, down 0.82 percentage points from the same period last year. Operating income of personal finance business reached RMB202,636 million, up 8.74%; profit before tax totalled RMB130,215 million, up 7.35%, accounting for 66.01% of the Group's profit before tax, up 3.12 percentage points over the same period last year. Operating income of treasury and asset management business was RMB18,664 million, impairment losses were RMB464 million, and profit before tax totalled RMB12,709 million. Operating income of others totalled RMB8,393 million, and profit before tax totalled RMB591 million.

New Finance Initiatives

New Finance initiatives adapt to the new era, reflecting the Group's efforts in implementing the new development philosophy and exploring the road of financial development with Chinese characteristics. The Group adhered to the people-centred principle, and persevered in digitalised operation, integrated promotion and whole-process risk control with systematic concept. Heralded by the "Three Major Strategies" of housing rental, inclusive finance and FinTech, the Group created a multi-dimensional New Finance matrix covering urban and rural areas, online and offline channels, as well as parent bank and subsidiaries.

The Group further promoted the development of its housing rental business, improved the closed-loop services of "investment, financing, management and withdrawal", strengthened parent-subsidiary synergy, and optimised the scenarios of the "CCB Home" platform, so as to support the establishment of a new development model for real estate sector. It expanded its inclusive finance business, increased efforts in exploring inclusive finance customers with credit lines, further pressed ahead with the model of digitalised inclusive finance, upgraded the "CCB Huidongni" platform, and sped up the upgrading from credit services to inclusive financial services ecology. It accelerated the promotion of rural revitalisation, improved the comprehensive rural service system, upgraded the "Yunongtong" platform for online and offline comprehensive services, and strengthened financial supply in key areas at the county and rural levels to boost common prosperity. It developed green finance in a multi-pronged manner and built a diversified green service system covering credit, bonds, funds and investment, raised the proportion of green credit, and enhanced ESG information disclosure. It continued to promote smart government affairs, fully deepened its bonding with government platforms, helped with digital government construction and social governance, and shared its outlet resources with the public to provide smart government affairs services. It empowered internal and external development with FinTech, launched the "CCB Cloud" brand, and enhanced its expertise in technology such as artificial intelligence and cloud computing; it strengthened group-level requirement coordination, implemented categorised and graded management of R&D requirements, and accelerated the implementation of key tasks on its IT integration. Moreover, it continuously deepened its digitalised operation, improved the capability system of business middle platform, enhanced the supply efficiency of data middle platform, and promoted the service productisation of technology middle platform, so as to further release its capabilities of "three major middle platforms".



MANAGEMENT DISCUSSION AND ANALYSIS

Housing rental

The Group steadily pressed ahead with its housing rental strategy. By focusing on the closed-loop of “investment, financing, management and withdrawal”, it continuously improved its new financial service model for housing rental, which covers both rentals and purchases, promotes transformation and upgrade of existing estates, and leverages on both indirect and direct financing.

The Group’s influence in equity investment for housing rental is in the making. CCB Housing Rental Fund had signed acquisition contracts for 20 projects with a total asset size and accumulative investment size of RMB8,754 million and RMB4,888 million respectively by the end of June. These projects were located in cities such as Beijing, Shanghai, Chengdu, and Hangzhou, and could provide around 14.5 thousand long-term rental apartments to the market. The Group had established eight sub-funds, with a total size of RMB29.5 billion and a subscription size of RMB19,752 million, with Vanke Group and multiple entities in Beijing, Chongqing, Tianjin, Zhuhai, Guangzhou, Foshan, Shenzhen and other cities.

The Group provided financing support of over RMB300 billion for housing rental. Based on features of financing needs of the housing rental industry, the Group established a loan system that supports multiple entities, covers the whole cycle, and controls risks. At the end of June, the Bank’s loans for corporate housing rental business were RMB306,495 million, supporting more than 1,600 housing rental enterprises and providing loan services for more than 600 government-subsidised rental housing projects.

The Group effectively improved its management and operation capabilities. As for the market, the “CCB Home” platform attracted more than 47 million personal users, and CCB Housing managed 165 thousand apartments and operated 272 “CCB Home” long-term rental communities. As for the government customer, the Group supported housing and development departments to build and launch government-subsidised rental housing app and public rental housing app, which were rolled out to 234 and 158 cities respectively. The Group leveraged on the service scenarios to reach more customers and enhance its operation capabilities, which had cumulatively brought in more than 13 million new personal customers.

The Group continuously expanded the diversified services of Real Estate Investment Trusts (“REITs”). It actively pressed ahead with services for issuing public REITs for government-subsidised rental housing projects, and collaborated with various institutions to promote such service programmes for public REITs in multiple places.

Inclusive finance

The Group intensified its efforts in “Big Inclusive Finance” and “New Inclusive Finance”, steadily expanded inclusive finance business, and continuously improved the quality and efficiency of business development.

The Group continued to expand the scope of inclusive financial services and maintained stable and efficient credit supply. It launched innovative inclusive financial product packages, supported with value-added services such as rights and interests and information sharing, and integrated comprehensive services such as settlement and wealth management. At the end of June, the Bank’s inclusive finance loans increased by RMB512,369 million or 21.79% over the end of 2022 to RMB2.86 trillion. The number of inclusive finance loan borrowers increased by 416.9 thousand over the end of 2022 to 2.94 million. The Group continued to consolidate outcomes of surrendering profit to support the real economy, and the interest rate of inclusive loans newly granted to small and micro businesses was 3.81% in the first half of 2023. The Group continuously improved its collaborative risk management mechanism and safeguarded stable quality of credit assets.

The Group upgraded “CCB Huidongni” platform, expanded investment and wealth management services, launched functions such as agency services for payroll and tax payment, introduced scenarios related to services such as business start-up, financial and tax management, logistics, and legal services, and accelerated the building of a diversified inclusive financial service ecosystem. By the end of June, “CCB Huidongni” app had attracted over 250 million visits, been downloaded more than 31 million times, and served 10.53 million corporate customers.

The Group strengthened financial support capabilities for sci-tech innovation enterprises, promoted products such as “Shankedai” and “Shanxindai”, and advanced the construction of “CCB Start-up Station” to provide all-round support for small and micro businesses such as funding, market and intellectual integration. The service had been launched in 26 provinces, autonomous regions and municipalities, and provided credit support of RMB52.5 billion to 33 thousand member enterprises. At the end of June, the Bank had 14 thousand outlets that provide inclusive finance services, 19 thousand inclusive finance specialists, and 2,509 featured inclusive finance outlets.

MANAGEMENT DISCUSSION AND ANALYSIS

Rural revitalisation

The Group gave full play to its advantages in FinTech, continuously advanced the building of “1211” comprehensive service system for rural revitalisation, and created a rural financial ecosystem covering platform, credit, scenario, and risk control.

Building a “village chain” platform. As for offline services, the Group built 370 thousand “Yunongtong” service sites, covering most towns and administrative villages across the country and serving more than 58 million farmers. As for online services, it created “Yunongtong” app to provide farmers with smart village affairs services, e-commerce services, convenience affairs services and basic financial services, with 10.24 million registered users and granting RMB52.2 billion loans for farmers cumulatively.

Creating two agriculture-related credit product portfolios. For rural customers, the Group focused on rolling out the “Yunong Quick Loan” (including “Yunong Loan”) portfolios, with loan balance exceeding RMB160 billion. At the end of June, loans for farmers’ production and operation of the Bank increased by RMB110,177 million or 54.10% over the end of 2022 to RMB313,831 million, and the number of borrowers increased by 36.26% over the end of 2022 to 899.6 thousand. For agriculture-related enterprises, the Group accelerated the building of its product system of “Rural Revitalisation Loan” and created products such as agricultural production trusteeship loans and agriproduct cold chain logistics loans. At the end of June, the Bank’s agriculture-related loans amounted to RMB3.62 trillion, an increase of RMB613,353 million or 20.41% over the end of 2022. The number of agriculture-related loan borrowers was 3.58 million, an increase of 415.1 thousand or 13.10% over the end of 2022. The interest rate of agriculture-related loans newly granted in the first half of 2023 was 3.60%. Agriculture-related inclusive loans totalled RMB546,397 million, an increase of RMB141,807 million or 35.05% over the end of 2022.

Creating a series of agriculture-related specialised ecological scenarios. The first scenario refers to featured agricultural industry chain. The Group created service models such as “Yunong Cooperation”, “Yunong Custody” and “Yunong Market” to serve agricultural production, distribution, and sales. The second scenario refers to rural government affairs. The Group innovated a featured platform known as “Disclosure of Party Affairs, Village Affairs and Financial Affairs” of Liaoning Province and created a cooperation model that benefits the people and strengthens the development foundation. Other key scenarios are as follows. The Group built the “Yunong Moments” and “Yunong Superior Products”, focusing on promoting farmers’ social contact and rural consumption respectively. It organised 3,167 “Yunong Sessions” to provide farmers with activities such as financial knowledge popularisation and agricultural technology training.

Building a digital risk control system for agriculture-related financial services. The Group leveraged digital tools to promote the construction of an offline grid-based and online intelligent risk control system for service sites. The Group optimised post-lending management system and digital risk control platform, so as to enhance risk management and control capabilities for farmer loans, thus maintaining the asset quality of agriculture-related loans at a good level.

Green finance

Adhering to the vision of “becoming a world-leading sustainable development bank”, the Group integrated the green concept into operation management, strategic development and corporate culture, and created a diversified service system covering green loans, green bonds, green funds and green investments, reflecting its role as a large bank in advancing the Beautiful China Initiatives with financial services.

At the end of June, the Bank’s green loans amounted to RMB3.48 trillion, an increase of RMB725,772 million, or 26.39% over the end of 2022. The Bank proactively participated in green bond investment, witnessing a substantial growth of green bonds held over the end of 2022. In the first half of 2023, the Bank underwrote 16 batches of green debt financing instruments for non-financial enterprises, with an underwriting volume of RMB10,292 million; and two batches of green assets-backed notes, with an underwriting volume of RMB3,191 million. It also issued multiple batches of green bonds, with an amount equivalent to more than RMB15 billion. CCB Investment introduced social capital to jointly support the development of green industries, with an accumulative investment scale of RMB21.5 billion, covering clean energy, energy conservation and environmental protection, and set up multiple green-themed funds. CCB Trust deeply engaged in green sectors, with its green finance equity investments totalling approximately RMB3 billion.



MANAGEMENT DISCUSSION AND ANALYSIS

Smart government affairs services

The Group solidly pressed ahead with the smart government affairs services strategy and empowered new development of digital government. By the end of June, the Group had established cooperative relationships with 29 provincial governments, and built “Internet + Government Affairs Services” and “Internet + Supervision” platforms or application scenarios for 14 provincial and 13 municipal governments. The total number of registered users of online platforms reached 259 million, and the accumulative number of processed government affairs reached 4.4 billion. To build the “Government Affairs Hall for the Public”, the Bank made its smart teller machines (STM) at outlets of all 37 branches available to the public to provide smart government affairs services, where people could process, make appointments for, and inquire about more than 9,400 government affairs items, covering tax, social security, education and transportation, and processed over 90 million government affairs for more than 35 million users. The outlets’ special service zone for “inter-provincial government affairs service” covered 31 provinces, autonomous regions and municipalities directly under the central government, supporting local governments to provide government affairs services within 15 minutes walking distance. The Group pressed ahead with the integrated development of “Government Affairs + Finance”, with the “government affairs services payment system” covering transaction scenarios such as social security and pension, housing funds, real estate and housing maintenance funds, education and healthcare, non-tax items, taxes, smart judicial and legal services, as well as convenience services. It enabled over 17 thousand online services payment items with total payment exceeding RMB250 billion on a cumulative basis. The Group supported digitalised primary-level governance. The platforms for supervision of rural collective assets management (including funds, properties and resources) and rural property transactions served 1,038 bureaus of agricultural and rural affairs at the county (district) level nationwide, and the platform for smart village affairs served more than 110 thousand village committees across the country, with more than 13.69 million registered villager users. The Group developed the “Collective Assets Management” loan products, serving more than 4.3 thousand rural collective economic organisations, with the balance of loans amounting to more than RMB10 billion.

FinTech

The Group further pressed ahead with its FinTech strategy, consolidated the construction of digital infrastructure, and enhanced its capabilities of both agile technology R&D and technology risk prevention and control while effectively empowering the business development, enabling a safe and stable operation of IT systems.

The Group continuously enhanced its expertise in technology, and consolidated the technology base of New Finance. It cultivated the brand of “CCB Cloud” and launched the “Yunxiao” ecological cooperation programme. It promoted independent research and development of AI platforms, intensified its efforts in professional capabilities cultivation in the five fields of computer vision, intelligent voice, natural language processing, knowledge graph and intelligent decision-making, empowered various areas such as targeted customer marketing, product and service innovation, digitalised operation, and intelligent risk control. It developed financial image recognition products that support the identification of 140 kinds of bills, helping significantly improve the efficiency of bill review information input. It created intelligent search and recommendation products that provide strong support for the “binary star” application scenario. It won the first place in the 2023 International Conference on Document Analysis and Recognition (ICDAR 2023) in terms of reading seal texts. The big data platform improved real-time processing capabilities with the daily peak processing volume reaching 60.7 billion, supported real-time targeted marketing, and managed clusters covering over 30 thousand physical nodes. The mobile internet platform allowed each applet developed to be deployed on multiple endpoints and created an open ecology for mass development of platforms such as “binary star”. The low-code platform supporting rapid software development was among the first of its kinds in passing the “advanced level” certification by the China Academy of Information and Communications Technology (CAICT).

The Group enhanced fundamental management of R&D and improved its agile response capability for internal business requirements. It further implemented its IT R&D structure optimisation plan, optimised IT support and service organisation, enhanced coordination capabilities across segments, strengthened sci-tech empowerment, and improved the technology delivery capability and the quality and efficiency of R&D. In the first half of 2023, it responded to 7,970 business requirements at the group level, and put 30,197 business requirement items into operation, with an average implementation period of 54 days. It accelerated the distributed architecture transformation and supported the launch of several key projects such as digital client managers, treasury construction of mega state-owned enterprises, retail credit business, enterprise-level risk management, empowerment and burden reduction for outlets, and intelligent funds allocation. CCB Consulting completed its “Winging Project”, marking that the integrated IT construction across the group achieved remarkable results.

By the end of June, the Group had been granted a total of 1,777 patents, an increase of 521 over the end of 2022, including 1,026 invention patents. Beijing Daoxianghu Data Centre and Wuhan Nanhu Data Centre were included in the list of 2022 national green data centres jointly issued by six ministries including the Ministry of Industry and Information Technology (MIIT).

MANAGEMENT DISCUSSION AND ANALYSIS

Digitalised operation

The Group continuously pressed ahead with digitalised operation and promoted digital transformation featured by “agile response, full access and good experience”. It upgraded management model, service model and digital culture, improved data governance, released middle platform capabilities, and improved its quality and efficiency of operations and customer experience.

The Group accelerated the building of three major middle platforms in terms of business, data, and technology. In terms of business middle platform, based on the iteration, optimisation, promotion and application of ten middle platform capabilities such as users, merchants and accounts, the Group initiated the building of five new middle platform capabilities, including industry (investment) research, cash (asset) management, employees, scenarios, and online experience. By the end of June, the business middle platform had released 1,016 standardised capabilities accumulatively, an increase of 317 over the end of 2022, which were applied to 183 scenario-based platforms across the group. In terms of data middle platform, the Group focused on sharing data resources and capabilities, consolidated unified data packs of multi-source heterogeneous data, and continuously enriched the intelligent data product shelves, so as to create a full-domain data view. It enhanced the efficiency of data supply, with more than 90% of data being supplied at T+1, and the volume of average daily real-time data collection reached 8 billion pieces. It lowered the gathering threshold for data services, provided 1,469 standardised Application Programming Interface (API) data services, and issued more than 18 thousand self-customised data reports. In terms of technology middle platform, the Group steadily pressed ahead with the productisation of technological services to improve customer experience. It launched a total of 162 public services covering areas such as artificial intelligence, security, and basic technology, enabling 962 application scenarios to be put into production, and supported the agile release of business requirements.

The Group continuously strengthened the overall management of product innovation and upgraded the “Enterprise-level Product Family Management Platform”. It enhanced the lifecycle management capability of idea proposal, idea implementation, product innovation, product operation monitoring, product exit and iterative optimisation. The project “Product Family Construction and Application of Commercial Banks” won the second prize of the PBC’s FinTech Development Awards. It also prepared an enterprise standard – *Specification for the Description of Banking Products or Services (BPoS)* and won the title of “Leader” in the 2022 “Leader” Activity with regard to Financial Sector Enterprise Standard organised by the PBC, the former CBIRC and the CSRC. It fully promoted the R&D and pilot of the Project mBridge, a multilateral central bank digital currency settlement project, and was among the first selected companies for the e-HKD Pilot Programme. At the end of June, 60% of the newly contracted mobile banking customers and 54% of the newly registered users of “CCB Lifestyle” opened e-CNY wallet as well, and 71% of the merchant stores on the platform accepted e-CNY payment.

Corporate Finance Business

The Bank was committed to serving the high-quality development of the real economy, and provided premium services for various market entities through a comprehensive product package of loans, bonds, equity, securitisation, settlement, and cash management. It actively assisted in the high-end, intelligent, and green upgrading of the manufacturing industry, effectively supported infrastructure construction, empowered sci-tech innovation enterprises with “Finance + Intelligence” solutions, enhanced the quality and efficiency of industrial and supply chains with supply chain finance, thoroughly implemented China’s major regional strategies, and assisted in China’s transformation into a trader of quality. It actively explored scenario-based, platform-based, and digitalised operations, and developed a series of innovative products and services, including “Smart Judicial and Legal Services”, “FITS e+”, “Cross-border Quick Loan”, and “Yudao – Treasury Cloud”.

Corporate banking

Corporate deposits increased steadily, and the customer base was continuously consolidated. At the end of June, domestic corporate deposits of the Bank amounted to RMB12.23 trillion, an increase of RMB1.13 trillion or 10.22% over the end of 2022. Specifically, demand deposits increased by 4.83%, and time deposits increased by 18.24%. The number of the Bank’s corporate customers was 10.16 million, an increase of 814.3 thousand over the end of 2022. The Bank had 14.18 million corporate RMB settlement accounts, an increase of 968.4 thousand over the end of 2022.

Corporate loans maintained a rapid growth, continued to focus on key areas, and effectively served the real economy. At the end of June, domestic corporate loans of the Bank amounted to RMB12.98 trillion, an increase of RMB1.96 trillion or 17.82% over the end of 2022, with the NPL ratio of 1.88%. The balance of loans to infrastructure sectors reached RMB6.51 trillion, an increase of RMB806,297 million or 14.13% over the end of 2022, accounting for 50.16% of domestic corporate loans, with the NPL ratio of 1.26%. Loans to manufacturing industry amounted to RMB2.73 trillion, an increase of RMB480,471 million or 21.40% over the end of 2022. Specifically, medium and long-term loans to manufacturing industry amounted to RMB1.36 trillion, an increase of RMB361,098 million or 36.23% over the end of 2022. Loans to private enterprises amounted to RMB5.22 trillion, an increase of RMB770,839 million or 17.33% over the end of 2022. Loans to strategic emerging industries totalled RMB1.99 trillion, an increase of RMB519,441 million or 35.26% over the end of 2022. Loans to sci-tech enterprises amounted to RMB1.50 trillion, an increase of RMB265,464 million or 21.57% over the end of 2022. Domestic loans to real estate industry amounted to RMB833,352 million, an increase of RMB62,677 million or 8.13% over the end of 2022. The Bank provided 98.5 thousand chain customers in the industrial chains of 4,689 core enterprises with a total of RMB551,993 million supply chain financing support on a cumulative basis in the first half of 2023. The Bank was



MANAGEMENT DISCUSSION AND ANALYSIS

awarded the “Best Bank Serving Manufacturing Industry” by the *China Business Times* in 2022, and its case of “Financial Support to Meet New Urban Residents’ Needs” was elected as the “2022 China Banking and Insurance Service Innovation Model”.

The Bank actively implemented major regional strategies and coordinated regional development strategies. With reference to regional planning and policy requirements, the Bank strengthened the business implementation in key regions in accordance with differentiated objectives and tasks, development strategies, implementation measures, and policy guarantees. New corporate loans in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area accounted for more than 50% of new loans of the Group.

Institutional business

The Bank focused on customer bases in key areas, promoted scenario-based operation of institutional business, and stimulated momentum of financial innovation and development. It used the “Smart Judicial and Legal Services” platform to promote intelligent development of judicial and legal services, established systematic cooperation with 29 provincial judicial and legal units, and built a “case-specific, person-specific, and volume-specific” management platform for more than 1,400 judicial and legal customers in terms of funds involved in the cases, winning the largest market share in terms of prisons in the industry. The Bank launched the first online registration, verification and return platform for economic cases involving large numbers of victims throughout China. Multiple digital solutions for such cases were selected as model cases by the Supreme People’s Court. It relied on the “CCB Smart Campus” platform to build multiple application scenarios covering daily life, information and education services, and cooperated with 812 colleges and universities, more than 47 thousand schools and educational institutions to provide comprehensive financial services for teachers and students. The Bank built a new customer operation and management model in the closed-loop healthcare ecosystem. The “CCB Smart Healthcare” platform provided 1,103 hospitals with “Finance + Technology” services such as whole-process medical treatment, internet diagnosis and treatment, cloud-based healthcare information system (HIS), and provided 7.45 million patients with whole-process online medical treatment services. The Bank promoted the construction and upgrading of ecological scenarios of the smart medical insurance platform from all aspects. 15 branches of the Bank were qualified as local mobile payment and clearing banks, activating nearly 20 million electronic medical insurance certificates. The Bank supported 8 thousand central financial budget units in deploying integrated central financial budget applications, completing 6.23 million payment transactions, amounting to RMB224.9 billion.

Investment banking business

The Bank intensified its efforts in key areas such as green finance, sci-tech innovation and industrial upgrading, utilised the “logic of investment banking” to get direct access to the real economy and secured a steady growth of investment banking business. At the end of June, the Bank had more than 230 thousand investment banking customers. In the first half of 2023, the Bank newly provided direct financing of RMB194.2 billion for entities, participated in merger and acquisition transactions amounting to RMB251.9 billion, and innovatively issued multiple projects covering green and scientific innovation fields for the first time in the market. The “FITS e+” investor alliance platform had 31.2 thousand newly registered users, an increase of 170.78% over the same period last year, and the monthly average number of active users increased significantly. The platform launched an “Investment Flow” evaluation tool module to evaluate sci-tech innovation enterprises from equity investment and financing dimensions, filling in the blank in equity evaluation of domestic commercial banks. “FITS e Intelligence” promoted digital upgrading of financial advisory business and attracted 73.3 thousand new customers in the first half of 2023. As the first comprehensive, intelligent, ecological service platform for investment banking customers launched by domestic commercial banks, the “Smart Investment Banking Ecosystem 4.0” launched by the Bank covered a number of products and services such as “FITS e+” and “FITS e Intelligence”, serving more than 850 thousand customers. The market influence of the Bank’s brand of investment banking continued to improve, and the Bank was awarded the title of “2023 Best Investment Bank – China’s Best Investment Banks” by the *Global Finance*.

Asset-backed securitisation business

The Bank actively carried out innovative securitisation business covering key areas such as green finance, inclusive finance, and sci-tech innovation in line with national strategic orientation. It underwrote the first “Sci-Tech Innovation+ Green” double-labelled REITs in the interbank market, the first asset-backed notes relating to parking space fee income rights, and multiple asset-backed notes serving inclusive finance and housing rental. The Bank issued RMB2,350 million of non-performing assets-backed securities of residential mortgages, with a principal of RMB4,493 million; issued RMB419 million non-performing credit card assets-backed securities, with a principal of RMB3,188 million; issued RMB187 million non-performing unsecured small and micro businesses assets-backed securities, with a principal of RMB1,630 million; and issued RMB95 million of non-performing assets-backed securities of personal consumer loans, with a principal of RMB560 million.

MANAGEMENT DISCUSSION AND ANALYSIS

International business

The Bank vigorously supported China's transformation into a trader of quality, strengthened the supply of products and services, accelerated the development of key regions, and assisted in high-standard opening-up. As the Bank leveraged its financial strength to ensure stability in foreign trade and foreign investment, the supply of trade finance reached RMB1.09 trillion in the first half of 2023; international settlement volume reached US\$753,483 million, an increase of 11.76% over the same period last year. The Bank innovated the "Cross-border Quick Loan" series products with big data technology and provided credit funds of more than RMB27 billion for small and micro foreign trade enterprises. It continued to scale up the "CCB Match Plus" platform, accumulatively attracting over 240 thousand registered users and organising more than 250 digital exhibitions and matchmaking events for 36 countries and regions. It promoted the internationalisation of cross-border RMB in an orderly manner, with the settlement volume of RMB1.86 trillion in the first half of 2023, an increase of 48.27% over the same period last year. CCB London Branch continued to be the largest RMB clearing bank outside Asia with a cumulative clearing amount of over RMB81 trillion. The Bank continued to enhance the comprehensive financial service capabilities under the Belt and Road Initiative, signed a memorandum of cooperation with the Budapest Stock Exchange to assist financial institutions of countries along the Belt and Road in entering China's capital market. It effectively alleviated pain points of minor currency settlement in foreign trade with all-currency payment products, made overall use of comprehensive products and services, and provided all-round financial support and financing facilities for implementing the Belt and Road Initiative.

Settlement and cash management business

The Bank took account and customer services as the core, promoted the innovation, promotion and application of settlement and cash management products. At the end of June, the number of cash management customers reached 367.0 thousand, an increase of 28.9 thousand over the end of 2022. It provided intelligent and friendly treasury services, comprehensively promoted integrated collaborative services of direct linkage between banks and enterprises under comprehensive scenarios; it issued global treasury service solutions to satisfy the all-round and online financial service connection needs of mega state-owned enterprises for treasury management, making efforts to become the most professional key supplier of treasury management service, and reached the intention of cooperation with 69 mega state-owned enterprises in providing treasury services in the first half of 2023. It continuously optimised account processing processes, expanded online appointment channels, and improved the quality and efficiency of account services. In the first half of 2023, it opened 1.32 million corporate RMB settlement accounts, hitting a record high. It strengthened the iteration and optimisation of payment and settlement products and enhanced digital service capabilities of products such as corporate settlement cards and electronic commercial bills. The Bank strengthened cross-bank and cross-border cash management capabilities with "Yudao – Treasury Cloud", to

help enterprises conduct centralised management over multi-bank financial resources at home and abroad. It accelerated the coverage of scenarios in key areas of "Zhangbutong" and created integrated collection and settlement services adapted to the characteristics of customer transactions. It strengthened the promotion of the scenario-based application "Jianguanyi" and provided differentiated comprehensive solutions for fund supervision. It continued to promote the standardised scenario-based marketing of collection and payment services, and effectively promoted the two-way circulation of corporate and personal funds. In the first half of 2023, the Bank had 436.8 thousand active collection and payment customers, an increase of 37.8 thousand, or 9.47% over the same period last year; it achieved RMB3.30 trillion in payment and RMB1.18 trillion in collection and fee-payment service transactions. It also actively connected with local government supervision platforms for the payment of migrant workers' wages. In the first half of 2023, 22,349.8 thousand payments were made by the Bank's payroll services for migrant workers, amounting to RMB181,754 million.

Personal Finance Business

The Bank followed the development trend of digital technology, grasped the opportunity of residents' wealth growth, pressed ahead with the strategy of mega wealth management, and proposed the "New Retail 2.0" action strategy. It comprehensively improved its "digitalised + professional + integrated" capabilities, transformed from the perspective of managing "bank's balance sheet" to managing "customer's balance sheet", consolidated the personal customer business service system, enhanced the assets under management operation system, enabled an ecological connection between personal accounts and payments, and created the brand image of "private banking benchmark", enabling the upgrading of retail business model. The Bank witnessed a continuous improvement of brand value and market reputation in terms of its retail business, and continued to hold the three comprehensive retail banking awards, i.e., "Best Retail Bank in Asia-Pacific Region", "Best Retail Bank in China", and "Best Mega Retail Bank in China" issued by *The Asian Banker* in 2023.

Customer operation

The Bank focused on customer operation, promoted "more extensive" digital upgrading, explored the implementation of direct operation for personal long-tail customers, built a new paradigm of operation for all customers, identified their financial and non-financial needs, and deepened the "layered, sub-group and graded" operation system of personal customers. The Bank promoted "deeper" professional upgrading, steadily pressed ahead with the mega wealth management strategy, built a lifecycle wealth management service system for customers, improved the mega wealth management platform, and pressed ahead with the cultivation of three professional teams for wealth management, including investment research experts, wealth management advisors and personal client managers, thus providing more professional services. The Bank promoted "more comprehensive" integration upgrading, advanced the



MANAGEMENT DISCUSSION AND ANALYSIS

simultaneous operation of assets and liabilities, and provided customers with one-stop comprehensive investment and financing services.

At the end of June, domestic personal deposits of the Bank amounted to RMB14.54 trillion, an increase of RMB1.46 trillion or 11.19% over the end of 2022, hitting a record high over the same period in terms of the amount of growth. In the first half of 2023, the Bank's annualised average cost of domestic personal deposits was 1.76%, down 0.10 percentage points from the same period last year. The Bank continuously optimised customer structure, the number of personal customers reached 747 million and personal financial assets under management by the Bank exceeded RMB18.14 trillion.

Personal credit business

The Bank continued to promote the high-quality development of personal credit business, stabilised the market position of residential mortgages, built the growth drivers of personal consumer loans, and explored the new development model for personal business loans. At the end of June, domestic personal loans of the Bank amounted to RMB8.43 trillion, an increase of RMB194,359 million, or 2.36% over the end of 2022.

In respect of residential mortgages, the Bank implemented differentiated housing credit policies to support residents in buying their first homes or improving their housing situation, reduced the cost of residential housing financing, and secured good asset quality. It selected cooperative real estate enterprises and housing agencies carefully, and optimised the mortgage loan business process. It strengthened business innovation, actively promoted comprehensive services of "transfer with mortgage" for personal re-transaction housing loans, continuously enhanced the market competitiveness in housing financial services, and created new business growth points. In the first half of 2023, the supply of residential mortgages increased by 4.28% over the same period last year, maintaining the leading market position in terms of the balance and supply volume.

The Bank increased its efforts in promotion and service innovation of credit card instalment products, promoted a second-hand car instalment product called "Long E-Loan Cars", pressed ahead with the pilot of "Youchedai" featuring independent customer acquisition and customer-oriented operation, and developed a car rental instalment product called "Cheyidai". It deployed online processing and marketing activities functions for "Instalment Consumption Loan" via "CCB Lifestyle", and continuously pressed ahead with the optimisation of credit pre-approval screening strategy. It firmly safeguarded the bottom line of preventing risks, and enhanced risk management and control of the whole process, securing the sound asset quality for credit card loans in the first half of 2023.

The Bank launched new versions of flagship products such as "Merchant Cloud Loan" and "Cloud Loan for Licensed Tobacco Retail Merchant" for personal business loans, creating a "second track" for market competition. It saw a rapid growth in "Yunong Quick Loan" and "Yunong Loan", and loans for farmers' production and operation increased by more than 50%, with the NPL ratio remaining at a low level.

The Bank pursued innovation-led development of personal consumer loans to meet reasonable consumption financing needs of residents and promote the development of the consumer market. It continued to promote the optimisation and upgrading of "Jianyidai" products to improve service quality and efficiency; enriched ways of accessibility to customers and improved marketing accuracy; strengthened linkage between corporate and personal businesses and synergy between retail business assets and liabilities, and enhanced comprehensive services; pressed ahead with scenario expansion, and explored scenario-based services for emerging consumption fields such as new energy vehicles and decoration, to meet customers' diversified financial service needs.

Personal payments

The Bank engaged deeply in the building of consumption ecology and continuously consolidated the foundation of payment and settlement business.

For Business Community, the Bank built a "1+N" operation system for merchant businesses, upgrading from traditional card acquiring products to comprehensive financial services. It provided one-stop services featuring "online + offline" and "human + AI" across the lifecycle of merchants. At the end of June, the Bank had 5.42 million card acquiring merchants, an increase of 403.9 thousand over the end of 2022, with a transaction volume of RMB2.05 trillion, an increase of 8.86% over the same period last year.

For Customer Community, the Bank continuously advanced the building of personal account service system. It optimised personal pension account services, launched several digital account cooperation projects to expand the coverage of account service scenarios, and improved the lifecycle service capability of debit cards to optimise customer experience. At the end of June, the Bank had 1,391 million personal settlement accounts. The number of users of "Long Pay" products exceeded 221 million, and the number of debit cards issued exceeded 1,284 million. In the first half of 2023, the transaction volume of debit cards reached RMB13.10 trillion, and the number of transactions reached 29,026 million, an increase of 11.93% and 19.06% over the same period last year respectively.

The Bank deepened the operation of credit card users and enriched credit card product lines. It developed new products such as Meituan Co-branded Card, Youth Card (20th Anniversary Edition), and Long Card – Bilibili Card (Three-Body Animation Edition), and steadily promoted the digital migration of credit card products. It deeply engaged in the "Long Card Discount 666" brand marketing campaign, and focused on consumption scenarios favoured by young customers, which led to an increase in the proportion of new young customers. In the first half of 2023, the volume of credit card transactions totalled RMB1.43 trillion. By the end of June, the cumulative number of credit cards issued by the Bank had reached 137 million with 106 million cumulative credit card customers, ranking first among banking peers in terms of total customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Wealth management

The Bank systematically pressed ahead with the construction of wealth management service model, operational mechanism, and system and platform, built a wealth management model featuring “inclusiveness” that serves all customers, and created a closed-loop digital wealth management featuring “insight – matching – access – accompanying”. At the end of June, the Bank saw a rapid growth in wealth management customers, with an increase of 15.51% over the end of 2022.

The Bank further implemented the “customer-centred” business concept and accelerated the establishment of an evaluation mechanism with the “asset under management from personal customers” as the core. Based on the full-life-cycle cash flow of customers, it coordinated the products on both asset and liability sides, and enhanced its capability to meet customers’ comprehensive needs. It further promoted the construction of the integrated family wealth management service system of private banking featuring coordination among individuals, families, enterprises and society, consolidated its cooperative relationships with subsidiaries and third-party institutions, and created a whole spectrum service platform for high-net-worth customers. It enhanced the market research capabilities, improved the library of wealth management investment research experts, and effectively implemented the professional transmission chain of “investment research and analysis – wealth advisory – customer service”. It innovated the overall management structure of agency services at the group level, widened the range of agency service cooperation, strengthened the eligibility assessment and whole-process management for product duration, and designed the differentiated development path of agency products. It advanced the deep integration of wealth management and digitalised operation, systematically promoted the construction of libraries of products, activities, contents, tools and knowledge, and built a one-stop wealth management platform covering both online and offline.

Private banking

The Bank pressed ahead with professional operation of private banking and created a brand image of “private banking benchmark”. It improved the digital management system for private banking products and services, implemented product selection, ongoing tracking, and style identification, and promoted the integration of digitalisation and intelligence of private banking, thus continuously providing customers with appropriate high-quality products. It improved the product risk management framework and adhered to the bottom line of risk control and compliance. It continuously enhanced family wealth service capabilities and expanded the service scope in fields such as family trust advisory business and insurance trust advisory services. It strengthened the building of the core team of private banking, and continuously proposed investment research strategies, policy interpretations, and solutions, so as to unveil professional achievements of private banking. At the end of June, the private banking customers’ assets under management of the Bank reached RMB2.41 trillion, up 7.51% over the end of 2022. The Bank had 213.3 thousand private

banking customers, up 10.12% over the end of 2022. The paid-up fund for the family trust advisory business was RMB95,074 million, up 6.82% over the end of 2022. The Bank was awarded the “China Private Banking Awards – Best Family Office of the Year” by *The Asia Money*.

Entrusted housing finance business

The Bank continuously pressed ahead with the digitalisation of the housing fund management business, helped improve the deposit, withdrawal, management, and operation mechanism of housing funds, and supported the improvement of living standards of the public in a way that encourages both housing rentals and purchases. It optimised the business process of portfolios of “housing provident fund loans + commercial loans”, took the lead in connecting with the e-CNY payment function of the national housing provident fund settlement platform, provided housing provident fund deposit business for those flexibly employed in pilot cities, realised online withdrawal of housing provident fund for rent payment through system construction, complied with the requirements of constructing a large and unified national market and optimising the business environment, and supported cross-provincial government affairs service and integrated processing in terms of housing provident fund, thus meeting people’s demand for cross-region services and convenient services. At the end of June, the balance of housing fund deposits of the Bank was RMB1.33 trillion, and the balance of personal housing provident fund loans was RMB2.97 trillion.

Treasury and Asset Management Business

The Group advanced the high-quality development as the main task, gave full play to its advantages in FinTech to consolidate the foundation and strictly control risks, promoted the steady development of treasury and asset management business, and made substantive efforts in protecting people’s pockets. It strongly supported the implementation of proactive fiscal policy and the financing needs of the real economy, committed to improving the service quality and efficiency of financial market business, and became the first commercial bank in China to specialise in commodity businesses. It enhanced the collaboration between the parent company and subsidiaries, created a new pattern for the transformation and development of asset management business at the group level, and achieved the “two-wheel drive” of mega wealth and mega asset management. It dived into a blue ocean of pension finance in a forward-looking manner, coordinated Pillar 2 and Pillar 3, and rolled out its annuity service brand – “An Xin Jian Yang”. It strengthened sci-tech empowerment, and upgraded its interbank cooperation platform, with accumulated funds granted amounting to RMB6.87 trillion. Moreover, it brought new driving forces for the development of custody business, and signed comprehensive strategic cooperation agreements with four top fund management companies, with assets under its custody exceeding RMB20 trillion.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial market business

The Bank actively supported national strategies and the development of the real economy, effectively promoted RMB internationalisation and opening-up of domestic financial markets, and made substantive efforts in meeting customer needs regarding fund management and hedging.

Money market business

The Bank strengthened market forecast, enhanced its proactive management with money market tools, and maintained reasonable RMB and foreign currency positions, to ensure the soundness of daily liquidity of the Bank. It optimised and promoted "AI Trader" in the money market that enables intelligent inquiry and quotation, continued to provide liquidity support to small and medium-sized financial institutions, and supported the smooth operation of the market. In the first half of 2023, the transaction volume in the RMB money market exceeded RMB80 trillion. The Bank ranked first in the domestic interbank market in terms of the volume of foreign currency lending and repurchase transactions.

Debt securities business

The Bank adhered to value-oriented investment in debt securities business, focusing on the balance among security, liquidity and profitability. It strengthened proactive portfolio management, supported the implementation of proactive fiscal policy, especially regarding the construction of major national infrastructure projects and people's wellbeing, and vigorously invested in bonds in relation to rural revitalisation and "agriculture, rural areas and farmers". In the first half of 2023, the Bank underwrote PRC treasury bonds, local government bonds, and policy bank bonds with a total volume of nearly RMB1 trillion.

Trading business

The Bank continued to improve its trading capacity, strengthened refined management of trading business, and consolidated the first line of defence against risks. It adhered to the "customer-centric" concept and provided value-added information services. It vigorously advocated the concept of "risk neutrality", improved the function of "We Trade" to provide rapid and efficient hedging services, and helped customers mitigate risk of fluctuations in exchange rates. The business volume of exchange rate derivatives at customer end increased by over 13% over the same period last year.

Precious metals and commodities

The Precious Metal and Commodity Business Department of the Bank was officially opened in Shanghai in June 2023. As the first bank in China to specialise in commodity businesses, 37 domestic branches of the Bank opened commodity business. Commodity financial instruments cover sectors such as basic metal, energy and chemical products, and agricultural products, and the Bank built a global trading network involving Shanghai, London and New York branches to meet customers' 24-hour financial needs. In the first half of 2023, it supported agricultural products of RMB3,215 million, covering 25 domestic branches,

involving 573 farmers and agricultural enterprises, to support the implementation of the rural revitalisation strategy. The Bank actively fulfilled its responsibilities as a market maker, provided liquidity for domestic gold market, and expanded gold leasing business with qualified high-quality counterparties. At the end of June, domestic precious metal assets amounted to RMB202,718 million.

Asset management business

The Group connected the value chain of wealth management and asset management with its capabilities of investment and research, risk control, and science and technology to realise the "two-wheel drive" of mega wealth and mega asset management. By giving full play to the advantages of the Group, it served customers with extensive asset management products for investment and financing. The Group was committed to making forward-looking prediction of risks, strengthened risk prevention and mitigation for key institutions, fields, links and customers, and promoted high-quality development of asset management business. At the end of June, the Group's asset management business reached RMB5.22 trillion, with CCB Wealth Management, CCB Principal Asset Management and CCB Trust contributing RMB1.47 trillion, RMB1.34 trillion and RMB1.33 trillion, respectively.

At the end of June, the Group's WMPs amounted to RMB1.57 trillion. Specifically, those managed by CCB Wealth Management amounted to RMB1.47 trillion and those managed by the Bank were RMB98,394 million; net-value WMPs amounted to RMB1.47 trillion, all of which were managed by CCB Wealth Management, accounting for 93.74% of the total. In the first half of 2023, CCB Wealth Management raised RMB1.49 trillion by issuing WMPs and redeemed RMB1.93 trillion at maturity. Specifically, at the end of June, the balance of closed-end products was RMB401,812 million and the balance of open-end products was RMB1.07 trillion; the balance of WMPs to corporate customers was RMB241,951 million, accounting for 16.41%, and the balance of WMPs to private customers was RMB1.23 trillion, accounting for 83.59%. In the first half of 2023, the Bank raised RMB178,438 million in WMPs and redeemed RMB183,476 million at maturity. At the end of June, the Bank's WMPs were all open-end products, of which the balance of WMPs to corporate customers was RMB68,434 million, accounting for 69.55%, and the balance of WMPs to private customers was RMB29,960 million, accounting for 30.45%.

MANAGEMENT DISCUSSION AND ANALYSIS

Information on issuance, maturity and balance of the Group's WMPs during the reporting period is as follows.

(In millions of RMB, except batches)	As at 31 December 2022		H1 2023					
			WMPs issued		WMPs matured		As at 30 June 2023	
	Batches	Amount	Batches	Amount	Batches	Amount	Batches	Amount
CCB Wealth Management	1,246	1,911,028	314	1,493,321	402	1,930,234	1,158	1,474,115
The Bank	2	103,432	-	178,438	-	183,476	2	98,394
Total	1,248	2,014,460	314	1,671,759	402	2,113,710	1,160	1,572,509

The assets in which the Group's WMPs invested directly and indirectly as at the dates indicated are as follows.

(In millions of RMB, except percentages)	As at 30 June 2023						As at 31 December 2022					
	CCB Wealth Management		The Bank		The Group		CCB Wealth Management		The Bank		The Group	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Cash, deposits and interbank negotiable certificates of deposit	764,154	48.81	30,186	25.79	794,340	47.21	849,880	41.64	31,326	25.48	881,206	40.72
Bonds	635,536	40.59	22,538	19.25	658,074	39.11	922,476	45.20	22,556	18.35	945,032	43.67
Non-standardised debt assets	43,319	2.77	16,910	14.44	60,229	3.58	85,251	4.18	18,060	14.69	103,311	4.78
Equity investments	19,308	1.23	47,435	40.52	66,743	3.96	20,434	1.00	47,460	38.60	67,894	3.14
Other assets ¹	103,294	6.60	-	-	103,294	6.14	162,946	7.98	3,547	2.88	166,493	7.69
Total	1,565,611	100.00	117,069	100.00	1,682,680	100.00	2,040,987	100.00	122,949	100.00	2,163,936	100.00

1. Including mutual funds, client-driven overseas wealth management investments (QDII), derivatives, placements with banks and non-bank financial institutions and bonds held under resale agreements.

Pension financial services

The Group steadily promoted the establishment of pension financial service system with its own characteristics and provided one-stop comprehensive pension financial services leveraging on its advantages in accounts, licenses and risk control. The Group improved the quality and efficiency of the development of Pillar 1 basic pension insurance business, and promoted the sustainable and effective development of social security card business. It improved the quality and quantity of Pillar 2 enterprise annuity and occupational annuity business, and the "An Xin Jian Yang" coordinated marketing, led to more than RMB10 billion growth in enterprise annuity funds, promoting the high-quality development of CCB Pension's asset management business. It created an innovative service model for Pillar 3 personal pension investments, strengthened the evaluation of pension products, and optimised the pension service mechanism for employees of corporate customers.

Financial institutional business

The Group continued to promote the digital transformation of financial institutional business, and built a new ecosystem of enterprise-level interbank cooperation. Relying on the interbank cooperation platform, it aggregated information and resources within the Group, and built a comprehensive service platform with industry influence for financial institution customers. By the end of June, the platform had attracted more than 650 thousand visits, 1,859 registered users and granted RMB6.87 trillion on a cumulative basis. The Bank engaged deeply in financial institution customers and won 14 awards such as "Excellent Clearing Member", "Excellent Settlement Member" and "Excellent Custodian Agencies" from the Shanghai Clearing House, "Excellent Depository Bank" and "Outstanding Contribution Institution" from the Shanghai Gold Exchange. The Bank's total number of securities customers and the total amount of transaction settlement funds of third-party security custody services maintained the leading position among peers. The Bank deepened its cooperation with banking institutions in e-CNY, pressed steadily ahead with the integrated operation of bills, strengthened active trading, and improved the value creation ability of bill business. At the end of June, the Bank's amounts due to other domestic financial institutions (including insurance deposits) were RMB2.92 trillion, an increase of RMB464,505 million over the end of 2022. The Bank's assets placed with other domestic financial institutions were RMB573,867 million, an increase of RMB156,363 million over the end of 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Asset custody services

The Bank fully promoted the high-quality development of asset custody services. It became the custodian for Guoxin Mega State-owned Enterprise ETF Fund covering all the three Guoxin Mega State-owned Enterprises indices (sci-tech-lead index, modern energy index and shareholder return index). It successfully held 2023 China Construction Bank Fund Forum and signed comprehensive strategic cooperation agreements with four leading fund management companies. The Bank entered into custody cooperation with wealth management companies established by banks for the first time. At the end of June, the Bank's assets under custody amounted to RMB20.37 trillion, an increase of RMB975,405 million over the end of 2022.

Overseas Commercial Banking Business

The Group steadily promoted network building of overseas entities. At the end of June, the Group had overseas commercial banking institutions (including 20 tier-1 branches and eight subsidiaries) in 30 countries and regions across six continents. In the first half of 2023, overseas institutions emphasised the balance between development and security, and achieved a steady growth of assets, with increasing value contribution from institutions operated in member countries of the Regional Comprehensive Economic Partnership (RCEP); operating efficiency of overseas institutions increased significantly, with a net profit of RMB4,530 million; risk control indicators maintained stable on the whole, and compliance risks were generally controllable. The Group continued to enhance its international competitiveness, actively responded to the Belt and Road Initiative, and improved its customer service capabilities of "Going global" and "Bringing in". It promoted RMB internationalisation in an orderly manner, and advanced the in-depth development of New Finance practices such as green transformation and cross-border matchmaking.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank registered in Hong Kong with an issued and fully paid capital of HK\$6,511 million and RMB17.6 billion. CCB Asia is the Group's full-featured integrated commercial banking platform in Hong Kong, with its core base in the Guangdong-Hong Kong-Macao Greater Bay Area, focusing on expanding the businesses of the Chinese mainland and members of RCEP, and a wide reach that extends to some countries and regions in the Middle East and Central Asia. CCB Asia has traditional advantages in providing professional financial services such as overseas syndicated loans and structured finance and has rich experience in corporate finance business, including international settlement, trade finance, financial market trading, financial advisory and trust agency services. Its targeted customers include local Blue-Chip and large Red-Chip companies, large Chinese conglomerates, multinational corporations and premium local customers. CCB Asia is also the Group's service platform for retail and small and medium-sized enterprises in Hong Kong, and has over 30 outlets. At the end of June, total assets of CCB Asia amounted to RMB423,947 million, and shareholders' equity was RMB69,341 million. Net profit in the first half of 2023 was RMB1,717 million.

CCB London

China Construction Bank (London) Limited, established in the UK in 2009, is a wholly-owned subsidiary of the Bank, with a registered capital of US\$200 million and RMB1.5 billion. In order to better respond to changes in the external market environment and meet the needs of internal operation and management, the Group gradually promoted the integration of CCB London and London Branch of the Bank. At the end of June, total assets of CCB London amounted to RMB3,850 million, and shareholders' equity was RMB3,850 million. Net loss in the first half of 2023 was RMB0.36.

CCB Russia

China Construction Bank (Russia) Limited, established in Russia in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of RUB4.2 billion. CCB Russia holds a comprehensive banking license, a precious metal business license and a security market participant license issued by the Central Bank of Russia. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, cross-border financial market trading and financial institutional business. At the end of June, total assets of CCB Russia amounted to RMB4,204 million, and shareholders' equity was RMB635 million. Net profit in the first half of 2023 was RMB26 million.

CCB Europe

China Construction Bank (Europe) S.A., established in Luxembourg in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of EUR550 million. Based in Luxembourg, CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan, Warsaw and Hungary. CCB Europe mainly provides services to large and medium-sized enterprises in Europe as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement, trade finance, and cross-border financial market trading. At the end of June, total assets of CCB Europe amounted to RMB27,497 million, and shareholders' equity was RMB4,031 million. Net profit in the first half of 2023 was RMB55 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited, established in New Zealand in 2014, is a wholly-owned subsidiary of the Bank, with a registered capital of NZD199 million. CCB New Zealand holds a wholesale and retail business license, and offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border financial market trading. At the end of June, total assets of CCB New Zealand amounted to RMB10,294 million, and shareholders' equity was RMB1,318 million. Net profit in the first half of 2023 was RMB54 million.

MANAGEMENT DISCUSSION AND ANALYSIS

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is a wholly-owned subsidiary acquired by the Bank in Brazil in 2014, with a registered capital of BRL2,957 million. The name of its predecessor, Banco Industrial e Comercial S.A., was changed to the present one in 2015. CCB Brasil provides banking services, including corporate loans and personal credit business, as well as non-banking financial services such as financial lease, and has eight domestic outlets in Brazil. At the end of June, total assets of CCB Brasil amounted to RMB34,991 million, and shareholders' equity was RMB1,456 million. Net loss in the first half of 2023 was RMB13 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad, established in Malaysia in 2016, is a wholly-owned subsidiary of the Bank, with a registered capital of MYR822.6 million. As a licensed commercial bank, CCB Malaysia provides various financial services, including global credit granting for large local infrastructure projects in Malaysia and project finance, trade finance, clearing in multiple currencies and cross-border financial market trading for enterprises engaging in Sino-Malaysian bilateral trade. At the end of June, total assets of CCB Malaysia amounted to RMB8,785 million, and shareholders' equity was RMB1,461 million. Net profit in the first half of 2023 was RMB26 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange. CCB Indonesia has 72 branches and sub-branches in Indonesia. The Bank completed the acquisition of 60% equity in PT Bank Windu Kentjana International Tbk in 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in 2017. CCB Indonesia has a registered capital of IDR3.79 trillion. CCB Indonesia is committed to serving the bilateral investment and trade between China and Indonesia, and provides high-quality services to local enterprises in Indonesia. Its business priorities include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. At the end of June, total assets of CCB Indonesia amounted to RMB11,817 million, and shareholders' equity was RMB3,067 million. Net profit in the first half of 2023 was RMB56 million.

Integrated Operation Subsidiaries

The Group has several integrated operation subsidiaries in business segments of corporate finance business, personal finance business and treasury and asset management business, including CCB Financial Leasing, CCB Property & Casualty, CCB Consulting, CCB Investment, CCB Private Equity, CCB International, Sino-German Bausparkasse, CCB Life, CCB Housing, CCB Consumer Finance, CCB Principal Asset Management, CCB Trust, CCB Futures, CCB Pension, CCB Wealth Management and CCB Housing Rental. The integrated operation subsidiary of other business segment mainly refers to CCB FinTech. In the first half of 2023, the overall development of integrated operation subsidiaries was robust with steady business growth. The integrated operation subsidiaries actively implemented the positioning requirements of "strategic response and functional supplement", served national construction, practiced New Finance initiatives, focused on serving the real economy, and increased financial supports for key customers such as high-end manufacturing and emerging industries with sci-tech innovation as the main theme. The integrated operation subsidiaries supported green and low-carbon transformation and further increased the supply of products and services. At the end of June, total assets of integrated operation subsidiaries amounted to RMB818,821 million. Net profit reached RMB4,436 million in the first half of 2023.

Corporate finance business segment

CCB Financial Leasing

CCB Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2007 with a registered capital of RMB11 billion. It is mainly engaged in finance leasing, transfer and purchase of finance lease assets, and fixed-income securities investment.

Highlighting its advantages of asset financing, CCB Financial Leasing promoted green leasing, inclusive leasing and digital transformation, comprehensively deepened coordination between parent bank and subsidiaries, and actively explored business innovation to continuously improve the quality and efficiency of serving the real economy. At the end of June, total assets of CCB Financial Leasing amounted to RMB155,275 million, and shareholders' equity was RMB23,892 million. Net profit in the first half of 2023 was RMB669 million.



MANAGEMENT DISCUSSION AND ANALYSIS

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was established in 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Communications Investment Group Co., Ltd. and Yinchuan Tonglian Capital Investment and Operation Group Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares, respectively. It is mainly engaged in motor vehicle insurance, insurance for business and household property, construction and engineering (excluding special risk insurance), liability insurance, hull and cargo insurance, short-term health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

CCB Property & Casualty witnessed a steady business development. At the end of June, total assets of CCB Property & Casualty amounted to RMB1,503 million, and shareholders' equity was RMB458 million. Net profit in the first half of 2023 was RMB0.3 million.

CCB Consulting

CCB Engineering Consulting Co., Ltd. is a wholly-owned subsidiary acquired by CCB International Capital Management (Tianjin) Co., Ltd. in 2016, with a registered capital of RMB51 million. The name of its predecessor, CCB Cost Consulting Co., Ltd. was changed to the present one in 2018. CCB International Capital Management (Tianjin) Co., Ltd. holds 100% of its shares. CCB International (China) Co., Ltd, a wholly-owned subsidiary of CCB International, holds 100% shares in CCB International Capital Management (Tianjin) Co., Ltd. CCB Consulting is mainly engaged in cost consulting, engineering consulting, bidding agency, project supervision, investment consulting, and project management.

CCB Consulting gave full play to its professional edge to serve the real economy. It used consulting tools to supervise pre-sale funds and relief funds for ensuring timely deliveries of presold houses and used the "Green Finance + Consulting" service model to help construction projects obtain green certification. At the end of June, total assets of CCB Consulting amounted to RMB1,444 million, and shareholders' equity was RMB415 million. Net profit in the first half of 2023 was RMB111 million.

CCB Investment

CCB Financial Assets Investment Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2017 with a registered capital of RMB27 billion. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses.

CCB Investment adopted a market-oriented approach, and proactively explored business innovation. It gradually stepped up investments in strategic emerging industries to promote the capability to better serve the real economy, while it continued to help reduce leverage, prevent risks and promote reform in basic industries related to national economy and people's livelihood. By the end of June, it had realised a contractual amount of RMB979,206 million accumulatively in terms of framework agreements, and an actual investment amount of RMB426,410 million. At the end of June, total assets of CCB

Investment amounted to RMB131,920 million, and shareholders' equity was RMB37,439 million. Net profit in the first half of 2023 was RMB2,005 million.

CCB Private Equity

CCB Private Equity Investment Management Co., Ltd. was established in 2019 with a registered capital of RMB100 million. CCB Life Asset Management Co., Ltd. holds 100% of its shares. CCB Life and CCB International (China) Co., Ltd. (a wholly-owned subsidiary of CCB International) hold 80.1% and 19.9% shares in CCB Life Asset Management Co., Ltd., respectively. CCB Private Equity is mainly engaged in private equity investment and management of national strategic emerging industry development funds and other private equity funds.

CCB Private Equity gave full play to its professional edge and steadily pressed ahead with investment business. At the end of June, assets managed by CCB Private Equity reached RMB14,724 million, total assets of CCB Private Equity amounted to RMB208 million, and shareholders' equity was RMB50 million. Net profit in the first half of 2023 was RMB5 million.

CCB International

CCB International (Holdings) Limited, the Bank's wholly-owned subsidiary in Hong Kong, was established in 2004 with a registered capital of US\$601 million. It offers, through its subsidiaries, investment banking related services, including sponsoring and underwriting of public offerings, corporate merger and acquisition and restructuring, direct investment, asset management, securities brokerage and market research.

CCB International gave full play to its advantages in cross-border financial market services, focused on financing demands of high-quality enterprises in key areas, strengthened layout in biomedicine, aerospace and new energy industries, improved its comprehensive service capabilities in initial public offering (IPO) and bond issuance, and actively promoted RMB internationalisation. At the end of June, total assets of CCB International amounted to RMB80,904 million, and shareholders' equity was RMB13,104 million. Net loss in the first half of 2023 was RMB758 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Personal finance business segment

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. was established in 2004 with a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG hold 75.10% and 24.90% of its shares, respectively. As a specialised commercial bank committed to serving the housing finance sector, Sino-German Bausparkasse is engaged in housing savings deposits and loans, residential mortgages, and real estate development loans for government-subsidised housing supported by state policies.

Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products amounted to RMB24,928 million in the first half of 2023. At the end of June, total assets of Sino-German Bausparkasse amounted to RMB35,702 million, and shareholders' equity was RMB3,018 million. Net profit in the first half of 2023 was RMB41 million.

CCB Life

CCB Life Insurance Co., Ltd. is a life insurance subsidiary invested and controlled by the Bank in 2011 with a registered capital of RMB7.12 billion. The Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, Shanghai Jin Jiang International Investment and Management Company Limited, Shanghai China-Sunlight Investment Co., Ltd., and China Jianyin Investment Limited hold 51%, 19.9%, 16.14%, 4.9%, 4.85% and 3.21% of its shares, respectively. It is mainly engaged in personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned offerings.

CCB Life pressed ahead with business transformation and its business structure continued to improve. Under the new financial instruments standard and new insurance contract standard, at the end of June, total assets of CCB Life amounted to RMB286,360 million, and shareholders' equity was RMB8,236 million. Net loss in the first half of 2023 was RMB1,093 million.

CCB Housing

CCB Housing Services Co., Ltd. was established in 2018 with a registered capital of RMB1,196 million. CCB Dingteng (Shanghai) Investment Management Co., Ltd. and Shanghai Aijian Trust Co., Ltd. hold 75.25% and 24.75% of its shares, respectively. Specifically, CCB International Innovative Investment Limited, a wholly-owned subsidiary established in Hong Kong by CCB International, holds 100% shares in CCB Dingteng (Shanghai) Investment Management Co., Ltd. CCB Housing is mainly engaged in housing rental business.

CCB Housing made full efforts to press ahead with the high-quality development of housing rental strategy, the supply of rental housing kept increasing, and the value contribution and brand influence of "CCB Home" platform continuously improved. At the end of June, total assets of CCB Housing amounted to RMB13,728 million, and shareholders' equity was RMB868 million. Net profit in the first half of 2023 was RMB45 million.

CCB Consumer Finance

CCB Consumer Finance Co., Ltd. was established in 2023 with a registered capital of RMB7,200 million. The Bank, Beijing State-owned Assets Management Co., Ltd. and Wangfujing Group Co., Ltd. hold 83.33%, 11.11% and 5.56% of its shares, respectively. CCB Consumer Finance is mainly engaged in personal petty consumer loans.

CCB Consumer Finance was officially opened on 30 June 2023. Focusing on the needs of residents' consumption upgrading and emerging forms of consumption, CCB Consumer Finance is committed to implementing the concept of inclusive finance, and giving full play to the FinTech advancements, with the aim of achieving its high-quality development in the course of expanding domestic demand and boosting consumption. At the end of June, total assets of CCB Consumer Finance amounted to RMB7,383 million, and shareholders' equity was RMB7,198 million. Net loss in the first half of 2023 was RMB2 million.

Treasury and asset management business segment

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd. was established in 2005 with a registered capital of RMB200 million. The Bank, Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited hold 65%, 25% and 10% of its shares, respectively. It is engaged in the raising and selling of funds, and asset management.

CCB Principal Asset Management fully promoted non-monetary fund business, corporate wealth management and digitalised operation, and achieved sound performance. It was awarded as the "Top 10 Star Fund Companies", the "Star Fund Companies for Three-Year Stock Investments", and "Three-Year Sustained Return Flexible Blend Star Fund" by the *Securities Times*. At the end of June, total assets managed by CCB Principal Asset Management reached RMB1.34 trillion, total assets of CCB Principal Asset Management amounted to RMB10,751 million, and shareholders' equity was RMB8,956 million. Net profit in the first half of 2023 was RMB590 million.



MANAGEMENT DISCUSSION AND ANALYSIS

CCB Trust

CCB Trust Co., Ltd. is a trust subsidiary invested and controlled by the Bank in 2009 with a registered capital of RMB10.5 billion. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares, respectively. It is mainly engaged in trust business, investment banking and proprietary business.

CCB Trust witnessed a steady development of each business segment. At the end of June, total assets managed by CCB Trust were RMB1.33 trillion, and its wealth management size remained over RMB100 billion. CCB Trust ranked first in terms of both cumulative issuance size and legacy size of credit asset securitisation. It had won awards issued by multiple lists including The Asian Banker, the CVAwards, and the Venture50. CCB Investment Fund Management (Beijing) Co., Ltd., a wholly-owned subsidiary of CCB Trust, was granted the first batch of pilot qualifications for real estate private fund managers and launched the industry's first real estate private fund. At the end of June, total assets of CCB Trust amounted to RMB44,943 million, and shareholders' equity was RMB27,856 million. Net profit in the first half of 2023 was RMB965 million.

CCB Futures

CCB Futures Co., Ltd. is a futures subsidiary invested and controlled by the Bank in 2014 with a registered capital of RMB936 million. CCB Trust and Shanghai Liangyou (Group) Co., Ltd. hold 80% and 20% of its shares, respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage, asset management and futures investment advisory business. CCB Trading Company Limited, a wholly-owned subsidiary of CCB Futures, is engaged in pilot risk management operations approved by the CSRC, such as warehouse receipt service, basis trading, pricing service, and general trade business.

CCB Futures gave full play to its professional strength, strengthened its ability to serve the real economy, and maintained steady improvement in all business lines. At the end of June, total assets of CCB Futures amounted to RMB13,829 million, and shareholders' equity was RMB1,250 million. Net profit in the first half of 2023 was RMB37 million.

CCB Pension

CCB Pension Management Co., Ltd. was established in 2015 with a registered capital of RMB2.3 billion. The Bank, Principal Financial Services Inc. and the National Council for Social Security Fund hold 70%, 17.647% and 12.353% of its shares, respectively. It is mainly engaged in investment and management of national social security funds, businesses related to management of enterprise annuity funds, entrusted management of pension funds, and pension advisory service for the above-mentioned asset management activities.

CCB Pension intensified its efforts in "Three Major Systems" of investment management, customer service, risk and internal control management, and further advanced the planning and implementation of the FinTech "Ginkgo Project", achieving stable and high-quality development of various businesses. At the end of June, total assets managed by CCB Pension were RMB510,307 million, total assets of CCB Pension were RMB3,940 million, and shareholders' equity was RMB3,139 million. Net profit in the first half of 2023 was RMB51 million.

CCB Wealth Management

CCB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2019, with a registered capital of RMB15 billion. It is mainly engaged in the offering of WMPs, investment and management services of entrusted properties, and wealth management advisory and consulting services to the customers. In 2021, CCB Wealth Management, BlackRock and Temasek jointly established BlackRock CCB Wealth Management Co., Ltd. with a registered capital of RMB1 billion. BlackRock, CCB Wealth Management and Temasek hold 50.1%, 40% and 9.9% of its shares, respectively, further enriching the supply of WMPs in the financial market. In 2022, CCB Wealth Management invested RMB1 billion in GUOMIN Pension Insurance Co., Ltd., and held 8.97% of its shares, further supporting the development of pension business.

CCB Wealth Management actively participated in the development of capital market, and realised balanced development among quality, efficiency and business scale on the basis of sound and compliant operation. At the end of June, the size of WMPs of CCB Wealth Management amounted to RMB1.47 trillion, total assets of CCB Wealth Management were RMB22,144 million, and shareholders' equity was RMB21,391 million. Net profit in the first half of 2023 was RMB1,102 million.

CCB Housing Rental

CCB Housing Rental Private Fund Management Co., Ltd. was established in 2022, with a registered capital of RMB100 million. CCB Trust holds 100% of its shares. It is mainly engaged in private equity investment fund management and venture capital fund management services. CCB Housing Rental is the general partner of CCB Housing Rental Fund and serves as both the fund manager and managing partner.

CCB Housing Rental explored the new pattern of real estate development that encourages both housing rentals and purchases via innovation of financial instruments. At the end of June, total assets managed by CCB Housing Rental reached RMB11,597 million, total assets of CCB Housing Rental were RMB112 million, and shareholders' equity was RMB85 million. Net loss in the first half of 2023 was RMB15 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Other business segment

CCB FinTech

CCB FinTech Co., Ltd. was established in 2018, which is the first and largest FinTech company among those set up by large state-owned commercial banks. In 2021, CCB FinTech introduced strategic investors including CCB Tenghui (Shanghai) Private Equity Fund Management Co., Ltd., China Central Depository & Clearing Co., Ltd., Shanghai Lianyin Venture Capital Co., Ltd., and China Development Bank Capital Co., Ltd., holding 92.5%, 2.5%, 2.5% and 2.5% in its shares, respectively, with a registered capital of RMB1,730 million. CCB International (China) Co., Ltd, a wholly-owned subsidiary of CCB International, holds 100% shares in CCB Tenghui (Shanghai) Private Equity Fund Management Co., Ltd. CCB FinTech is committed to becoming the Group's "Technology Engine" and "Ecological Integrator", while also exporting sci-tech innovation capability. It is mainly engaged in "CCB Cloud" and supporting services, FinTech planning and construction consulting services, software products and supporting services.

With unique core technology advantages in the industry, and domestic leading financial enterprise-level digital and intelligent R&D delivery and implementation capabilities, CCB FinTech continuously built an enterprise-level, independent and controllable "new financial operating system", serving three types of customers, including financial institutions, FinTech companies, and financial regulatory authorities and government agencies in two forms – private deployment and public cloud services. At the end of June, total assets of CCB FinTech amounted to RMB6,197 million, and shareholders' equity was RMB446 million. Net loss in the first half of 2023 was RMB930 million.

Entities, Outlets and E-channels

The Group pursued experience optimisation, strengthened integrated development of online and offline operations with platform-based ecological thinking, and continued to promote the integration of traditional financial businesses with new business forms of digitalised, platform-based and ecological finance by building a digitalised operation ecosystem. The Bank continued to improve the "binary star" retail operation ecosystem, and further deepened integration development, with the proportion of online financial account transactions through all channels exceeding 98%.

Physical channels

The Group provided its customers with convenient and high-quality financial services through its extensive branches and sub-branches, self-service kiosks, specialised service entities at home and abroad as well as electronic banking service platforms. At the end of June, the Bank had a total of 14,337 operating entities, consisting of 14,303 domestic entities including the head office, 2 branch-level specialised institutions, 37 tier-1 branches, 362 tier-2 branches, 13,866 sub-branches, 35 outlets under the sub-branches, and 34 overseas entities. The Bank had 24 major subsidiaries with a total of 602 entities, including 454 domestic ones and 148 overseas ones. For addresses of domestic tier-1 branches and overseas branches and subsidiaries, please refer to the 2022 annual report of the Bank.

The following table sets forth the geographical distribution of the Group's operating entities as at the date indicated.

	As at 30 June 2023		As at 31 December 2022	
	Number of entities	% of total	Number of entities	% of total
Yangtze River Delta	2,259	15.12	2,261	15.10
Pearl River Delta	1,833	12.27	1,842	12.31
Bohai Rim	2,389	15.99	2,384	15.93
Central	3,448	23.08	3,450	23.05
Western	2,962	19.83	2,967	19.82
Northeastern	1,408	9.42	1,415	9.45
Head Office	4	0.03	3	0.02
Overseas	34	0.23	34	0.23
Subsidiaries	602	4.03	613	4.09
Total	14,939	100.00	14,969	100.00



MANAGEMENT DISCUSSION AND ANALYSIS

The Bank continued to optimise its outlets layout and support resource input in channel construction in counties and regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area. It stepped up the withdrawal, merger, or relocation of inefficient and intensive outlets in urban areas, and expanded the outlet coverage in new urban planning areas and counties. At the end of June, the Bank had 4,238 county-level outlets, accounting for nearly 30% of the total. In the first half of 2023, the Bank relocated 93 outlets, and set up 13 new outlets, including 11 county-level outlets. It improved its ability to serve rural revitalisation, and set up 137 outlets in 80 out of 160 key counties that needed national assistance in rural revitalisation. The Bank enhanced its service capability for self-service channel. It operated 51,099 ATMs, and 45,937 smart teller machines to support business processing and government affairs services. The Bank increased the number of self-service facilities at urban and county-level outlets with large traffic. It set up 16,745 ATMs and 13,667 smart teller machines at county-level outlets and deployed 1,214 self-service facilities in 160 key counties that need national assistance. A total of 20 outlets of the Bank were awarded the title of “Top 100 Demonstration Outlets with Standardised Services in China’s Banking Industry”, continuing to rank first in terms of quantity in the industry. The Bank had established 246 inclusive finance service centres and over 1,800 personal loan centres. The Bank opened 13,898 “Caring Stations”, continued to promote the “Caring Station +” model and expanded the service scope in fields such as elderly-friendly and caring services, integrated government affairs services, rural revitalisation, green and low carbon transformation, educational aid, legal aid and popularisation, and barrier-free services.

The Bank vigorously pressed ahead with centralised operation at the head office level and process upgrades of complex businesses at outlets. The total number of centralised operation items undertaken by the head office was 262. In terms of corporate banking, the Bank established a new process of online account opening for corporate customers, shortening the time for a single transaction processed at counter from 45 minutes to 20 minutes; and provided foreign exchange “smart collection” services to achieve online and immediate collection. In terms of personal banking, the Bank launched the “one-stop account opening” services for personal accounts, shortening the time for a single transaction from 25 minutes to eight minutes, as well as functions for personal foreign exchange business, such as centralised reply to overseas bank queries, pre-filled form via WeChat, and smart teller machines remittance. It promoted centralised operation of overseas entities and helped 21 overseas entities centralise their operations in the head office and CCB Europe. The Bank made breakthroughs in the construction of the “Blue Chip” operation platform, providing strong support for the differentiated operation of front offices and the intensive operation of back offices of investment and trading business. The Bank promoted intelligent operation, and used various intelligent technologies such as intelligent character recognition (ICR), Robotic Process Automation (RPA) and knowledge graph (KG) to save 24 thousand man-hours per day on average for the whole bank, equivalent to workload of 3,000 people per day.

Online channels

In the first half of 2023, the Bank further promoted integrated development of the “binary star”, and the number of personal customers of the online platform continued to expand, reaching 523 million, covering more than 70% of personal customers. The Bank took the “binary star” as the public basis of digitalised operation with uniform customer operation, extensive scenario connections, mobile traffic flow sharing, integral rights and interests, and layered product upgrades, so as to create financial value to the greatest extent. The number of common customers of the “binary star” platform reached 83,403.4 thousand; specifically, the number of users with AUM of more than RMB10 thousand reached 16,840.4 thousand, up 47.00% over the end of 2022. The platform users were efficiently shared, with 7.82 million customers of “CCB Lifestyle” becoming new mobile banking sign-up customers, and 8.01 million mobile banking customers becoming new registered users of “CCB Lifestyle” of the year. The Bank witnessed remarkable results in monetising mobile traffic through rights and interests, and the rights and interests related to “CCB Lifestyle” drove the sales of mobile banking WMPs and funds of RMB141,886 million and RMB17,221 million, respectively.

Mobile banking

The Bank comprehensively promoted the 2023 version of personal mobile banking, restructured the journey of professional wealth services such as insurance and deposit on the basis of a fully revised version of wealth and credit card channels, continued to iterate functions such as funds, WMPs, personal loans and foreign exchange, and comprehensively improved financial service experience and value transformation. It built and optimised “Wealth Selection”, “Pension” and other featured sections on the homepage of personal mobile banking to fully support online digitalised operation; it cooperated with Xinhua News Agency to upgrade information section of the mobile banking to provide users with professional and comprehensive financial information services; it launched a Tibetan version of personal mobile banking to meet the needs of ethnic minorities in financial services; it launched the Carbon Ledger, symbolic City Wallpaper and various membership activities to provide customers with interesting ways of interaction and rights and interests; it comprehensively upgraded the special private banking version “CCB e-Private Banking” and created a main entrance of the online wealth management platform for private banking customers. The number of personal mobile banking users reached 450 million, up 5.27% over the same period last year. The peak monthly active users of mobile banking exceeded 138 million, with an average monthly active user of 132 million.

The Bank continuously improved the investment experience of corporate mobile banking customers and launched “Longzhiying” intelligent wealth management function. For small and micro business owners, it optimised the single operator mode and simplified the customer operation process. The number of corporate mobile banking users reached 4,957.3 thousand, up 41.99% over the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

CCB Lifestyle

"CCB Lifestyle" experienced a steady growth in its scale, with continuously enriched scenarios and extensively rolled out direct sales. The platform had a total of 113 million registered users, with three million daily active users, 360 thousand online merchant stores, and 2,166 business users of "Smart Canteen", serving more than one million dinners. For customers, the platform integrated the rights and interests and points resources at the bank level, and provided affordable and convenient "Life + Finance" services. For merchants, it continuously iterated core products and functions such as "CCB Lifestyle Store Opening" and marketable coupons, and vigorously promoted the independent operation of merchants, with 65 thousand merchant stores independently granting coupons in the first half of 2023, and a total of more than 10 million merchant coupons actually used. For governments, it actively supported local governments in granting consumption coupons. In the first half of 2023, it undertook the distribution of more than RMB1.1 billion consumption coupons in 168 cities, driving livelihood consumption totalling approximately RMB4 billion. With the scale increasing, the platform's potential of monetising traffic was gradually revealed. In the first half of 2023, it obtained 680 thousand new customers, and activated 3.22 million customers with zero asset in the Bank and more than 980 thousand "CCB Lifestyle Cards". It focused on pressing ahead with cooperation in new energy vehicle scenarios, with AION and BYD getting on board. Since the second quarter of 2023, the platform has integrated financial services with daily life scenarios in light of the increase in customers and accounts, consumer finance conversion, and sales of WMPs, and comprehensively carried out direct sales activities to further improve the operating results of the platform.

Online banking

Personal online banking continuously improved financial services based on customer needs, optimised transaction processes of users, added a special service zone called "Chuguohui", and enriched business functions such as transfer and trading, personal loans, pledged quick loans, and personal call deposits, so as to continuously improve financial service quality. Corporate online banking improved its tailor-made services from the perspective of customers, and enabled customised permissions, menus, and functions through parameter configuration to meet the personalised needs of customers. The Bank optimised the SaaS (Software as a Service) direct linkage mode of corporate online banking and improved the availability and service capability of online financial channels for corporate customers. At the end of June, the number of personal online banking users was 410 million, up 1.49% over the end of 2022. The number of corporate online banking users was 13,281.3 thousand, up 7.46% over the end of 2022.

Online payment

The Bank continuously strengthened the supply and service assurance of online payment products, optimised users' experience of fast payment, carried out customer-friendly marketing activities (i.e., "Huishengqian") to realise customer reactivation, and promoted the steady growth of transactions. In the first half of 2023, the number of online payment transactions was 29,665 million, up 21.43% over the same period last year, and the corresponding transaction volume amounted to RMB11.11 trillion, up 10.33% over the same period last year. The transaction share ranked first among banking peers in payment enterprises such as Alipay, Tik Tok, Meituan, Pinduoduo, and JD in China.

Remote intelligent banking

The Bank strengthened refined management and service innovation of 95533 – its customer service hotline, and provided remote comprehensive financial services for domestic and overseas customers anywhere and anytime through featuring multimedia, multiple scenarios, and various service functions. In the first half of 2023, it served 234 million customer inquiries, with a customer satisfaction rate of 98.89%. The Bank strengthened the building of the WeChat official account "CCB Customer Service", and improved service efficiency and customer experience by upgrading its WeChat applet, assigning digital customer managers for corporate banking, and launching "One-stop Offerings", with over 26.50 million followers.



MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

In the first half of 2023, the Group continuously improved its comprehensive, proactive, intelligent, modern risk management system, and effectively promoted the New Finance practices and high-quality development of the Group. It strengthened integrated risk prevention and control at the group level, optimised checks and balances and coordination mechanism of “three lines of defence”, strengthened risk governance of domestic grass-roots institutions, overseas institutions, and subsidiaries, advanced the construction of coordinated risk control mechanism between parent and subsidiaries as well as institutions at home and abroad, and conducted comprehensive risk screening on key institutions. It strengthened unified credit risk management and steadily pressed ahead with the implementation of financial asset risk classification methods and customer comprehensive financing management methods. It steadily promoted Basel III compliance and met additional regulatory requirements for the management of global and domestic systemically important banks (SIBs). It accelerated the upgrading and expansion project of intelligent risk control system at the group level, created an enterprise-level risk management platform, further pressed ahead with the construction of “Blue Chip” and “3R” platforms, and continuously empowered high-quality development of businesses such as inclusive finance, housing rental, green finance, rural finance, and sci-tech innovation finance, as well as integrated risk prevention and control of the Group.

Credit Risk Management

In the first half of 2023, the Group coordinated development and security, carried out scientific studies on risk profile, promoted forward-looking and proactive risk controls, and steadily and orderly mitigated risks, with asset quality and core risk indicators remaining stable.

The Group increased its efforts in unified credit risk management. Based on a standardised credit policy, it continuously promoted structural adjustments, effectively advanced customer selection, and consolidated management foundation; it persisted in serving the real economy, vigorously promoted green transformation, and strengthened environmental, social, and governance risk management. It enhanced credit risk monitoring and identification, carried out risk screening in key areas, strengthened credit risk penetration management at the group level, and promoted application of big data tools and intelligent platforms in key risk controls. It adhered to bottom line thinking, carried out risk classification management based on substantive risks, and effectively prevented and mitigated risks in key areas.

The Group optimised credit approval management mechanism. It consolidated unified credit approval management of all investment and financing businesses and intensified synergistic risk control between parent and subsidiaries; it reviewed credit rating system of corporate customers, standardised rating process, introduced the review system of full-time loan approvers to improve the professionalism and authority of decision-making; it optimised working measures of differentiated management on project evaluation, promoted the high-quality, efficient and standardised operation of project evaluation to give full play to the Bank’s professional value in project evaluation. It dynamically adjusted approval authorisation of some key overseas institutions and optimised authorisation management mechanism for domestic and overseas institutions. It pressed ahead with improvement of the professional research system for credit approval, strengthened the overall planning of topic selection, research forms and research resources, and improved the timeliness, practicability and shareability of such research.

The Group enhanced its risk measurement capabilities. It promoted the application of credit rating scorecards for rural collective economic organisations throughout the Bank, pushed forward the pilot project of an exclusive evaluation tool called “STAR” for sci-tech enterprises, improved functions of ESG rating system for corporate customers, and enhanced its ability to support key businesses. It launched scorecards for secured quick loans for personal business, scorecards for small and micro sci-tech innovation enterprises, and scorecards for “Yunong Quick Loan”, effectively increasing its support in the new track of retail business segment.

The Group strengthened its special assets resolution. In light of risk resolution and value creation, the Group synergistically improved the quantity, quality and efficiency of disposal of non-performing assets. With the effective management and timely disposal of non-performing assets, the Group sped up transfer of credit funds, contributed to virtuous economic development cycle, and provided solid support for bank-wide strategy promotion, structural adjustment and efficiency improvement.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution of loans by five-category classification

The following table sets forth the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Normal	22,184,703	96.13	20,323,278	96.10
Special mention	576,778	2.50	532,032	2.52
Substandard	164,708	0.71	156,363	0.74
Doubtful	91,165	0.40	90,801	0.43
Loss	60,763	0.26	45,661	0.21
Gross loans and advances excluding accrued interest	23,078,117	100.00	21,148,135	100.00
NPLs	316,636		292,825	
NPL ratio		1.37		1.38

In the first half of 2023, the Group adhered to bottom line thinking, continuously optimised comprehensive, active and intelligent risk prevention, monitoring and management system, improved credit risk management capabilities, continuously pressed ahead with structure optimisation and adjustment, increased its efforts in fundamental management, and consolidated the base of risk management, thus keeping stable asset quality. At the end of June, the balance of the Group's NPLs was RMB316,636 million, an increase of RMB23,811 million over the end of 2022. The NPL ratio was 1.37%, a decrease of 0.01 percentage points from the end of 2022. Special mention loans accounted for 2.50% of gross loans and advances excluding accrued interest, a decrease of 0.02 percentage points from the end of 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Distribution of loans and NPLs by product type

The following table sets forth the Group's loans and NPLs by product type as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023			As at 31 December 2022		
	Loans and advances	NPLs	NPL Ratio (%)	Loans and advances	NPLs	NPL Ratio (%)
Corporate loans and advances	12,984,030	243,532	1.88	11,020,150	229,074	2.08
Short-term loans	3,695,394	72,359	1.96	2,927,713	67,414	2.30
Medium to long-term loans	9,288,636	171,173	1.84	8,092,437	161,660	2.00
Personal loans and advances	8,431,127	51,148	0.61	8,236,768	45,375	0.55
Residential mortgages	6,406,705	26,928	0.42	6,479,609	23,847	0.37
Credit card loans	939,596	15,642	1.66	924,873	13,469	1.46
Personal consumer loans	368,802	2,462	0.67	295,443	2,622	0.89
Personal business loans	608,865	3,507	0.58	415,344	2,694	0.65
Other loans	107,159	2,609	2.43	121,499	2,743	2.26
Discounted bills	776,016	–	–	1,048,651	–	–
Overseas operations and subsidiaries	886,944	21,956	2.48	842,566	18,376	2.18
Gross loans and advances excluding accrued interest	23,078,117	316,636	1.37	21,148,135	292,825	1.38

Distribution of loans and NPLs by geographical segment

The following table sets forth the distribution of the Group's loans and NPLs by geographical segment as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023			As at 31 December 2022		
	Loans and advances	NPLs	NPL ratio (%)	Loans and advances	NPLs	NPL ratio (%)
Yangtze River Delta	4,530,303	38,419	0.85	4,059,468	37,465	0.92
Pearl River Delta	3,886,441	67,408	1.73	3,534,462	64,260	1.82
Bohai Rim	3,911,692	43,717	1.12	3,578,965	40,967	1.14
Central	3,817,791	60,456	1.58	3,502,347	57,581	1.64
Western	4,268,015	47,963	1.12	3,925,921	41,120	1.05
Northeastern	949,054	29,958	3.16	898,474	26,620	2.96
Head Office	967,188	15,722	1.63	942,131	13,541	1.44
Overseas	747,633	12,993	1.74	706,367	11,271	1.60
Gross loans and advances excluding accrued interest	23,078,117	316,636	1.37	21,148,135	292,825	1.38

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution of loans and NPLs by industry

The following table sets forth the Group's loans and NPLs by industry as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023				As at 31 December 2022			
	Loans and advances	% of total	NPLs	NPL ratio (%)	Loans and advances	% of total	NPLs	NPL ratio (%)
Corporate loans and advances	12,984,030	56.26	243,532	1.88	11,020,150	52.11	229,074	2.08
Leasing and commercial services	2,398,530	10.39	44,984	1.88	2,012,840	9.52	48,598	2.41
– Commercial services	2,351,630	10.19	43,521	1.85	1,972,697	9.33	47,374	2.40
Manufacturing	2,141,513	9.28	45,983	2.15	1,646,183	7.78	46,106	2.80
Transportation, storage and postal services	2,129,400	9.23	19,084	0.90	1,960,083	9.27	18,692	0.95
Wholesale and retail trade	1,327,731	5.75	22,091	1.66	1,094,678	5.18	17,788	1.62
Production and supply of electric power, heat, gas and water	1,236,227	5.36	10,493	0.85	1,081,718	5.11	10,577	0.98
Real estate	833,352	3.61	39,647	4.76	770,675	3.64	33,605	4.36
Water, environment and public utility management	734,041	3.18	8,917	1.21	667,836	3.16	6,209	0.93
Construction	641,160	2.78	16,223	2.53	521,232	2.47	13,425	2.58
Mining	329,075	1.43	21,331	6.48	255,321	1.21	19,531	7.65
– Exploitation of petroleum and natural gas	40,063	0.17	130	0.32	7,802	0.04	124	1.59
Information transmission, software and information technology services	186,422	0.81	2,658	1.43	145,248	0.69	3,470	2.39
– Telecommunications, broadcast and television, and satellite transmission services	21,927	0.10	213	0.97	16,855	0.08	685	4.06
Education	102,390	0.44	205	0.20	89,755	0.42	158	0.18
Others	924,189	4.00	11,916	1.29	774,581	3.66	10,915	1.41
Personal loans and advances	8,431,127	36.53	51,148	0.61	8,236,768	38.95	45,375	0.55
Discounted bills	776,016	3.36	–	–	1,048,651	4.96	–	–
Overseas operations and subsidiaries	886,944	3.85	21,956	2.48	842,566	3.98	18,376	2.18
Gross loans and advances excluding accrued interest	23,078,117	100.00	316,636	1.37	21,148,135	100.00	292,825	1.38

In the first half of 2023, the Group standardised the requirements of credit policies, effectively advanced customer selection, continuously pressed ahead with structure optimisation and adjustment, and strengthened its support for key areas and weak links of the real economy. The NPL ratios for infrastructure related sectors and manufacturing industry both dropped; the NPL ratio for personal loans stayed at a sound level.

Restructured loans and advances to customers

The following table sets forth the Group's restructured loans and advances to customers as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of gross loans and advances excluding accrued interest	Amount	% of gross loans and advances excluding accrued interest
Restructured loans and advances to customers	10,620	0.05	13,537	0.06

At the end of June, the balance of restructured loans and advances to customers was RMB10,620 million, a decrease of RMB2,917 million from the end of last year; their proportion in gross loans and advances excluding accrued interest was 0.05%.



MANAGEMENT DISCUSSION AND ANALYSIS

Overdue loans and advances to customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	Amount	% of gross loans and advances excluding accrued interest	Amount	% of gross loans and advances excluding accrued interest
Overdue within three months	101,872	0.44	87,997	0.41
Overdue between three months and six months	34,371	0.15	29,385	0.14
Overdue between six months and one year	51,968	0.22	35,369	0.17
Overdue between one and three years	58,496	0.25	54,943	0.26
Overdue for over three years	15,148	0.07	11,118	0.05
Total overdue loans and advances to customers	261,855	1.13	218,812	1.03

At the end of June, the balance of overdue loans and advances to customers was RMB261,855 million, an increase of RMB43,043 million over the end of last year; their proportion in gross loans and advances excluding accrued interest increased by 0.10 percentage points.

Migration rate of loans

(%)	As at 30 June 2023	As at 31 December 2022	As at 31 December 2021
Migration rate of normal loans	1.77	1.57	1.17
Migration rate of special mention loans	18.50	11.81	13.70
Migration rate of substandard loans	48.18	35.85	30.85
Migration rate of doubtful loans	50.16	39.63	38.16

- The migration rate of loans was calculated on a consolidated basis according to definition of the indicators revised in 2022 by the former CBIRC, and the data as at 30 June 2023 were annualised.

Large exposures management

The Group continued to proactively strengthen large exposures management, strictly implemented regulatory requirements, enhanced the efficiency of data management at the group level with the application of FinTech, and strengthened the monitoring, analysis and dynamic management of large exposures.

Concentration of loans

At the end of June, the Group's gross loans to the largest single borrower accounted for 4.31% of total capital after regulatory adjustments, while those to the top ten customers accounted for 13.56% of total capital after regulatory adjustments.

(%)	As at 30 June 2023	As at 31 December 2022	As at 31 December 2021
Proportion of loans to the largest single customer	4.31	4.50	4.24
Proportion of loans to top ten customers	13.56	14.87	12.83

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's top ten single borrowers as at the date indicated are as follows.

(In millions of RMB, except percentages)	Industry	As at 30 June 2023	
		Amount	% of total loans and advances excluding accrued interest
Customer A	Transportation, storage and postal services	164,081	0.71
Customer B	Production and supply of electric power, heat, gas and water	57,770	0.25
Customer C	Leasing and commercial services	50,060	0.22
Customer D	Transportation, storage and postal services	45,796	0.20
Customer E	Transportation, storage and postal services	36,312	0.16
Customer F	Finance	33,673	0.15
Customer G	Transportation, storage and postal services	33,297	0.14
Customer H	Mining	32,000	0.14
Customer I	Mining	31,600	0.14
Customer J	Transportation, storage and postal services	31,258	0.13
Total		515,847	2.24

Market Risk Management

In the first half of 2023, the Group continued to strengthen management of market risks and investment and trading risks. It formulated risk limit plan and clarified risk-taking boundaries. It strengthened risk limit management of subsidiaries and carried out risk screening of the Group's fixed income business on a regular basis. It improved digital monitoring mechanism for financial market trading business, and strengthened transaction risk screening and alerts. It promoted the implementation of "Blue Chip", a risk management and control platform for investment and trading business, accelerated the construction of projects such as new standardised approach for market risk and new internal model method for market risk, and pressed ahead with full implementation of market risk rules under Basel III.

Value at risk analysis

The Bank divides its on-and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs value at risk (VaR) analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99% and with a holding period of one trading day).

The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective periods is as follows.

(In millions of RMB)	Six months ended 30 June 2023				Six months ended 30 June 2022			
	As at 30 June	Average	Maximum	Minimum	As at 30 June	Average	Maximum	Minimum
Risk valuation of trading portfolio	239	208	246	176	135	137	181	100
Interest rate risk	54	49	68	29	27	27	38	23
Foreign exchange risk	236	196	244	154	128	134	171	103
Commodity risk	1	2	59	–	10	4	24	–



MANAGEMENT DISCUSSION AND ANALYSIS

Stress testing of market risk

The Bank effectively supplemented the VaR analysis on trading books with stress testing. Stress testing of market risk reveals weak links of the investment and trading business under extreme scenarios by quantitatively analysing the impact of changes in interest rates, exchange rates and other market prices on the price, quality, and profit or loss of the Bank's assets, thus enhancing the Bank's ability to respond to extreme risk events.

Interest rate risk management

The Group established interest rate risk management framework and system in light of its own condition and implemented robust and prudent interest rate risk management strategy. The interest rate risk policy is in line with the Group's development strategy, risk appetite and risk management capability, and seeks to achieve a healthy balance between interest rate risk and profitability, minimise the adverse impact from interest rate changes on net interest income and economic value, and to achieve steady profit growth and stable capital structure. The Group employed a range of methods to measure and analyse the interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. The Group performed interest rate risk management and evaluation by actively utilising balance sheet quantitative and pricing tool, prudently utilising interest rate derivative hedging instruments, and applying plan and performance appraisal and internal capital evaluation to effectively control the interest rate risk level of business lines, overseas operations and subsidiaries, so that the interest rate risk on banking book is within a reasonable level.

In the first half of 2023, the Group paid close attention to domestic and foreign economic landscapes and significant changes in macro policies and financial market, continuously implemented requirements for reducing financing costs of enterprises, actively supported key areas and weak links of the real economy, and reasonably responded to market pressures and management challenges, so as to maintain a stable and sustainable growth of assets and liabilities. It closely tracked the changes in interest rates of deposits, loans and bonds, strengthened its monitoring of characteristics of changes in the maturity of various assets and liabilities, effectively reviewed interest rate terms of new products, optimised internal and external pricing strategies, and further improved the quality and efficiency of pricing management; it carried out in-depth research on the current status of risk management of overseas operations, promoted overseas operations to strictly implement key points of management, and reasonably adjusted interest rate risk limit system; it also continuously optimised system functions of interest rate risk and internal and external pricing management, and consolidated the foundation of intelligent and digitalised management. During the reporting period, the results of stress testing indicated that all indicators of the Group were kept within limits, and the level of interest rate risk was under control.

Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps of the Group's assets and liabilities as at the dates indicated by the next expected repricing dates or maturity dates (whichever are earlier) is set out below.

(In millions of RMB)	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Interest rate sensitivity gap as at 30 June 2023	298,237	(8,030,132)	9,357,735	(3,610,852)	4,941,240	2,956,228
Accumulated interest rate sensitivity gap as at 30 June 2023		(8,030,132)	1,327,603	(2,283,249)	2,657,991	
Interest rate sensitivity gap as at 31 December 2022	134,979	(4,895,657)	5,495,499	(2,479,839)	4,621,262	2,876,244
Accumulated interest rate sensitivity gap as at 31 December 2022		(4,895,657)	599,842	(1,879,997)	2,741,265	

At the end of June, the repricing gap of the Group's assets and liabilities with maturities of less than one year was RMB1,327,603 million, an increase of RMB727,761 million over the end of last year, mainly due to the fact that the increase in use of assets placed with other domestic financial institutions was faster than that of amounts due to other domestic financial institutions, and the growth of loans was faster than that of deposits with maturities of less than one year. The positive gap of the Group's assets and liabilities with maturities of more than one year was RMB1,330,388 million, a decrease of RMB811,035 million from the end of last year, mainly due to the fact that the growth of time deposits with maturities of more than one year was faster than that of long-term debt securities investments.

MANAGEMENT DISCUSSION AND ANALYSIS

Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes that all yield curves rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC remain the same; the second assumes that the interest rates for deposits at the PBC and the demand deposits remain the same, while the other yield curves rise or fall by 100 basis points in a parallel way.

The change in net interest income of the Group under different scenarios as at the specified dates is set out below.

(In millions of RMB)	Scenario 1: the interest rates for deposits at the PBC being constant		Scenario 2: the interest rates for deposits at the PBC and the demand deposits being constant	
	Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points	Fall by 100 basis points
As at 30 June 2023	(79,130)	79,130	71,000	(71,000)
As at 31 December 2022	(62,482)	62,482	81,120	(81,120)

Exchange rate risk management

The Group is exposed to exchange rate risk primarily because of the currency mismatch of the assets and liabilities it holds in currencies other than RMB and the positions it takes as a market maker in the financial markets. The Group measures and analyses its exchange rate risk by using a combination of methods such as exchange rate risk exposure and stress testing, controls and mitigates its risk by matching its assets and liabilities, setting limits, and hedging.

In the first half of 2023, the Group adhered to a prudent and sound exchange rate risk management strategy, continuously paid attention to the changes in international financial landscapes and major currencies exchange rates, and carried out risk screening and stress testing as appropriate. During the reporting period, the Group's exchange rate risk indicators continued to satisfy regulatory requirements. The stress testing results of exchange rate risk showed that the overall risk was under control.

Currency concentrations

The Group's currency concentrations as at the dates indicated are set out below.

(In millions of RMB)	As at 30 June 2023				As at 31 December 2022			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,166,605	350,651	430,249	1,947,505	1,030,665	332,430	374,317	1,737,412
Spot liabilities	(1,152,475)	(418,851)	(270,721)	(1,842,047)	(1,000,925)	(349,177)	(227,026)	(1,577,128)
Forward purchases	1,470,506	217,209	35,624	1,723,339	1,225,402	98,771	143,842	1,468,015
Forward sales	(1,504,526)	(99,542)	(169,545)	(1,773,613)	(1,267,774)	(46,432)	(269,320)	(1,583,526)
Net options position	5,574	162	131	5,867	536	(144)	486	878
Net (short)/long position	(14,316)	49,629	25,738	61,051	(12,096)	35,448	22,299	45,651

At the end of June, the Group's net exposure to exchange rate risk was RMB61,051 million, an increase of RMB15.4 billion over the end of last year, mainly due to purchase of foreign exchange for dividend distribution and increase of profits in foreign currencies. The Group's exchange rate risk exposure dropped after dividend payment.



MANAGEMENT DISCUSSION AND ANALYSIS

Operational Risk Management

In the first half of 2023, the Group actively met implementation requirements of Basel III, reinforced operational risk management, improved business continuity management system, strengthened employee behaviour management, and ensured sustained and stable business operation.

The Group strengthened regulatory compliance, optimised loss data management mechanism of operational risk, optimised operational risk management system, and steadily implemented the new standardised approach for operational risk under Basel III. It revised business continuity management policies and improved top-level design of business continuity management; it carried out a new round of business impact analysis, released enterprise-level business and system recovery policies, and enhanced refined business continuity management. It created and optimised employee behaviour models, explored the use of intelligent technologies, and improved model coverage and accuracy. It improved the inspection list of abnormal behaviours and promoted effective performance of responsibilities at all levels.

Liquidity Risk Management

In the first half of 2023, the PBC's prudent monetary policy, which was targeted and effective, enabled reasonable and sufficient liquidity in the banking system. In terms of liquidity risk management, the Group adhered to the principle of robustness and prudence, proactively responded to changes in monetary policies and dynamics in internal and external capital markets, carefully arranged the total amount and structure of capital sources and utilisation, and took multiple measures to improve the efficiency of fund use. It fully improved refined liquidity risk management, and strengthened coordinated liquidity management at the group level, so as to ensure security in payment and settlement. It proactively fulfilled the obligations of a leading state-owned bank, and gave play to its role as a market stabiliser and a policy transmitter, so as to prevent and mitigate financial risk.

Stress testing of liquidity risk

The Group conducted quarterly stress testing on its liquidity risk, and kept improving its liquidity risk stress testing methods in accordance with regulatory and internal management requirements, so as to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. The results of stress testing showed that under different stress scenarios, the Group's liquidity risk was under control.

Indicators of liquidity risk management

The Group adopted liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

The following table sets forth the liquidity ratios and loan-to-deposit ratio of the Group as at the dates indicated.

		Regulatory threshold	As at 30 June 2023	As at 31 December 2022	As at 31 December 2021
(%)					
Liquidity ratio ¹	RMB	≥25	65.88	62.94	59.32
	Foreign currency	≥25	83.36	80.23	70.58
Loan-to-deposit ratio ²	RMB		81.57	83.62	82.28

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the former CBIRC.
2. Calculated on the basis of domestic legal person in accordance with the requirements of the former CBIRC.

MANAGEMENT DISCUSSION AND ANALYSIS

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, the liquidity coverage ratio of a commercial bank equals to high-quality liquid assets divided by net cash outflows in the future 30 days. High-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks with a risk weight of zero or 20%, and central bank reserves that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group for the second quarter of 2023 was 146.96%, meeting the regulatory requirements. It increased by 4.87 percentage points over the previous quarter, mainly due to the increase in high-quality liquid assets.

The following table sets forth the liquidity coverage ratio of the Group as at the dates indicated.

(In millions of RMB, except percentages)	Second quarter 2023	First quarter 2023	Fourth quarter 2022
High-quality liquid assets	5,563,997	5,159,838	5,274,586
Net cash outflows	3,790,503	3,633,738	3,543,220
Liquidity coverage ratio (%)¹	146.96	142.09	148.96

1. Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the period. All figures represent simple arithmetic means of the values for every calendar day in the quarter.

Net stable funding ratio (NSFR) is calculated by dividing the available stable funding by the required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures. According to the applicable regulatory requirements, definitions and accounting standards for the period, at the end of June 2023, the Group's NSFR was 129.52%, meeting the regulatory requirements. It was 0.34 percentage points lower than that as at 31 March, mainly due to the increase in the required stable funding driven by the increase in performing loans and securities; it was 1.64 percentage points higher than that as at 31 December 2022, mainly due to the increase in the available stable funding driven by the increase in wholesale funding, retail deposits and deposits from small business customers.

The following table sets forth the NSFR of the Group as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023	As at 31 March 2023	As at 31 December 2022
Available stable funding	26,887,847	26,138,480	24,268,376
Required stable funding	20,759,870	20,128,667	18,978,160
NSFR (%)	129.52	129.86	127.88

Please refer to "Unaudited Supplementary Financial Information" for more details of liquidity coverage ratio and net stable funding ratio.

The analysis of the Group's assets and liabilities by remaining maturity as at the dates indicated is set out below.

(In millions of RMB)	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Net gaps as at 30 June 2023	3,142,430	(13,091,919)	(230,396)	(649,186)	(654,561)	1,806,188	12,633,672	2,956,228
Net gaps as at 31 December 2022	2,954,115	(12,743,290)	(710,112)	(515,443)	(341,415)	1,818,034	12,414,355	2,876,244

The Group regularly monitored the maturity gaps between its assets and liabilities for various businesses in order to assess its liquidity risk in different time periods. As at 30 June 2023, the cumulative maturity gap of the Group was RMB2.96 trillion, an increase of RMB79,984 million over the end of 2022. The negative gap for repayment on demand was RMB13.09 trillion, an increase of RMB348,629 million over the end of 2022, mainly due to the Group's relatively fast growth of deposits from its expansive customer base. Considering the low turnover rate of the Group's demand deposits and steady growth of deposits, the Group expects to enjoy a steady source of funding and maintain stable liquidity in the future.



MANAGEMENT DISCUSSION AND ANALYSIS

Reputational Risk Management

The Group continued to improve its reputational risk management system and mechanism, and improved its reputational risk management practices. It consolidated the foundation for reputational risk management, strengthened source management, enhanced management of key periods and major events, and focused on refined management. It strengthened the linkage mechanism of potential negative news coverage reporting, monitoring and early warning among the head office and branches, parent and subsidiaries, and domestic and overseas branches and sub-branches, and took immediate measures to maintain effective risk mitigation and disposal, thus effectively safeguarding its corporate image and reputation.

Country Risk Management

The Group managed country risk by applying tools including evaluation and rating, risk limit, exposure analysis, provisioning, stress testing, monitoring and early alert, and emergency responses. The Group strictly adhered to regulatory requirements and optimised its country risk management system in line with the needs of business development to address challenges from global economy. It proactively developed intelligent country risk management tools, promptly re-examined country risk ratings and limits, and carried out country risk assessment. It closely monitored country risk exposure and enhanced country risk mitigation capabilities. It performed stress testing on country risks, and strengthened risk alert and emergency response mechanism, so as to control country risks in an effective manner.

IT Risk Management

The Group continued to perform enterprise-level IT risk identification, assessment, monitoring, reporting, control and mitigation. It strengthened IT assurance and evaluation, engaged professional accounting firms to conduct audit and assurance on IT controls provided by the head office to overseas institutions, and engaged professional institutions to conduct cybersecurity classified protection evaluation for systems at or above Grade III.

Strategic Risk Management

The Group strictly implemented regulatory requirements for strategic risks, and continued to promote the construction of a comprehensive, coordinated and efficient strategic risk management system with a clear division of responsibilities under comprehensive risk management framework. It adhered to the principles of foresight, timeliness, comprehensiveness, and sustainability, and carried out the identification, monitoring, assessment and reporting of strategic risks in a timely manner in light of changes in internal and external business environment, so as to strengthen strategic risk management. The Group's strategic risk remained under control during the reporting period.

Emerging Risk Management

In recent years, emerging risks such as model risk, data risk, money laundering risk, fraud risk, and new product risk have extended the scope of risks faced by financial institutions. The Group echoed the trend of digital transformation, proactively addressed underlying risks, and created a new "moat" for risk management.

Model risk management: The Group attached great importance to model risk management, and continued to improve model risk management mechanisms. It comprehensively promoted implementation of model management system and clarified total amount and risk grading of the Group's models. It strengthened model validation and risk control of purchased models. It optimised enterprise-level model risk management platform and pressed ahead with online and standardised lifecycle management of various models throughout the Bank.

Data risk management: The Group improved its data security governance system, built an organisational structure of data security management covering senior management, executives and supervisors, and strengthened the construction of data security systems, so as to ensure the implementation of relevant laws, regulations and regulatory requirements. It carried out graded data security protection, and strengthened data security control in key scenarios. It continued to improve its data quality management capabilities, clarified the direction and strategy of data quality improvement, improved the quality monitoring level of all processes in the data chain, and prevented data quality risks.

Money laundering risk management: The Group strictly implemented regulatory requirements of AML, and further practiced the "risk-based" management method. It continuously improved money laundering risk management by optimising the AML management structure and self-assessment system of money laundering risks, promoting construction of the AML system and strengthening team building, so as to effectively promote the healthy development of business.

Fraud risk management: The Group continued to improve enterprise-level fraud risk management system and policies, promoted coordinated efforts of head office and branches in anti-fraud from the "three lines of defence", pressed ahead with the application and promotion of credit chain of parent and subsidiaries, and enhanced the digital anti-fraud capability. It promoted the construction of enterprise-level fraud risk management system, optimised the anti-fraud process of key businesses, improved customer-level fraud risk management tools, and empowered fraud risk prevention and control needs of multiple business scenarios.

MANAGEMENT DISCUSSION AND ANALYSIS

New product risk management: The Group established and improved its new product risk management system, and implemented a categorised risk assessment mechanism. It adhered to serving the real economy with financial services and strictly prevented “pseudo-innovation” for the purpose of interest arbitrage. It strengthened construction of the enterprise-level product spectrum management platform and improved the new product risk management system. Moreover, it carried out compliance review on new products before they were released on the market, and implemented regulatory requirements in the first place, so as to ensure the compliance of new products with relevant laws, regulations and regulatory requirements.

Consolidated Management

In the first half of 2023, the Bank continuously enhanced consolidated management and reinforced various aspects of the Group’s consolidated management, including business collaboration, corporate governance, risk management and capital management, so as to prevent cross-border and cross-industry business risks.

The Bank improved the top-level design and system construction of parent-subsiidiary collaboration, incorporated subsidiaries into the management system of business segments, and promoted the business integration of parent and subsidiaries. It continued to streamline the Group’s equity hierarchy, optimised shareholding structure, and improved the Group’s penetrated management ability of subsidiaries at all levels. It reviewed the risk management policy of “One Policy for One Subsidiary” for subsidiaries and promoted high-quality development of subsidiaries. It reinforced the transmission and implementation of the unified risk appetite at the group level, established and implemented the mechanism of double risk reporting lines for subsidiaries, and strengthened the comprehensive risk management of subsidiaries. It strengthened the coordinated

management of data requirements of parent and subsidiaries, encouraged subsidiaries to accelerate the implementation of data governance measures, and continuously improved the data capability and automation level of subsidiaries. It strengthened the monitoring and management of capital adequacy of its subsidiaries, and promoted capital indicators to continuously meet industry regulatory requirements, with a reasonable level of buffer. It promoted the integrated IT construction and the construction of data governance system at the group level, and helped its subsidiaries improve their capability of self-governance in technology management and data governance level.

Internal Audit

The Bank’s internal audit is committed to evaluating and supervising the improvement of risk management, control and governance processes, promoting value creation, and improving business operation. It continued to further improve its audit mechanisms to cover all relevant aspects, highlight key areas, coordinate the overall business with priorities and agility, tackle similar problems in other areas with a typical audit finding, covered auditable units of all business segments with its audit procedures, promoted risk prevention and control in key business areas, and consolidated fundamental management.

In the first half of 2023, the internal audit department performed audit procedures on businesses such as loans to large and medium-sized enterprises, special assets resolution, inclusive finance, personal loans, financial accounting management, key compliance matters, financial derivatives, market risk management, investment banking, channel and operation management, and FinTech. It performed in-depth research and analysis on the underlying causes of identified issues to drive improvement in management mechanisms, business processes and internal management, and effectively promoted stable and healthy development of the Bank’s operation and management.



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL MANAGEMENT

The Group adhered to a robust and prudent capital management strategy, relying on both internal capital accumulation and external capital replenishment. It strengthened capital constraint and incentives, continuously promoted intensive capital operation to enhance the efficiency of capital use, and retained adequate capital and improved structure, which provided a solid foundation for serving the high-quality development of the real economy.

In the first half of 2023, the Group increased its support for the real economy, and saw relatively fast growth of core assets such as loans and bond investments. It retained earnings of RMB70,617 million after deducting dividends, and issued Tier 2 capital bonds of RMB20 billion, further consolidating its capital strength.

Capital Adequacy Ratios

Capital adequacy ratios

In accordance with the regulatory requirements, the scope for calculating capital adequacy ratios of the Group includes all of the Bank's domestic and overseas branches and sub-branches, as well as financial subsidiaries (insurance companies excluded). At the end of June, given relevant rules during the parallel period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 17.40%, 13.39% and 12.75%, respectively, all in compliance with the regulatory requirements. The Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio decreased by 1.02, 1.01 and 0.94 percentage points respectively from 31 December 2022, mainly because the risk-weighted assets grew relatively fast to serve the real economy and boost the growth of various businesses, while the internal capital accumulation slowed down due to the dividend distribution.

The following table sets forth the information on capital adequacy ratios of the Group and the Bank as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2023		As at 31 December 2022	
	The Group	The Bank	The Group	The Bank
Common Equity Tier 1 capital after regulatory adjustments	2,788,059	2,595,788	2,706,459	2,529,274
Tier 1 capital after regulatory adjustments	2,928,140	2,721,589	2,846,533	2,655,737
Total capital after regulatory adjustments	3,805,311	3,582,768	3,640,438	3,434,205
Common Equity Tier 1 ratio (%)	12.75	12.60	13.69	13.67
Tier 1 ratio (%)	13.39	13.21	14.40	14.35
Total capital ratio (%)	17.40	17.39	18.42	18.56

Please refer to Note "Risk management – Capital management" to the financial statements for details of composition of capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Risk-weighted assets

Based on the approval for the Group to implement the advanced capital management method in 2014, the former CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit exposures that meet the regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach. Pursuant to the regulatory requirements, the Group calculates capital adequacy ratios with both the advanced approach and other approaches to capital measurement, and complies with relevant requirements for capital floors.

The following table sets forth information on the Group's risk-weighted assets.

(In millions of RMB)	As at 30 June 2023	As at 31 December 2022
Credit risk-weighted assets	20,393,594	18,293,631
Covered by the internal ratings-based approach	14,010,987	12,514,218
Uncovered by the internal ratings-based approach	6,382,607	5,779,413
Market risk-weighted assets	122,925	115,816
Covered by the internal models approach	77,416	72,327
Uncovered by the internal models approach	45,509	43,489
Operational risk-weighted assets	1,358,387	1,358,387
Additional risk-weighted assets due to the application of capital floors	-	-
Total risk-weighted assets	21,874,906	19,767,834

Leverage Ratio

From the first quarter of 2015, the Group measures the leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*. The leverage ratio refers to the ratio of Tier 1 capital after regulatory adjustments to on- and off-balance sheet assets after adjustments. The leverage ratio of commercial banks should be no less than 4%. As at 30 June 2023, the Group's leverage ratio was 7.30%, meeting the regulatory requirements.

The following table sets forth general information on the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 30 June 2023	As at 31 March 2023	As at 31 December 2022	As at 30 September 2022
Leverage ratio (%)	7.30	7.57	7.85	7.76
Tier 1 capital after regulatory adjustments	2,928,140	2,932,410	2,846,533	2,781,776
On- and off-balance sheet assets after adjustments	40,114,735	38,738,624	36,270,300	35,864,326

For details of the leverage ratio, please refer to "Unaudited Supplementary Financial Information".



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking ahead to the second half of 2023, global economic growth is still under pressure amid geopolitical conflicts, tightening monetary policies of major developed economies, and rising risks in the banking industry in Europe and the United States. China's economy has great development resilience and potential, and economic fundamentals that will sustain long-term growth remain unchanged. With the steady recovery of market demand, China's economy is expected to pick up gradually on the whole.

The banking industry in China is facing a complex operating environment, which presents both challenges and opportunities. On the one hand, external instabilities, uncertainties, and unpredictable factors have increased with continuing global inflationary pressures and monetary tightening policies in developed economies. China is in a critical period of economic recovery and industrial upgrading, and the foundation for economic recovery still needs to be consolidated with the insufficient domestic demand. On the other hand, China has enhanced macroeconomic policy adjustments, focusing on expanding domestic demand, boosting confidence, and preventing risks. With the implementation of policies such as supporting the private economy and expanding consumer demand, as well as increased investment in key areas such as infrastructure, advanced manufacturing, strategic emerging industries, green industries, and sci-tech innovation, the banking industry will usher in new development opportunities for customer expansion and acquisition, business structure optimisation, and profitability enhancement.

In the second half of 2023, the Group will continue to seek progress while maintaining stability, pursue innovation while keeping integrity, and take solid measures to promote high-quality development. The Group will focus on the following priorities: **Firstly, the Group will fulfil its responsibilities as a large bank and provide solid and strong financial support to the real economy.** The Group will increase retail lending, and help build a large domestic consumer market. It will maintain the stability and continuity of corporate credit support policies and increase support in key areas. **Secondly, the Group will advance New Finance initiatives and strengthen the implementation of strategies.** The Group will further promote the housing rental loans, and enhance the operation and management of "CCB Home". It will comprehensively build the ecology of digital inclusive finance, and increase efforts in expanding inclusive finance customers with credit lines. It will help comprehensively promote rural revitalisation, and

optimise "Yunongtong" online and offline integrated service platform. It will continuously improve the green development financial system and integrate ESG concepts into business management. It will also enhance the supporting capabilities of FinTech, and strengthen the Group's integrated R&D collaboration. **Thirdly, the Group will strengthen internal and external coordination of business segments and enhance its market competitiveness.** For corporate finance business segment, the Group will expand and optimise the corporate customer base; for personal finance business segment, it will continue to build on its retail banking advantages; for treasury and asset management business segment, it will persist on creating value with high-quality services and reasonable and responsible innovation. Focusing on the goals and requirements of high-quality development, the Group will promote cross-segmental coordination, regional collaboration, parent-subsidiary coordination, collaboration of front, middle and back offices, and collaboration of domestic and overseas operations. **Fourthly, the Group will strengthen the support of IT and channel operation and enhance agile digital response capability.** The Group will improve the business requirements coordination and management mechanism and enhance its capabilities of agile delivery and intelligent operation and maintenance. It will strengthen data governance, and improve the data security governance system and long-term mechanism for data quality control. It will improve the quality and efficiency of outlet and channel operations, enhance platform operation, and promote the integrated development of its mobile banking and "CCB Lifestyle". **Fifthly, the Group will consolidate the foundation of refined management and enhance the capability of value creation.** The Group will strengthen asset and liability management, reinforce the differentiated and refined management of deposits and loans, and comprehensively promote intensive capital management. It will strengthen total cost management, and promote intensive operation of outlets. It will press ahead with the building of professional teams and improve the quality of customer service. **Sixthly, the Group will clarify the responsibility of risk control and safeguard the bottom line of risk compliance.** The Group will strengthen comprehensive risk management and continuously improve the coordination mechanism of "three lines of defence". It will reinforce the unified credit risk management at the group level and strengthen cross-cycle management of asset quality. It will also strengthen risk management of overseas operations, compliance management, protection of consumers' rights and interests, and reputational risk management.

CORPORATE GOVERNANCE

During the reporting period, the Bank had complied with the code provisions of the *Corporate Governance Code* as set out in Part 2 of Appendix 14 to Listing Rules of Hong Kong Stock Exchange, and substantially adopted the recommended best practices therein.

SHAREHOLDERS' GENERAL MEETING

On 29 June 2023, the Bank held the 2022 annual general meeting, which reviewed and approved proposals including the 2022 report of the board of directors, 2022 report of the board of supervisors, 2022 final financial accounts, profit distribution plan for 2022, 2023 fixed assets investment budget, capital planning for the period from 2024 to 2026, engagement of external auditors for 2023, election of executive directors, non-executive directors, independent non-executive director and external supervisors and issuance of qualified write-down Tier-2 capital instruments. The executive directors, namely Mr. Tian Guoli, Mr. Zhang Jinliang, Mr. Cui Yong and Mr. Ji Zhihong, the non-executive directors, namely Mr. Xu Jiandong, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min, Ms. Liu Fang and Ms. Li Lu, and the independent non-executive directors, namely Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony attended the meeting. The directors' attendance rate was 100%. The domestic and international auditors of the Bank, and the legal advisors as to PRC laws and Hong Kong laws of the Bank also attended the meeting. The convening of this shareholders' general meeting was in compliance with procedures prescribed by relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, "HKEXnews" of Hong Kong Exchanges and Clearing Limited and the Bank on 29 June 2023, and on the Bank's designated newspapers for information disclosure on 30 June 2023.

On 20 March 2023, the Bank held the 2023 first extraordinary general meeting, which reviewed and approved proposals regarding the election of executive directors. The executive directors, namely Mr. Tian Guoli and Mr. Zhang Jinliang, the non-executive directors, namely Mr. Xu Jiandong, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min, Ms. Liu Fang and Ms. Li Lu, and the independent non-executive directors, namely Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony attended the meeting. The directors' attendance rate was 100%. The domestic and international auditors of the Bank, and the legal advisors as to PRC laws and Hong Kong laws of the Bank also attended the meeting. The convening of this shareholders' general meeting was in compliance with procedures prescribed by relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, "HKEXnews" of Hong Kong Exchanges and Clearing Limited and the Bank on 20 March 2023, and on the Bank's designated newspapers for information disclosure on 21 March 2023.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

Members of the Bank's Board include executive directors: Mr. Tian Guoli, Mr. Zhang Jinliang, Mr. Cui Yong and Mr. Ji Zhihong; non-executive directors: Ms. Shao Min, Mr. Tian Bo, Mr. Xia Yang, Ms. Liu Fang and Ms. Li Lu; and independent non-executive directors: Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony.

Supervisors of the Bank

Members of the Bank's board of supervisors include shareholder representative supervisors: Mr. Wang Yongqing and Mr. Lin Hong; employee representative supervisor: Mr. Liu Jun; and external supervisors: Mr. Zhao Xijun, Mr. Liu Huan and Mr. Ben Shenglin.

Senior management of the Bank

Senior management of the Bank include Mr. Zhang Jinliang, Mr. Cui Yong, Mr. Ji Zhihong, Mr. Li Yun, Mr. Wang Bing, Mr. Hu Changmiao, Mr. Jin Panshi and Mr. Sheng Liurong.

Changes in Directors, Supervisors and Senior Management

Directors of the Bank

Upon election at the 2022 annual general meeting of the Bank, Mr. Tian Guoli continued to serve as chairman and executive director of the Bank from June 2023, and Ms. Shao Min and Ms. Liu Fang continued to serve as non-executive directors of the Bank from June 2023. Upon election at the 2022 annual general meeting of the Bank and approval of the Board of the Bank, Lord Sassoon was elected as an independent non-executive director of the Bank, and his qualification as director is subject to approval of the relevant regulatory authority. Upon election at the 2023 first extraordinary general meeting of the Bank and approval of the relevant regulatory authority, Mr. Cui Yong and Mr. Ji Zhihong began to serve as executive directors of the Bank from June 2023. Upon election at the 2022 first extraordinary general meeting of the Bank and approval of the former CBIRC, Ms. Li Lu began to serve as non-executive director of the Bank from March 2023.

Due to expiry of term, Mr. Xu Jiandong ceased to serve as non-executive director of the Bank and Sir Malcolm Christopher McCarthy ceased to serve as independent non-executive director of the Bank from June 2023.



CORPORATE GOVERNANCE

Supervisors of the Bank

Upon election at the 2022 annual general meeting of the Bank, Mr. Liu Huan and Mr. Ben Shenglin continued to serve as external supervisors of the Bank from June 2023.

By reason of age, Mr. Wang Yi ceased to serve as employee representative supervisor of the Bank from April 2023.

Senior management of the Bank

Upon appointment of the Board of the Bank and approval of the former CBIRC, Mr. Wang Bing served as executive vice president of the Bank from March 2023.

By reason of age, Mr. Cheng Yuanguo ceased to serve as chief risk officer of the Bank from July 2023. Due to change of job, Ms. Zhang Min ceased to serve as executive vice president of the Bank from January 2023.

Changes in personal information of directors, supervisors and senior management

Mr. Zhang Jinliang, vice chairman, executive director and president of the Bank, began to serve concurrently as vice chairman of China Society for Finance and Banking from April 2023.

Mr. Wang Bing, executive vice president of the Bank, began to serve concurrently as chairman of CCB Asia from March 2023.

Directors' and Supervisors' Securities Transactions

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the Appendix 10 *Model Code for Securities Transactions by Directors of Listed Issuers* to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors of the Bank had complied with the provisions of this code during the reporting period.

EMPLOYEES

The following table sets forth, as at the date indicated, the geographical distribution of the Group's employees:

	As at 30 June 2023		As at 31 December 2022	
	Number of employees	% of total	Number of employees	% of total
Yangtze River Delta	52,029	14.00	52,619	13.97
Pearl River Delta	44,452	11.96	45,147	11.99
Bohai Rim	57,720	15.53	58,009	15.40
Central	71,297	19.19	72,056	19.13
Western	74,238	19.98	75,140	19.95
Northeastern	32,981	8.87	33,843	8.98
Head Office	14,346	3.86	14,429	3.83
Overseas Branches	1,310	0.35	1,345	0.36
Subsidiaries	23,272	6.26	24,094	6.39
Total	371,645	100.00	376,682	100.00

At the end of June, the Bank had 348,373 employees. There were also 3,298 workers dispatched from labour leasing companies. The number of employees with academic qualifications of bachelor's degree or above was 268,994 or 77.21% of the total. In addition, the Bank assumed the expenses of 105,881 retired employees. Subsidiaries of the Bank had 23,272 employees, 18,189 of which worked in the domestic subsidiaries, and 5,083 worked in overseas subsidiaries. There were also 296 workers dispatched from labour leasing companies. In addition, the subsidiaries assumed the expenses of 144 retired employees.

CORPORATE GOVERNANCE

Staff development and training

The Bank closely followed the development trend of the new era, new economy, and new finance, and focused on strategic priorities of the Bank during the 14th Five-Year Plan period and needs of talent team building. It strengthened overall planning for staff education, training and development, refined the relevant training management rules, and applied digital tools for training management so as to build a more scientific and efficient operating structure for education and training. Meanwhile, it made efforts to integrate internal and external high-quality training resources, and fully applied online learning channels. Adhering to the principle of building and sharing, targeted training and full coverage, it carried out classified and hierarchical training by multiple channels and methods according to job responsibilities and competency requirements, and helped the employees establish the concept of lifelong learning and continuously improve their professional skills and ability to cope with new businesses and challenges.

The Bank gradually built a staff training system to facilitate the growth of talents for the whole process of career development. The Bank cultivated a new-hire employee learning brand of "Your Future with CCB" covering orientation training, integration plan and management trainee programme, which strengthened one-stop training and coaching for new employees of the Bank. The Bank channelled more training resources to the frontline employees, iteratively optimised the ability enhancement learning programmes, including "Together with the Best" for heads of outlets, "Be Better with You" for customer relationship managers at outlets, and outlets customer service manager ability enhancement programme, and organised on-site training and online learning activities, gradually covering more posts at outlets and reaching all outlets. The Bank paid attention to the development of staff in professional and technical positions by helping strengthen their professional capabilities and broaden their career development channels, and making the professional and technical examinations a key driver in building itself into a learning organisation.

In the first half of 2023, the enrolment of the Bank's training sessions reached 372.8 thousand, and 345.9 thousand employees took part in online training through the "CCB Learning" platform.

Progress of implementation of employee stock incentive plan

The Bank implemented the first phase of the employee stock incentive plan in July 2007. For details, please refer to the announcement published by the Bank on 6 July 2007. The Bank had not added new participants or implemented new phase of stock incentive plan ever since. In the future, the Bank will pay close attention to regulatory policies and industry trends and explore innovative incentive methods as appropriate.

FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

As approved by the 2022 annual general meeting, the Bank distributed the 2022 cash dividend of RMB0.389 per share (including tax), totalling RMB97,254 million approximately, to all shareholders whose names appeared on the register of members after the close of market on 13 July 2023. The Bank does not declare 2023 interim dividend, nor does it propose any capitalisation of capital reserve into share capital.

Pursuant to its articles of association, the Bank may distribute dividends in the form of cash, shares or a combination of cash and shares. Unless under special circumstances, the Bank shall distribute dividends in cash if it gains profit and has positive accumulative undistributed profits in the year. Annual cash dividends distributed by the Bank shall be no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis for the fiscal year. To revise the profit distribution policy, the Board shall conduct a specific discussion to elaborate on the causes for adjustments and prepare a written report. Independent non-executive directors shall express their views, and the matter shall be approved in the form of a special resolution by the shareholders' general meeting. The Bank shall provide the shareholders with online voting option for reviewing the adjustments to the profit distribution policy.

The Bank's formulation and implementation of profit distribution policies conforms to the provisions of the articles of association of the Bank and the requirements of the resolutions of the shareholders' general meeting. The Bank has sound decision-making procedures and mechanisms as well as clear and definite standard and ratio for dividends. Independent non-executive directors conduct due diligence and fulfil their duties in the decision-making process of the profit distribution plan. Minority shareholders may fully express their opinions and appeals and their legitimate rights and interests are fully protected.



ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

In August 2023, the Bank released the *2023 Semi-annual ESG Report*, covering relevant ESG information and details of the Bank's performance on fulfilling corporate social responsibilities.

GREEN FINANCE

Please refer to "Management Discussion and Analysis – Business Review – New Finance Initiatives – Green Finance" in this report for details of green finance.

GREEN OPERATION

Focusing on green office, green services, green outlets, green procurement, and green data centre, the Bank implemented various energy-saving and emission-reduction measures, improved its management capability of green operations, and carried out a variety of environmental protection activities to deepen employees' understanding of green and environmental protection concepts, thus jointly building a green and low-carbon bank.

CONSOLIDATING AND EXPANDING THE POSITIVE RESULTS IN POVERTY ELIMINATION THROUGH TARGETED POVERTY ALLEVIATION

The Bank solidly fulfilled its designated assistance responsibility, further implemented the "three major actions" of rural development, rural construction, and rural governance, and continuously promoted the development of areas lifted out of poverty and comprehensive rural revitalisation. It focused on providing support for designated assistance areas of Hanbin District, Hanyin County, Ziyang County, and Langao County of Ankang, Shaanxi Province (collectively referred to as "one district and three counties"), and continuously supported the sustainable development of rural areas. In the first half of 2023, the Bank invested RMB58 million in free assistance funds in "one district and three counties", and introduced RMB10.34 million in free assistance funds; it invested RMB709 million in paid assistance funds and introduced RMB10.20 million in paid assistance funds; it invested RMB8.63 million to consolidate and expand the positive results in poverty alleviation; it provided trainings for 22 thousand grassroots cadres, leaders in poverty alleviation, and professional and technical personnel; it also helped to sell RMB34.25 million of agricultural products from areas lifted out of poverty, and purchased RMB19.10 million of agricultural products from areas lifted out of poverty. At the end of June, the Bank saw a continuous growth in the loan balance of areas lifted out of poverty, and the growth rate of its loans to key counties for national rural revitalisation was higher than the average level of the whole bank, meeting the assessment requirements of regulatory authorities.

The Bank further pressed ahead with "Financial Literacy Promotion". It organised learning and exchange activities that were easily accepted by the public on a regular basis, such as financial knowledge, agricultural technology, and rural culture. It rolled out a training programme in rural areas for young financial talents to support rural development, designed

targeted courses for talents such as college-graduates recruited as village officials and deputy village chiefs in charge of finance affairs, and realised on-the-spot training. By the end of June, the Bank had organised a total of 51 thousand training sessions of "Financial Literacy Promotion" in areas lifted out of poverty, benefiting 4.42 million participants, jointly set up 2,342 rural "Yunong School", and offered approximately 960 online and offline courses.

The Bank expanded multi-dimensional channels and promoted poverty alleviation relying on consumption assistance. In the first half of 2023, "E.ccb.com" helped to sell RMB267 million of agricultural products from areas lifted out of poverty; there were 318 merchants in key counties for national rural revitalisation, with a transaction volume of RMB34.97 million.

FINANCIAL SERVICES FOR RURAL REVITALISATION

Please refer to "Management Discussion and Analysis – Business Review – New Finance Initiatives – Rural Revitalisation" in this report for details of financial services for rural revitalisation.

PROTECTION OF CONSUMERS' RIGHTS AND INTERESTS

In the first half of 2023, the Bank continuously reinforced the construction and improvement of regimes, mechanisms, processes, and systems of protection of consumers' rights and interests, focused on strengthening refined management, and promoted the in-depth integration of protection of consumers' rights and interests with business development and service management, thus effectively protecting the legitimate rights and interests of consumers.

The board of directors, the board of supervisors and senior management of the Bank received and reviewed reports on the progress in the protection of consumers' rights and interests, coordinated and promoted the improvement of relevant strategies, policies, and goals, supervised and evaluated the implementation of protection of consumers' rights and interests, and made specialised deployments for relevant tasks such as reducing complaint volumes in key areas. The Bank steadily pressed ahead with the implementation of consumer protection work plans, and promoted the integration of protection of consumers' rights and interests into corporate governance, corporate culture construction, and comprehensive risk management in an orderly manner.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Bank continuously improved its complaint management mechanism, assigned specialists at all levels and business lines to handle consumer complaints, and implemented the first asking responsibility system and an accountability system with top leaders in charge of major complaints. It fully unblocked complaint acceptance channels, formulated brand-new customer complaint handling procedures, and strove to ensure every case could be dealt with properly. It focused on key areas, performed in-depth analysis on the causes of issues, established a long-term mechanism for complaint tracing and rectification, and implemented targeted policies to promote the optimisation and improvement of products and services. It continuously improved the digitalised management capabilities of protection of consumers' rights and interests in order to timely monitor and check indicators.

The Bank increased its efforts in reviewing consumer protection to ensure that all business processes of products and services were in conformity with relevant regulations, thus preventing the risk of infringement of consumers' rights and interests in the first place. In the first half of 2023, the Bank reviewed 84.1 thousand cases of consumer protection.

The Bank continuously carried out financial education activities to enhance financial literacy of the public. It implemented regulatory arrangements, and carried out activities such as "March 15 Consumer Rights Protection Awareness Week" and "Learn Financial Knowledge and Protect Your Pockets", reaching more than 780 million consumers and achieving good results. It pressed ahead with digital education in a refined manner, and operated a digital financial education and propaganda zone for consumer protection, cumulatively receiving more than 330 million visits. Relying on the "CCB Learning" platform, the Bank established a public welfare virtual classroom on consumer protection knowledge, and built a "standardised + featured" content library, so as to help employees improve the system of consumer protection knowledge.

PUBLIC WELFARE AND CHARITY

Based on the public welfare culture of "helping others, openness and sharing", the Bank adhered to the public welfare concept of "integrating the responsibility of serving the public into businesses while calling for involvement of employees, customers and institutions", and carried out diversified public welfare & charity activities and volunteer activities, with the aim of contributing to society and fulfilling its social responsibility.

While continuously making external donations and building a brand of long-term public welfare projects, in 2023, the Bank focused on making creative efforts in rolling out an online public welfare activity called "Pursuit of Public Welfare". In the meanwhile, relying on its "binary star" platform of mobile banking and CCB Lifestyle, the Bank created a new public welfare ecosystem and a new landscape of business integration, enabling hundreds of millions of CCB customers and users to take on roles of pioneer, supporter, and disseminator of public welfare.



MAJOR ISSUES

PERFORMANCE OF UNDERTAKINGS

In September 2004, Huijin made a commitment of “non-competition within the industry”, i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with related laws of the People’s Republic of China or listing rules of the Bank’s listing venues, Huijin would not engage in or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits, providing settlement, fund custody, bank card and currency exchange services. However, Huijin may still engage in or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin committed that it would: (1) fairly treat its investments in commercial banks, and would not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank but beneficial to other commercial banks; and (2) exercise its shareholder’s rights for the best interests of the Bank.

On 6 April 2016, in accordance with relevant rules of the CSRC, in order to ensure the effective fulfilment of the measures to make up for the immediate return diluted by the issuance of preference shares of the Bank, Huijin undertook not to intervene with the operation and management of the Bank and not to misappropriate the interests of the Bank.

As of 30 June 2023, Huijin had not breached any of the above undertakings.

MISAPPROPRIATION OF FUNDS FOR NON-OPERATIONAL PURPOSE

During the reporting period, there was no misappropriation of the Bank’s fund by the controlling shareholder or other related parties for non-operational purpose.

ILLEGAL GUARANTEES

During the reporting period, the Bank had not entered into any guarantee contract in violation of relevant regulations.

MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, the Bank was not subject to any material litigation or arbitration.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the reporting period, there was no purchase, sale or redemption of the shares of the Bank by the Bank or any of its subsidiaries.

PENALTIES

During the reporting period, the Bank was not subject to any investigations in accordance with laws for any suspected crimes. Neither the controlling shareholder, actual controlling party, directors, supervisors nor the senior executives of the Bank were subject to coercive measures in accordance with laws for any suspected crimes, or were detained by disciplinary inspection and supervision authorities for suspected serious violations of disciplines and laws or for duty-related crimes and were unable to fulfil duties due to such reasons. Neither the Bank, the controlling shareholder, actual controlling party, directors, supervisors nor the senior executives of the Bank were subject to criminal penalties, investigations or administrative penalties by the CSRC for suspected violations of laws and regulations, material administrative punishments by other relevant authorities, or administrative supervision measures by the CSRC or disciplinary actions by the stock exchanges. Neither the directors, supervisors nor the senior executives of the Bank were subject to coercive measures by other relevant authorities for suspected violations of laws and regulations and were unable to fulfil duties due to such reasons.

INTEGRITY

During the reporting period, the Bank and its controlling shareholder had no unperformed obligations rendered by valid legal documents of the courts, or significant outstanding matured debts.

MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, the Bank had no material related party transactions.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the reporting period, the Bank did not enter into any material arrangement for custody, contracting or leasing of other companies’ assets, or allow its assets to be subject to such arrangements by other companies.

The guarantee business is an off-balance sheet service in the ordinary course of the Bank’s business. The Bank did not have any material guarantee that is required to be disclosed except for the financial guarantee services within its business scope as approved by the regulators. During the reporting period, the Bank did not enter into any other material contract that is required to be disclosed.



MAJOR ISSUES

MAJOR EVENTS

In May 2023, the former CBIRC Beijing Office approved the opening of CCB Consumer Finance, the subsidiary of the Bank. Established by the Bank, Beijing State-owned Assets Management Co., Ltd. and Wangfujing Group Co., Ltd., CCB Consumer Finance has a registered capital of RMB7.2 billion, 83.33% of which was contributed by the Bank. In June 2023, CCB Consumer Finance completed the registration procedures for business establishment and officially opened for business. For details, please refer to the announcement issued by the Bank dated 31 May 2023 and “Management Discussion and Analysis – Business Review – Integrated Operation Subsidiaries” in this report.

In May 2023, the Bank issued overseas green bonds with the themes of biodiversity and the “Belt and Road”, with total proceeds equivalent to US\$780 million. In March 2023, the Bank issued Tier-2 capital bonds of RMB20 billion and green financial bonds of RMB10 billion.

In March 2023, the Bank made a paid-in capital contribution of RMB5 billion to CCB Housing Rental Fund, with a cumulative paid-in capital contribution of RMB10 billion. In February 2023, the general partner and fund manager of CCB Housing Rental Fund was changed to CCB Housing Rental Private Fund Management Co., Ltd.

For other major events during the reporting period, please refer to announcements disclosed by the Bank on the websites of Shanghai Stock Exchange, “HKEXnews” of Hong Kong Exchanges and Clearing Limited and the Bank.

OTHER SHAREHOLDING OR SHARE PARTICIPATIONS

During the reporting period, the Bank had no other shareholding or share participation.

REVIEW OF HALF-YEAR REPORT

The Group’s 2023 half-year financial statements prepared under PRC GAAP have been reviewed by Ernst & Young Hua Ming LLP, and the Group’s 2023 half-year financial statements prepared under IFRS have been reviewed by Ernst & Young.

The Group’s 2023 half-year report has been reviewed by the audit committee of the Bank and approved by the Board.

EVENTS AFTER THE REPORTING PERIOD

The Bank issued undated capital bonds of RMB30 billion on 18 July 2023. The coupon rate is 3.29% during the first five years and will be reset every five years. The Bank has a conditional redemption right on every interest payment date from the fifth year onwards. The funds raised from the issuance of the bonds are used to replenish the Bank’s additional Tier 1 capital.



CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

CHANGES IN ORDINARY SHARES

Unit: share

	1 January 2023		Change during the reporting period					30 June 2023	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Numbers of shares	Percentage (%)
I. Shares subject to selling restrictions									
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	-	-	-	-	-	9,593,657,606	3.84
2. Overseas listed foreign investment shares	95,231,418,499	38.09	-	-	-	-	-	95,231,418,499	38.09
3. Others ¹	145,185,901,381	58.07	-	-	-	-	-	145,185,901,381	58.07
III. Total number of shares	250,010,977,486	100.00	-	-	-	-	-	250,010,977,486	100.00

1. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, Baowu Steel Group, State Grid and Yangtze Power.

NUMBER OF ORDINARY SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING

At the end of the reporting period, the Bank had a total of 334,786 ordinary shareholders, of whom 38,987 were holders of H-shares and 295,799 were holders of A-shares. The particulars of shareholding of top ten ordinary shareholders of the Bank are as follows.

Unit: share

Name of ordinary shareholder	Nature of shareholder	Shareholding percentage (%)	Changes during the reporting period	Total number of shares held
Huijin	State	57.03	-	142,590,494,651 (H-shares)
		0.08	-	195,941,976 (A-shares)
HKSCC Nominees Limited ¹	Foreign legal person	37.53	-11,406,084	93,831,101,459 (H-shares)
China Securities Finance Corporation Limited	State-owned legal person	0.88	-	2,189,259,672 (A-shares)
State Grid ²	State-owned legal person	0.64	-	1,611,413,730 (H-shares)
Reca Investment Limited	Foreign legal person	0.34	-	856,000,000 (H-shares)
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	0.27	+286,687,667	676,241,735 (A-shares)
Yangtze Power	State-owned legal person	0.26	-	648,993,000 (H-shares)
Central Huijin Asset Management Ltd.	State-owned legal person	0.20	-	496,639,800 (A-shares)
Baowu Steel Group	State-owned legal person	0.13	-	335,000,000 (H-shares)
Hexie Health Insurance Co., Ltd. – Universal Products	Others	0.09	+114,561,580	223,395,439 (A-shares)

- It includes H-shares of the Bank held by Temasek Holdings (Private) Limited. As at 30 June 2023, State Grid, Yangtze Power and Baowu Steel Group held 1,611,413,730 H-shares, 648,993,000 H-shares and 335,000,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Save the aforesaid H-shares of the Bank held by State Grid, Yangtze Power and Baowu Steel Group, 93,831,101,459 H-shares of the Bank were held under the name of HKSCC Nominees Limited.
- As at 30 June 2023, the holding of H-shares of the Bank by State Grid through its subsidiaries was as follows: State Grid International Development Co., Ltd. held 296,131,000 shares, and State Grid International Development Limited held 1,315,282,730 shares.
- Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd. Apart from these, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.
- None of the shares held by the aforesaid shareholders were subject to selling restrictions. None of the aforesaid shares were pledged, labelled or frozen except that the status of the shares held under the name of HKSCC Nominees Limited was unknown.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

CHANGES IN CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLING PARTY

During the reporting period, there was no change in controlling shareholder or actual controlling party.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2023, the interests and short positions of substantial shareholders and other persons in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the *Securities and Futures Ordinance* (SFO) of Hong Kong were as follows:

Name	Type of shares	Number of shares	Nature of rights and interests	% of issued A-shares	% of issued H-shares	% of total ordinary shares issued
Huijin ¹	A-share	692,581,776	Long position	7.22	–	0.28
Huijin ²	H-share	133,262,144,534	Long position	–	59.31	57.03

1. On 29 December 2015, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held interests of 692,581,776 A-shares of the Bank, accounting for 7.22% of the A-shares issued (9,593,657,606 shares) and 0.28% of the ordinary shares issued (250,010,977,486 shares), in which 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin. As at 30 June 2023, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, and Central Huijin Asset Management Ltd. directly held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% the H-shares issued (224,689,084,000 shares) and 57.03% of the ordinary shares issued (233,689,084,000 shares) at that time. As at 30 June 2023, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% of the H-shares issued (240,417,319,880 shares) and 57.03% of the ordinary shares issued (250,010,977,486 shares).

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS

During the reporting period, there was no change in the shareholdings of directors and supervisors of the Bank. Some supervisors indirectly held H-shares of the Bank by participating in the employee stock incentive plan of the Bank before they assumed their current positions. As at 30 June 2023, Mr. Lin Hong held 15,555 H-shares, and Mr. Liu Jun held 12,447 H-shares; Mr. Wang Yi, the resigned supervisor, held 13,023 H-shares. Save as disclosed above, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Bank and Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), to be recorded in the register kept under Section 352 of the SFO, or to be notified to the Bank and Hong Kong Stock Exchange pursuant to Appendix 10 *Model Code for Securities Transactions by Directors of Listed Issuers* to the Listing Rules of Hong Kong Stock Exchange.



CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

DETAILS OF PREFERENCE SHARES

At the end of the reporting period, the Bank had 25 preference shareholders, all domestic preference shareholders. The particulars of shareholding of the top ten domestic preference shareholders of the Bank were as follows.

Unit: share

Name of preference shareholder	Nature of shareholder	Shareholding percentage (%)	Change during the reporting period	Total number of shares held
Hwabao Trust Co., Ltd.	Others	14.36		86,140,000
Shanghai Branch of Bank of China Limited	Others	13.83	-7,000,000	83,000,000
Bosera Asset Management Co., Limited	Others	10.17		61,000,000
China Life Insurance Company Limited	Others	8.33		50,000,000
China Mobile Communications Group Co., Ltd.	State-owned legal person	8.33		50,000,000
Ping An Life Insurance Company of China, Ltd.	Others	8.28	+49,660,000	49,660,000
GF Securities Asset Management (Guangdong) Co., Ltd.	Others	4.50		27,000,000
Postal Savings Bank of China Co., Ltd.	Others	4.50		27,000,000
PICC Property and Casualty Company Limited	Others	3.33		20,000,000
AVIC Trust Co., Ltd.	Others	3.17	+19,000,000	19,000,000

- Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders. None of the aforesaid shares had restoration of voting rights, or were pledged, labelled or frozen.
- The Bank is not aware of any connected relation or concerted action among the aforesaid preference shareholders, or between the aforesaid preference shareholders and the top ten ordinary shareholders.

In accordance with *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, *Accounting Standard for Business Enterprise No. 37 – Presentation of Financial Instruments and Rules on Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatments* promulgated by the MOF, as well as *International Financial Reporting Standard No. 9 – Financial Instruments and International Accounting Standard No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the existing preference shares issued by the Bank meet the requirements of equity instruments in their terms and conditions, and are treated as equity instruments.

The Bank had not issued preference shares in the past three years. During the reporting period, there was no distribution of dividend, redemption, conversion or restoration of voting rights of preference shares issued by the Bank.

APPENDIX I: INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

CONTENTS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income 74

Consolidated statement of financial position 77

Consolidated statement of changes in equity 79

Consolidated statement of cash flows 81

NOTES TO THE FINANCIAL STATEMENTS

1	Company information	83
2	Basis of preparation and significant accounting policies	83
3	Net interest income	86
4	Net fee and commission income	87
5	Net trading gain	87
6	Dividend income	87
7	Net gain/(loss) arising from investment securities	88
8	Net (loss)/gain on derecognition of financial assets measured at amortised cost	88
9	Other operating (expense)/income, net	88
10	Operating expenses	89
11	Credit impairment losses	89
12	Other impairment losses	89
13	Income tax expense	90
14	Earnings per share	91
15	Cash and deposits with central banks	91
16	Deposits with banks and non-bank financial institutions	92
17	Placements with banks and non-bank financial institutions	93
18	Derivatives and hedge accounting	94
19	Financial assets held under resale agreements	96
20	Loans and advances to customers	96
21	Financial investments	101
22	Long-term equity investments	108
23	Structured entities	111
24	Fixed assets	112
25	Construction in progress	114
26	Land use rights	114
27	Intangible assets	115
28	Goodwill	116
29	Deferred tax	117
30	Other assets	118
31	Movements of allowances for impairment losses	121

32	Borrowings from central banks	122
33	Deposits from banks and non-bank financial institutions	122
34	Placements from banks and non-bank financial institutions	123
35	Financial liabilities measured at fair value through profit or loss	123
36	Financial assets sold under repurchase agreements	124
37	Deposits from customers	124
38	Accrued staff costs	125
39	Taxes payable	127
40	Provisions	128
41	Debt securities issued	129
42	Other liabilities	132
43	Share capital	133
44	Other equity instruments	133
45	Capital reserve	137
46	Other comprehensive income	137
47	Surplus reserve	138
48	General reserve	138
49	Profit distribution	138
50	Notes to the statement of cash flows	138
51	Transferred financial assets	139
52	Operating segments	139
53	Entrusted lending business	146
54	Pledged assets	146
55	Commitments and contingent liabilities	146
56	Related party relationships and transactions	148
57	Risk management	152
58	Statement of financial position and statements of changes in equity of the Bank	182
59	Events after the reporting period	185
60	Comparative figures	185
61	Ultimate parent	185
62	Possible impact of amendments, new standards and interpretations issued but not yet effective	186

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1	Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP	187
2	Liquidity coverage ratio and net stable funding ratio	187
3	Leverage ratio	189
4	Currency concentrations	190
5	International claims	191
6	Overdue loans and advances to customers by geographical sector	192
7	Exposures to non-banks in the Chinese mainland	192



Report on Review of Interim Financial Information

To the Board of Directors of China Construction Bank Corporation

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

Introduction

We have reviewed the accompanying interim condensed financial information set out on pages 75 to 186, which comprises the consolidated statement of financial position of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") as at 30 June 2023 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and condensed explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of interim condensed financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Ernst & Young

Certified Public Accountants

Hong Kong
23 August 2023



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited) (Restated)
Interest income		616,753	565,317
Interest expense		(304,568)	(247,648)
Net interest income	3	312,185	317,669
Fee and commission income		77,474	77,139
Fee and commission expense		(6,873)	(6,892)
Net fee and commission income	4	70,601	70,247
Net trading gain	5	3,766	2,274
Dividend income	6	3,568	3,509
Net gain/(loss) arising from investment securities	7	542	(4,046)
Net (loss)/gain on derecognition of financial assets measured at amortised cost	8	(44)	34
Other operating (expense)/income, net:			
– Other operating income		10,043	13,041
– Other operating expense		(12,506)	(12,851)
Other operating (expense)/income, net	9	(2,463)	190
Operating income		388,155	389,877
Operating expenses	10	(95,987)	(94,036)
		292,168	295,841
Credit impairment losses	11	(95,414)	(103,294)
Other impairment losses	12	46	(81)
Share of profits of associates and joint ventures		464	418
Profit before tax		197,264	192,884
Income tax expense	13	(29,969)	(30,650)
Net profit		167,295	162,234

The notes on pages 83 to 186 form part of these financial statements.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited) (Restated)
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		173	(130)
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income		70	100
Others		24	-
Subtotal		267	(30)
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income		5,867	(5,068)
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income		86	1,281
Reclassification adjustments included in profit or loss due to disposals		(383)	(37)
Net (loss)/gain on cash flow hedges		(334)	161
Exchange difference on translating foreign operations		5,927	4,264
Others		(2,700)	(1,396)
Subtotal		8,463	(795)
Other comprehensive income for the period, net of tax		8,730	(825)
Total comprehensive income for the period		176,025	161,409
Net profit attributable to:			
Equity shareholders of the Bank		167,344	161,899
Non-controlling interests		(49)	335
		167,295	162,234
Total comprehensive income attributable to:			
Equity shareholders of the Bank		177,062	161,614
Non-controlling interests		(1,037)	(205)
		176,025	161,409
Basic and diluted earnings per share (in RMB Yuan)	14	0.67	0.65

The notes on pages 83 to 186 form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited) (Restated)
Assets:			
Cash and deposits with central banks	15	3,431,782	3,159,296
Deposits with banks and non-bank financial institutions	16	290,923	185,423
Precious metals		66,775	39,119
Placements with banks and non-bank financial institutions	17	601,718	509,786
Positive fair value of derivatives	18	63,847	49,308
Financial assets held under resale agreements	19	1,411,258	1,040,847
Loans and advances to customers	20	22,360,543	20,493,042
Financial investments	21		
Financial assets measured at fair value through profit or loss		567,261	568,097
Financial assets measured at amortised cost		6,395,058	5,958,397
Financial assets measured at fair value through other comprehensive income		2,293,209	2,015,818
Long-term equity investments	22	22,496	22,700
Fixed assets	24	153,412	157,014
Construction in progress	25	9,049	9,971
Land use rights	26	13,009	13,225
Intangible assets	27	6,129	6,496
Goodwill	28	2,375	2,256
Deferred tax assets	29	122,605	113,081
Other assets	30	443,257	256,835
Total assets		38,254,706	34,600,711
Liabilities:			
Borrowings from central banks	32	892,062	774,779
Deposits from banks and non-bank financial institutions	33	3,299,939	2,584,271
Placements from banks and non-bank financial institutions	34	446,290	365,760
Financial liabilities measured at fair value through profit or loss	35	221,142	289,100
Negative fair value of derivatives	18	64,290	46,747
Financial assets sold under repurchase agreements	36	155,203	242,676
Deposits from customers	37	27,628,473	25,020,807
Accrued staff costs	38	44,848	49,355
Taxes payable	39	52,367	84,169
Provisions	40	50,181	50,726
Debt securities issued	41	1,798,899	1,646,870
Deferred tax liabilities	29	1,470	881
Other liabilities	42	643,314	568,326
Total liabilities		35,298,478	31,724,467

The notes on pages 83 to 186 form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited) (Restated)
Equity:			
Share capital	43	250,011	250,011
Other equity instruments	44		
Preference shares		59,977	59,977
Perpetual bonds		79,991	79,991
Capital reserve	45	135,653	135,653
Other comprehensive income	46	27,121	17,403
Surplus reserve	47	337,527	337,527
General reserve	48	445,105	444,786
Retained earnings	49	1,599,873	1,530,102
Total equity attributable to equity shareholders of the Bank		2,935,258	2,855,450
Non-controlling interests		20,970	20,794
Total equity		2,956,228	2,876,244
Total liabilities and equity		38,254,706	34,600,711

Approved and authorised for issue by the Board of Directors on 23 August 2023.

Zhang Jinliang

Vice Chairman, executive director and president

Kenneth Patrick Chung

Independent non-executive director

Graeme Wheeler

Independent non-executive director

The notes on pages 83 to 186 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	(Unaudited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
		Preference shares	Perpetual bonds							
As at 31 December 2022	250,011	59,977	79,991	135,653	20,793	337,527	444,786	1,527,995	22,027	2,878,760
Change in accounting policy (Note 2)	-	-	-	-	(3,390)	-	-	2,107	(1,233)	(2,516)
As at 1 January 2023	250,011	59,977	79,991	135,653	17,403	337,527	444,786	1,530,102	20,794	2,876,244
Movements during the period	-	-	-	-	9,718	-	319	69,771	176	79,984
(1) Total comprehensive income for the period	-	-	-	-	9,718	-	-	167,344	(1,037)	176,025
(2) Changes in share capital										
i Establishment of subsidiaries	-	-	-	-	-	-	-	-	1,230	1,230
ii Acquisition of subsidiaries	-	-	-	-	-	-	-	-	64	64
(3) Profit distribution										
i Appropriation to general reserve	-	-	-	-	-	-	319	(319)	-	-
ii Dividends to ordinary shareholders	-	-	-	-	-	-	-	(97,254)	-	(97,254)
iii Dividends to non-controlling interests holders	-	-	-	-	-	-	-	-	(81)	(81)
As at 30 June 2023	250,011	59,977	79,991	135,653	27,121	337,527	445,105	1,599,873	20,970	2,956,228

	(Unaudited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
		Preference shares	Perpetual bonds							
As at 31 December 2021	250,011	59,977	39,991	134,925	21,338	305,571	381,621	1,394,797	25,891	2,614,122
Change in accounting policy (Note 2)	-	-	-	-	(1,932)	-	-	1,241	(665)	(1,356)
As at 1 January 2022	250,011	59,977	39,991	134,925	19,406	305,571	381,621	1,396,038	25,226	2,612,766
Movements during the period	-	-	-	-	(285)	-	3,499	67,396	(3,636)	66,974
(1) Total comprehensive income for the period	-	-	-	-	(285)	-	-	161,899	(205)	161,409
(2) Changes in share capital										
i Capital deduction by other equity instruments holders	-	-	-	-	-	-	-	-	(3,335)	(3,335)
(3) Profit distribution										
i Appropriation to general reserve	-	-	-	-	-	-	3,499	(3,499)	-	-
ii Dividends to ordinary shareholders	-	-	-	-	-	-	-	(91,004)	-	(91,004)
iii Dividends to non-controlling interests holders	-	-	-	-	-	-	-	-	(96)	(96)
As at 30 June 2022 (Restated)	250,011	59,977	39,991	134,925	19,121	305,571	385,120	1,463,434	21,590	2,679,740

The notes on pages 83 to 186 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	(Audited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
Preference shares		Perpetual bonds								
As at 31 December 2021	250,011	59,977	39,991	134,925	21,338	305,571	381,621	1,394,797	25,891	2,614,122
Change in accounting policy (Note 2)	-	-	-	-	(1,932)	-	-	1,241	(665)	(1,356)
As at 1 January 2022	250,011	59,977	39,991	134,925	19,406	305,571	381,621	1,396,038	25,226	2,612,766
Movements during the year	-	-	40,000	728	(2,003)	31,956	63,165	134,064	(4,432)	263,478
(1) Total comprehensive income for the year	-	-	-	-	(2,003)	-	-	324,727	(1,159)	321,565
(2) Changes in share capital										
i Capital injection/(deduction) by other equity instruments holder	-	-	40,000	(9)	-	-	-	-	(3,335)	36,656
ii Acquisition of subsidiaries	-	-	-	-	-	-	-	-	32	32
iii Change in shareholdings in subsidiaries	-	-	-	737	-	-	-	-	462	1,199
(3) Profit distribution										
i Appropriation to surplus reserve	-	-	-	-	-	31,956	-	(31,956)	-	-
ii Appropriation to general reserve	-	-	-	-	-	-	63,165	(63,165)	-	-
iii Dividends to ordinary shareholders	-	-	-	-	-	-	-	(91,004)	-	(91,004)
iv Dividends to other equity instruments holders	-	-	-	-	-	-	-	(4,538)	-	(4,538)
v Dividends to non-controlling interests holders	-	-	-	-	-	-	-	-	(432)	(432)
As at 31 December 2022 (Restated)	250,011	59,977	79,991	135,653	17,403	337,527	444,786	1,530,102	20,794	2,876,244

The notes on pages 83 to 186 form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited) (Restated)
Cash flows from operating activities:			
Profit before tax		197,264	192,884
<i>Adjustments for:</i>			
– Credit impairment losses	11	95,414	103,294
– Other impairment losses	12	(46)	81
– Depreciation and amortisation	10	12,280	13,174
– Interest income from impaired financial assets		(2,634)	(2,406)
– Revaluation loss on financial instruments measured at fair value through profit or loss		835	5,012
– Share of profits of associates and joint ventures		(464)	(418)
– Dividend income	6	(3,568)	(3,509)
– Unrealised foreign exchange (gain)/loss		(1,860)	3,747
– Interest expense on bonds issued		13,183	10,687
– Interest income from investment securities and net income from disposal		(136,203)	(118,187)
– Net gain on disposal of fixed assets and other long-term assets		(124)	(55)
		174,077	204,304
<i>Changes in operating assets:</i>			
Net increase in deposits with central banks and with banks and non-bank financial institutions		(142,401)	(107,212)
Net increase in placements with banks and non-bank financial institutions		(49,064)	(102,470)
Net increase in financial assets held under resale agreements		(370,328)	(568,938)
Net increase in loans and advances to customers		(1,896,578)	(1,554,164)
Net decrease/(increase) in financial assets held for trading purposes		17,047	(1,243)
Net increase in other operating assets		(219,594)	(94,131)
		(2,660,918)	(2,428,158)
<i>Changes in operating liabilities:</i>			
Net increase in borrowings from central banks		111,155	85,308
Net increase in deposits from customers and from banks and non-bank financial institutions		3,267,054	2,560,015
Net increase in placements from banks and non-bank financial institutions		64,117	70,268
Net (decrease)/increase in financial liabilities measured at fair value through profit or loss		(68,026)	68,003
Net (decrease)/increase in financial assets sold under repurchase agreements		(88,685)	56,737
Net increase in certificates of deposit issued		113,179	259,218
Income tax paid		(73,389)	(72,386)
Net (decrease)/increase in other operating liabilities		(23,949)	12,192
		3,301,456	3,039,355
Net cash from operating activities		814,615	815,501

The notes on pages 83 to 186 form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited) (Restated)
Cash flows from investing activities:			
Proceeds from sales and redemption of financial investments		763,605	654,381
Interest and dividends received		132,850	120,534
Proceeds from disposal of fixed assets and other long-term assets		1,697	1,546
Purchase of investment securities		(1,463,109)	(1,444,931)
Purchase of fixed assets and other long-term assets		(6,139)	(8,380)
Acquisition of subsidiaries, associates and joint ventures		(142)	(1,835)
Net cash used in investing activities		(571,238)	(678,685)
Cash flows from financing activities:			
Issue of bonds		32,992	94,761
Cash received from subsidiaries' capital injection by non-controlling interests holders		1,230	–
Dividends paid		–	(43)
Repayment of borrowings		(13,730)	(7,628)
Cash payment for redemption non-controlling interests of other equity instruments		–	(3,335)
Interest paid on bonds issued		(7,081)	(3,035)
Cash payment for other financing activities		(3,708)	(3,917)
Net cash from financing activities		9,703	76,803
Effect of exchange rate changes on cash and cash equivalents		15,736	18,259
Net increase in cash and cash equivalents		268,816	231,878
Cash and cash equivalents as at 1 January	50	1,143,652	805,600
Cash and cash equivalents as at 30 June	50	1,412,468	1,037,478
Cash flows from operating activities include:			
Interest received, excluding interest income from investment securities		468,548	435,543
Interest paid, excluding interest expense on bonds issued		(293,007)	(223,361)

The notes on pages 83 to 186 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

1 Company information

The history of China Construction Bank Corporation (the “Bank”) dates back to 1954, which was previously known as the People’s Construction Bank of China when it was established. It was responsible for the management and distribution of government funds for construction and infrastructure related projects under the state economic plan. The People’s Construction Bank of China gradually evolved into a comprehensive commercial bank following the takeover of the Bank’s function of granting policy loans by China Development Bank in 1994. In 1996, the People’s Construction Bank of China changed its name to China Construction Bank (“CCB”). On 17 September 2004, China Construction Bank Corporation was established in the People’s Republic of China (the “PRC”) as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank’s H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), successively. As at 30 June 2023, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (“CBRC”) (In 2023, the regulator was renamed the National Administration of Financial Regulation, hereinafter referred to as the “NAFR”) of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the “Group”) are the provision of corporate finance business, personal finance business, treasury and asset management business and others. The Group mainly operates in the Chinese mainland and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, the Chinese 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 countries and regions other than the Chinese mainland.

The Bank is under the supervision of the banking regulators empowered by the State Council of the PRC (the “State Council”). The overseas financial institutions of the Bank are required to comply with the regulatory requirements of their respective local jurisdictions. Central Huijin Investment Ltd. (“Huijin”), a wholly-owned subsidiary of China Investment Corporation (“CIC”), exercises its rights and obligations as an investor in accordance with laws on behalf of the PRC government.

2 Basis of preparation and significant accounting policies

(1) Basis of preparation

The interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* and all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2022. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

(2) Use of estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

(3) Consolidation

The interim financial statements comprise the Bank and its subsidiaries.

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Necessary adjustments on the accounting period and accounting policies of subsidiaries are made to comply with those of the Bank. Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

2 Basis of preparation and significant accounting policies (continued)

(4) Changes in significant accounting policies

The Group has adopted the following new standards and amendments from the current interim period.

(1)	IFRS 17	Insurance Contracts
(2)	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
(3)	Amendments to IAS 8	Definition of Accounting Estimates
(4)	Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
(5)	Amendments to IAS 12	International Tax Reform Pillar Two Model Rule

The International Accounting Standards Board issued the IFRS 17 Insurance Contracts (“IFRS 17”) in 2017. Since 1 January 2023, the Group has implemented IFRS 17.

The Group has implemented new financial instruments standard from 1 January 2018. Under IFRS 17, as at 1 January 2023, the Group reassessed its business models of financial assets held for managing activities related to contracts within the scope of application of IFRS 17 and determined the classification of these financial assets, while also retrospectively adjusting information in the comparative periods. On the basis of the measurement of fulfilment cash flows for insurance contract liabilities linked to certain debt investments measured at amortised cost, the Group reassessed its business models for the above financial assets, and reclassified them as debt investments measured at fair value through other comprehensive income.

The Group has summarized the impact of the implementation of IFRS 17 on main financial indicators of the comparative periods as follows:

	Before accounting policy change 31 December 2022	Impact of IFRS 17 implementation	After accounting policy change 31 December 2022
Financial assets measured at amortised cost	5,992,582	(34,185)	5,958,397
Financial assets measured at fair value through other comprehensive income	1,979,851	35,967	2,015,818
Total assets	34,601,917	(1,106)	34,600,811
Total liabilities	31,723,157	1,410	31,724,567
Total equity attributable to equity shareholders of the Bank	2,856,733	(1,283)	2,855,450
Non-controlling interests	22,027	(1,233)	20,794
	Before accounting policy change Six months ended 30 June 2022	Impact of IFRS 17 implementation	After accounting policy change Six months ended 30 June 2022
Operating income	390,361	(484)	389,877
Operating expenses	(95,018)	982	(94,036)
Net profit	161,730	504	162,234
Other comprehensive income	435	(1,260)	(825)

The Group is evaluating the impact of Amendments to IAS 12 *International Tax Reform Pillar Two Model Rule*.

The adoption of other amendments does not have a significant impact on the Group’s consolidated financial statements.

Except for the matters described above, significant accounting policies adopted by the Group for its interim financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

2 Basis of preparation and significant accounting policies (continued)**(5) Taxation**

The Group's main applicable taxes and tax rates are as follows:

Value added tax ("VAT")

Pursuant to the Circular on the Comprehensive Plan for Levying VAT in place of Business Tax (CaiShui [2016] No.36) jointly issued by the Ministry of Finance and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in the Chinese mainland was replaced by VAT from 1 May 2016, and the main VAT rate is 6%.

City construction tax

City construction tax is calculated as 1% to 7% of VAT.

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of VAT.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in the Chinese mainland is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is deducted to the extent allowed under the relevant income tax laws of the PRC.

(6) Interim financial statements

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the Board of Directors of the Bank on 23 August 2023. The interim financial statements have also been reviewed by the Bank's auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial statements is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2023.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

3 Net interest income

	Six months ended 30 June	
	2023	2022
Interest income arising from:		
Deposits with central banks	22,554	18,267
Deposits with banks and non-bank financial institutions	3,331	1,820
Placements with banks and non-bank financial institutions	9,197	3,166
Financial assets held under resale agreements	10,325	6,795
Financial investments	135,769	122,282
Loans and advances to customers		
– Corporate loans and advances	239,868	214,117
– Personal loans and advances	189,757	194,522
– Discounted bills	5,952	4,348
Total	616,753	565,317
Interest expense arising from:		
Borrowings from central banks	(10,928)	(9,902)
Deposits from banks and non-bank financial institutions	(29,783)	(20,736)
Placements from banks and non-bank financial institutions	(7,898)	(2,933)
Financial assets sold under repurchase agreements	(1,405)	(630)
Debt securities issued	(26,058)	(20,254)
Deposits from customers		
– Corporate deposits	(104,301)	(83,636)
– Personal deposits	(124,195)	(109,557)
Total	(304,568)	(247,648)
Net interest income	312,185	317,669

(1) Interest income from impaired financial assets is listed as follows:

	Six months ended 30 June	
	2023	2022
Impaired loans and advances	2,526	2,357
Other impaired financial assets	108	49
Total	2,634	2,406

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Net fee and commission income

	Six months ended 30 June	
	2023	2022
Fee and commission income		
Settlement and clearing fees	20,685	20,018
Agency service fees	13,549	12,954
Commission on trust and fiduciary activities	11,872	11,274
Bank card fees	10,285	8,512
Consultancy and advisory fees	8,675	7,876
Wealth management service fees	5,837	9,166
Others	6,571	7,339
Total	77,474	77,139
Fee and commission expense		
Bank card transaction fees	(3,122)	(2,786)
Inter-bank transaction fees	(540)	(542)
Others	(3,211)	(3,564)
Total	(6,873)	(6,892)
Net fee and commission income	70,601	70,247

5 Net trading gain

	Six months ended 30 June	
	2023	2022
Debt securities	2,420	1,662
Derivatives	1,203	624
Equity investments	44	(180)
Others	99	168
Total	3,766	2,274

6 Dividend income

	Six months ended 30 June	
	2023	2022
Dividend income from equity investments measured at fair value through profit or loss	3,550	3,500
Dividend income from equity investments designated as at fair value through other comprehensive income	18	9
Total	3,568	3,509



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

7 Net gain/(loss) arising from investment securities

	Six months ended 30 June	
	2023	2022
Net loss related to financial liabilities designated as measured at fair value through profit or loss	(4,262)	(4,757)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	4,364	463
Net gain related to financial assets measured at fair value through other comprehensive income	486	142
Others	(46)	106
Total	542	(4,046)

8 Net (loss)/gain on derecognition of financial assets measured at amortised cost

For the six months ended 30 June 2023, the Group has no gain on derecognition of financial assets measured at amortised cost arising from the issuance of asset-backed securitization products (for the six months ended 30 June 2022: no gain).

9 Other operating (expense)/income, net

	Six months ended 30 June	
	2023	2022
Other operating income		
Insurance related income	2,517	2,425
Foreign exchange (losses)/gains	(491)	696
Rental income	3,258	2,771
Others	4,759	7,149
Total	10,043	13,041

Foreign exchange gains or losses include gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge positions in foreign currency assets).

	Six months ended 30 June	
	2023	2022
Other operating expense		
Insurance related costs	7,085	5,637
Others	5,421	7,214
Total	12,506	12,851



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

10 Operating expenses

	Six months ended 30 June	
	2023	2022
Staff costs		
– Salaries, bonuses, allowances and subsidies	37,784	36,725
– Defined contribution plans	7,755	7,325
– Housing funds	3,727	3,509
– Union running costs and employee education costs	1,133	1,171
– Early retirement expenses	3	2
– Compensation to employees for termination of employment relationship	3	1
– Others	5,820	5,046
	56,225	53,779
Premises and equipment expenses		
– Depreciation charges	10,453	11,644
– Rent and property management expenses	1,823	1,999
– Maintenance	1,071	1,423
– Utilities	897	821
– Others	1,007	1,055
	15,251	16,942
Taxes and surcharges	3,933	3,677
Amortisation expenses	1,827	1,530
Other general and administrative expenses	18,751	18,108
Total	95,987	94,036

11 Credit impairment losses

	Six months ended 30 June	
	2023	2022
Loans and advances to customers	91,592	92,792
Financial investments		
– Financial assets measured at amortised cost	(802)	5,922
– Financial assets measured at fair value through other comprehensive income	865	677
Off-balance sheet credit business	(537)	1,509
Others	4,296	2,394
Total	95,414	103,294

12 Other impairment losses

	Six months ended 30 June	
	2023	2022
Other impairment losses	(46)	81



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

13 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2023	2022
Current tax	40,759	44,844
– The Chinese mainland	39,446	44,070
– Hong Kong	581	423
– Other countries and regions	732	351
Adjustments for prior years	(441)	(623)
Deferred tax	(10,349)	(13,571)
Total	29,969	30,650

The provisions for income taxes for the Chinese mainland and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from the Chinese mainland and Hong Kong operations for the reporting period, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Note	Six months ended 30 June	
		2023	2022
Profit before tax		197,264	192,884
Income tax calculated at the 25% statutory tax rate		49,316	48,221
Effects of different applicable rates of tax prevailing in other countries/regions		(539)	(552)
Non-deductible expenses	(a)	8,885	9,059
Non-taxable income	(b)	(27,252)	(25,455)
Adjustments on income tax for prior years which affect profit or loss		(441)	(623)
Income tax expense		29,969	30,650

(a) Non-deductible expenses primarily include non-deductible losses resulting from write-offs and impairment losses.

(b) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

14 Earnings per share

Basic earnings per share for the six months ended 30 June 2023 and 2022 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the periods.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank. The Bank has not declared any dividend on preference shares for the six months ended 30 June 2023.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2023 and 2022, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Six months ended 30 June	
	2023	2022
Net profit attributable to equity shareholders of the Bank	167,344	161,899
Net profit attributable to ordinary shareholders of the Bank	167,344	161,899
Weighted average number of ordinary shares (in millions of shares)	250,011	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	0.67	0.65
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	0.67	0.65

15 Cash and deposits with central banks

	Note	30 June 2023	31 December 2022
Cash		43,200	47,534
Deposits with central banks			
– Statutory deposit reserves	(1)	2,455,207	2,305,301
– Surplus deposit reserves	(2)	902,350	771,473
– Fiscal deposits and others		29,873	33,725
Accrued interest		1,152	1,263
Total		3,431,782	3,159,296

- (1) The Group places statutory deposit reserves with the People's Bank of China ("PBC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the Bank's statutory deposit reserve rates in the Chinese mainland were as follows:

	30 June 2023	31 December 2022
Reserve rate for RMB deposits	9.25%	9.50%
Reserve rate for foreign currency deposits	6.00%	6.00%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

- (2) The surplus deposit reserve maintained with the PBC is mainly for the purpose of clearing.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 Deposits with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2023	31 December 2022
Banks	282,036	177,083
Non-bank financial institutions	8,959	7,618
Accrued interest	586	1,060
Gross balances	291,581	185,761
Allowances for impairment losses (Note 31)	(658)	(338)
Net balances	290,923	185,423

(2) Analysed by geographical sectors

	30 June 2023	31 December 2022
The Chinese mainland	251,727	152,478
Overseas	39,268	32,223
Accrued interest	586	1,060
Gross balances	291,581	185,761
Allowances for impairment losses (Note 31)	(658)	(338)
Net balances	290,923	185,423

As at 30 June 2023 and 31 December 2022, all the Group's deposits with banks and non-bank financial institutions were designated as Stage 1. For the six months ended 30 June 2023 and for the year ended 31 December 2022, neither the book values nor the impairment allowances had any migrations between stages.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

17 Placements with banks and non-bank financial institutions**(1) Analysed by type of counterparties**

	30 June 2023	31 December 2022
Banks	410,618	319,239
Non-bank financial institutions	187,749	188,823
Accrued interest	4,532	2,657
Gross balances	602,899	510,719
Allowances for impairment losses (Note 31)	(1,181)	(933)
Net balances	601,718	509,786

(2) Analysed by geographical sectors

	30 June 2023	31 December 2022
The Chinese mainland	431,213	356,745
Overseas	167,154	151,317
Accrued interest	4,532	2,657
Gross balances	602,899	510,719
Allowances for impairment losses (Note 31)	(1,181)	(933)
Net balances	601,718	509,786

As at 30 June 2023 and 31 December 2022, all the Group's placements with banks and non-bank financial institutions had been designated as Stage 1. For the six months ended 30 June 2023 and for the year ended 31 December 2022, the book value and the impairment loss allowances do not involve the transfer between stages.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

18 Derivatives and hedge accounting

(1) Analysed by type of contract

	Note	30 June 2023			31 December 2022		
		Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		938,892	9,609	6,280	654,559	7,202	4,312
Exchange rate contracts		2,924,337	50,702	50,455	2,685,521	40,119	38,820
Other contracts	(a)	220,584	3,536	7,555	127,641	1,987	3,615
Total		4,083,813	63,847	64,290	3,467,721	49,308	46,747

(2) Analysed by counterparty credit risk-weighted assets

	Note	30 June 2023	31 December 2022
Counterparty credit default risk-weighted assets			
– Interest rate contracts		7,905	6,479
– Exchange rate contracts		60,363	50,168
– Other contracts	(a)	17,764	14,869
Subtotal		86,032	71,516
Risk-weighted assets for credit valuation adjustment		23,270	16,952
Total		109,302	88,468

The notional amounts of derivatives only represent the unsettled transaction volume as at the balance sheet date, instead of the amount of risk assets. Since 1 January 2013, the Group has adopted *Capital Rules for Commercial Banks (Provisional)* and other related policies. According to the rules set out by the NAFR, the counterparty credit risk-weighted assets include risk-weighted assets for credit valuation adjustments which are calculated based on counterparty conditions and maturity characteristics and include back-to-back client-driven transactions. From 1 January 2019, the Group measures default risk-weighted assets for derivatives counterparties in accordance with the *Rules on Measuring Derivative Counterparty Default Risk Assets*.

(a) Other contracts mainly consist of precious metals and commodity contracts.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

18 Derivatives and hedge accounting (continued)

(3) Hedge accounting

The following designated hedging instruments are included in the derivatives disclosed above:

	Note	30 June 2023			31 December 2022		
		Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedges	(a)						
Interest rate swaps		48,808	2,227	587	52,664	2,147	1,290
Cross currency swaps		-	-	-	2,403	5	17
Cash flow hedges	(b)						
Foreign exchange swaps		12,870	27	786	18,394	76	72
Interest rate swaps		3,270	202	-	3,105	210	-
Total		64,948	2,456	1,373	76,566	2,438	1,379

(a) Fair value hedges

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at fair value through other comprehensive income, debt securities issued, loans and advances to customers, and deposits from customers arising from changes in interest rates and exchange rates.

Net gains/(losses) on fair value hedges are as follows:

	Six months ended 30 June	
	2023	2022
Hedging instruments	150	806
Hedged items	(144)	(806)

The gain and loss arising from the ineffective portion of fair value hedges was immaterial for the six months ended 30 June 2023 and 2022.

(b) Cash flow hedges

The Group uses foreign exchange swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks of loans and advances to customers, debt securities issued, placements from banks and non-bank financial institutions, and placements with banks and non-bank financial institutions. The maturities of hedging instruments and hedged items are both within five years.

For the six months ended 30 June 2023, the Group's net loss from the cash flow hedges of RMB334 million was recognised in other comprehensive income (for the six months ended 30 June 2022: net gain from cash flow hedges of RMB161 million), and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

19 Financial assets held under resale agreements

Financial assets held under resale agreements analysed by underlying assets are shown as follows:

	30 June 2023	31 December 2022
Debt securities		
– Government bonds	445,659	413,548
– Debt securities issued by policy banks, banks and non-bank financial institutions	864,105	562,011
– Corporate bonds	72	–
Subtotal	1,309,836	975,559
Discounted bills	101,451	64,964
Accrued interest	255	530
Total	1,411,542	1,041,053
Allowances for impairment losses (Note 31)	(284)	(206)
Net balances	1,411,258	1,040,847

As at 30 June 2023 and 31 December 2022, the Group's financial assets held under resale agreements were all designated as Stage 1. For the six months ended 30 June 2023 and for the year ended 31 December 2022, the book value and the impairment loss allowances do not involve the transfer between stages.

20 Loans and advances to customers

(1) Analysed by measurement

	Note	30 June 2023	31 December 2022
Gross loans and advances to customers measured at amortised cost		22,302,101	20,099,484
Less: allowances for impairment losses		(771,712)	(704,088)
Net loans and advances to customers measured at amortised cost	(a)	21,530,389	19,395,396
Loans and advances to customers measured at fair value through other comprehensive income	(b)	776,016	1,048,651
Accrued interest		54,138	48,995
Total		22,360,543	20,493,042

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

20 Loans and advances to customers (continued)

 (1) **Analysed by measurement** (continued)

 (a) *Loans and advances to customers measured at amortised cost*

	30 June 2023	31 December 2022
Corporate loans and advances		
– Loans	13,661,660	11,653,882
– Finance leases	115,367	118,290
	13,777,027	11,772,172
Personal loans and advances		
– Residential mortgages	6,476,274	6,547,659
– Personal consumer loans	374,806	301,416
– Personal business loans	608,865	415,344
– Credit cards	942,634	928,101
– Others	122,495	134,792
	8,525,074	8,327,312
Gross loans and advances to customers measured at amortised cost	22,302,101	20,099,484
Stage 1 – allowances for impairment losses	(378,727)	(339,557)
Stage 2 – allowances for impairment losses	(197,673)	(176,141)
Stage 3 – allowances for impairment losses	(195,312)	(188,390)
Allowances for impairment losses at amortised cost (Note 31)	(771,712)	(704,088)
Net loans and advances to customers measured at amortised cost	21,530,389	19,395,396

 (b) *Loans and advances to customers measured at fair value through other comprehensive income*

	30 June 2023	31 December 2022
Discounted bills	776,016	1,048,651



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

20 Loans and advances to customers (continued)

(2) Analysed by assessment method of expected credit losses

	30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	21,242,932	742,533	316,636	22,302,101
Less: allowances for impairment losses	(378,727)	(197,673)	(195,312)	(771,712)
Carrying amount of loans and advances to customers measured at amortised cost	20,864,205	544,860	121,324	21,530,389
Provision percentage for loans and advances to customers measured at amortised cost	1.78%	26.62%	61.68%	3.46%
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	762,881	13,135	–	776,016
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(1,755)	(653)	–	(2,408)
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	19,126,560	680,099	292,825	20,099,484
Less: allowances for impairment losses	(339,557)	(176,141)	(188,390)	(704,088)
Carrying amount of loans and advances to customers measured at amortised cost	18,787,003	503,958	104,435	19,395,396
Provision percentage for loans and advances to customers measured at amortised cost	1.78%	25.90%	64.34%	3.50%
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	1,038,161	10,490	–	1,048,651
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(2,610)	(553)	–	(3,163)

For loans and advances to customers designated as Stages 1 and Stage 2 as well as personal loans and advances, and corporate loans and advances under portfolio management designated as Stage 3, the Group assessed ECL using risk parameter modelling approach that incorporated relevant parameters such as Probability of Default (“PD”), Loss Given Default (“LGD”) or Exposure at Default (“EAD”). For other corporate loans and advances and discounted bills designated as Stage 3, management calculated ECL using the discounted cash flow method on expected recoverable cash flows.

The segmentation of the loans mentioned above is defined in Note 57(1).

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

20 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses

	Note	Six months ended 30 June 2023			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023		339,557	176,141	188,390	704,088
Transfers:					
Transfers in/(out) to Stage 1		12,077	(11,410)	(667)	–
Transfers in/(out) to Stage 2		(7,947)	13,039	(5,092)	–
Transfers in/(out) to Stage 3		(1,980)	(16,904)	18,884	–
Newly originated or purchased financial assets		119,040	–	–	119,040
Transfer out/repayment	(a)	(74,849)	(16,467)	(20,316)	(111,632)
Remeasurements	(b)	(7,171)	53,274	29,437	75,540
Write-offs		–	–	(23,502)	(23,502)
Recoveries of loans and advances written off		–	–	8,178	8,178
As at 30 June 2023		378,727	197,673	195,312	771,712
		2022			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022		310,207	154,465	172,666	637,338
Transfers:					
Transfers in/(out) to Stage 1		16,596	(16,120)	(476)	–
Transfers in/(out) to Stage 2		(8,324)	14,805	(6,481)	–
Transfers in/(out) to Stage 3		(4,035)	(22,533)	26,568	–
Newly originated or purchased financial assets		154,797	–	–	154,797
Transfer out/repayment	(a)	(120,384)	(29,647)	(52,014)	(202,045)
Remeasurements	(b)	(9,300)	75,171	84,033	149,904
Write-offs		–	–	(51,434)	(51,434)
Recoveries of loans and advances written off		–	–	15,528	15,528
As at 31 December 2022		339,557	176,141	188,390	704,088

(a) Transfer out/repayment refers to transfer of creditor's rights, securitisation of assets, debt-to-equity swaps and reversal of loss provision due to repayment of debts in the form of other assets, as well as repayment of loans.

(b) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; loss provisions change due to stage-transfer; unwinding of discount; and the impact of exchange rate changes, etc.

The loss provisions disclosed above are for loans and advances to customers measured at amortised cost.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

20 Loans and advances to customers (continued)

(4) Overdue loans analysed by overdue period

	30 June 2023				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	33,537	25,224	8,330	2,516	69,607
Guaranteed loans	19,781	19,466	24,070	6,324	69,641
Loans secured by property and other immovable assets	45,746	36,566	23,334	4,847	110,493
Other pledged loans	2,808	5,083	2,762	1,461	12,114
Total	101,872	86,339	58,496	15,148	261,855
As a percentage of gross loans and advances to customers	0.44%	0.37%	0.25%	0.07%	1.13%

	31 December 2022				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	23,342	19,039	9,643	1,785	53,809
Guaranteed loans	16,446	13,246	21,106	4,079	54,877
Loans secured by property and other immovable assets	43,931	30,768	21,018	4,602	100,319
Other pledged loans	4,278	1,701	3,176	652	9,807
Total	87,997	64,754	54,943	11,118	218,812
As a percentage of gross loans and advances to customers	0.41%	0.31%	0.26%	0.05%	1.03%

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

(5) Packaged disposal of non-performing loans

For the six months ended 30 June 2023, the Group's total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB1,671 million (for the six months ended 30 June 2022: RMB1,713 million).

(6) Write-offs

According to the Group's write-offs policy, it is required to continue to recover the bad debts that are written off. For the six months ended 30 June 2023, the amount of loans and advances to customers that the Group has written off under litigation-related condition but still under enforcement was RMB7,743 million (for the six month ended 30 June 2022: RMB5,611 million).



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 Financial investments**(1) Analysed by measurement**

	Note	30 June 2023	31 December 2022
Financial assets measured at fair value through profit or loss	(a)	567,261	568,097
Financial assets measured at amortised cost	(b)	6,395,058	5,958,397
Financial assets measured at fair value through other comprehensive income	(c)	2,293,209	2,015,818
Total		9,255,528	8,542,312

(a) Financial assets measured at fair value through profit or loss*Analysed by nature*

	Note	30 June 2023	31 December 2022
Held-for-trading purposes			
– Debt securities	(i)	124,025	140,689
– Equity instruments and funds	(ii)	1,494	1,007
		125,519	141,696
Others			
– Credit investments	(iii)	62,115	58,796
– Debt securities	(iv)	159,463	140,547
– Funds and others	(v)	220,164	227,058
		441,742	426,401
Total		567,261	568,097



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

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

Analysed by type of issuers

Held-for-trading purposes

(i) Debt securities

	30 June 2023	31 December 2022
Government	14,578	16,227
Central banks	6,921	7,453
Policy banks	24,522	23,612
Banks and non-bank financial institutions	47,916	38,997
Enterprises	30,088	54,400
Total	124,025	140,689
Listed (Note)	114,948	129,534
– of which in Hong Kong	1,427	622
Unlisted	9,077	11,155
Total	124,025	140,689

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as “Listed”.

(ii) Equity instruments and funds

	30 June 2023	31 December 2022
Banks and non-bank financial institutions	1,257	796
Enterprises	237	211
Total	1,494	1,007
Listed	293	281
– of which in Hong Kong	162	89
Unlisted	1,201	726
Total	1,494	1,007

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 Financial investments (continued)

 (1) **Analysed by measurement** (continued)

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

Analysed by type of issuers (continued)

Others

(iii) Credit investments

	30 June 2023	31 December 2022
Banks and non-bank financial institutions	39,315	34,008
Enterprises	22,800	24,788
Total	62,115	58,796
Unlisted	62,115	58,796
Total	62,115	58,796

(iv) Debt securities

	30 June 2023	31 December 2022
Policy banks	15,690	11,353
Banks and non-bank financial institutions	142,763	126,889
Enterprises	1,010	2,305
Total	159,463	140,547
Listed (Note)	158,380	138,442
– of which in Hong Kong	73	29
Unlisted	1,083	2,105
Total	159,463	140,547

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(v) Funds and others

	30 June 2023	31 December 2022
Banks and non-bank financial institutions	85,317	84,083
Enterprises	134,847	142,975
Total	220,164	227,058
Listed	33,780	36,791
– of which in Hong Kong	1,582	1,394
Unlisted	186,384	190,267
Total	220,164	227,058

There was no significant limitation on the ability of the Group to dispose of financial assets measured at fair value through profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

(b) Financial assets measured at amortised cost

Analysed by type of issuers

	30 June 2023	31 December 2022
Government	5,532,039	5,146,501
Central banks	5,947	–
Policy banks	344,255	330,983
Banks and non-bank financial institutions	175,127	152,202
Enterprises	240,883	236,337
Special government bond	49,200	49,200
Subtotal	6,347,451	5,915,223
Accrued interest	81,583	78,042
Gross balances	6,429,034	5,993,265
Allowances for impairment losses		
– Stage 1	(17,158)	(17,768)
– Stage 2	(159)	(199)
– Stage 3	(16,659)	(16,901)
Subtotal	(33,976)	(34,868)
Net balances	6,395,058	5,958,397
Listed (Note)	6,271,893	5,845,229
– of which in Hong Kong	4,695	5,994
Unlisted	123,165	113,168
Total	6,395,058	5,958,397
Market value of listed bonds	6,490,949	5,997,213

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as “Listed”.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 Financial investments (continued)

 (1) **Analysed by measurement** (continued)

 (c) *Financial assets measured at fair value through other comprehensive income*
Analysed by nature

	Note	30 June 2023	31 December 2022
Debt securities	(i)	2,283,667	2,008,371
Equity instruments	(ii)	9,542	7,447
Total		2,293,209	2,015,818

Analysed by type of issuers

(i) Debt securities

	30 June 2023	31 December 2022
Government	1,421,345	1,235,685
Central banks	33,449	40,064
Policy banks	431,106	430,348
Banks and non-bank financial institutions	222,737	137,231
Enterprises	118,729	116,483
Accumulated change of fair value charged in other comprehensive income	30,248	22,935
Subtotal	2,257,614	1,982,746
Accrued interest	26,053	25,625
Total	2,283,667	2,008,371
Listed (Note)	2,168,668	1,907,491
– of which in Hong Kong	68,272	61,905
Unlisted	114,999	100,880
Total	2,283,667	2,008,371

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

- (ii) The Group designates certain non-trading equity investments as financial assets measured at fair value through other comprehensive income. For the six months ended 30 June 2023, dividend income from such equity investments was RMB18 million (for the six months ended 30 June 2022: RMB8 million). For the six months ended 30 June 2023 and 2022, the Group neither sold any of the investments above nor transferred any cumulative profit or loss in equity.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 Financial investments (continued)

(2) Movements of allowances for impairment losses

(a) Financial assets measured at amortised cost

	Note	Six months ended 30 June 2023			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023		17,768	199	16,901	34,868
Transfers:					
Transfers in/(out) to Stage 1		-	-	-	-
Transfers in/(out) to Stage 2		(4)	4	-	-
Transfers in/(out) to Stage 3		-	-	-	-
Newly originated or purchased financial assets		1,507	-	-	1,507
Financial assets derecognised during the period		(957)	(102)	(689)	(1,748)
Remeasurements	(i)	(1,156)	58	906	(192)
Write-offs		-	-	(459)	(459)
As at 30 June 2023		17,158	159	16,659	33,976
		2022			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022		17,734	1,427	15,064	34,225
Transfers:					
Transfers in/(out) to Stage 1		-	-	-	-
Transfers in/(out) to Stage 2		(60)	60	-	-
Transfers in/(out) to Stage 3		(34)	(610)	644	-
Newly originated or purchased financial assets		3,104	-	-	3,104
Financial assets derecognised during the year		(2,287)	(699)	(306)	(3,292)
Remeasurements	(i)	(689)	21	3,385	2,717
Write-offs		-	-	(1,886)	(1,886)
As at 31 December 2022		17,768	199	16,901	34,868

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

	Note	Six months ended 30 June 2023			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023		5,558	42	372	5,972
Transfers:					
Transfers in/(out) to Stage 1		-	-	-	-
Transfers in/(out) to Stage 2		-	-	-	-
Transfers in/(out) to Stage 3		-	(45)	45	-
Newly originated or purchased financial assets		1,877	-	-	1,877
Financial assets derecognised during the period		(925)	-	(5)	(930)
Remeasurements	(i)	(145)	3	64	(78)
As at 30 June 2023		6,365	-	476	6,841

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 Financial investments (continued)

(2) Movements of allowances for impairment losses (continued)

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

	Note	2022			Total
		Stage 1	Stage 2	Stage 3	
As at 1 January 2022		3,643	101	70	3,814
Transfers:					
Transfers in/(out) to Stage 1		3	(3)	–	–
Transfers in/(out) to Stage 2		–	–	–	–
Transfers in/(out) to Stage 3		–	(56)	56	–
Newly originated or purchased financial assets		2,503	–	–	2,503
Financial assets derecognised during the year		(1,153)	(20)	(70)	(1,243)
Remeasurements	(i)	562	20	316	898
As at 31 December 2022		5,558	42	372	5,972

(i) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; loss provisions change due to stage-transfer; unwinding of discount; and the impact of exchange rate changes, etc.

As at 30 June 2023, the Group's financial assets measured at amortised cost with carrying amount of RMB18,785 million (as at 31 December 2022: RMB19,768 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB178 million (as at 31 December 2022: RMB175 million) were impaired and classified as Stage 3, financial assets measured at amortised cost with carrying amount of RMB859 million (as at 31 December 2022: RMB1,273 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB475 million (as at 31 December 2022: RMB467 million) were classified as Stage 2, and the remaining financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income were classified as Stage 1.

For the six months ended 30 June 2023, the increase in the Group's Stage 1 financial assets due to newly originated or purchased financial assets amounted to RMB1,295,633 million (for the year ended 31 December 2022: RMB1,822,360 million), the decrease in Stage 1 financial assets due to derecognition amounted to RMB586,901 million (for the year ended 31 December 2022: RMB961,497 million), and there were no significant changes in the balances of financial assets classified as Stage 2 and 3. Both the amounts of financial assets transferred between stages and the amounts of financial assets with modifications of contractual cash flows that did not result in a derecognition were not significant.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

22 Long-term equity investments

(1) Investments in subsidiaries

(a) Investment balance

	Note	30 June 2023	31 December 2022
CCB Financial Asset Investment Co., Ltd. ("CCB Investment")		27,000	27,000
CCB Wealth Management Co., Ltd. ("CCB Wealth Management")		15,000	15,000
CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing")		11,163	11,163
CCB House Rental Fund (Limited Partnership) ("CCB House Rental Fund")	(i)	10,000	5,000
CCB Brazil Financial Holding – Investimentos e Participações Ltda.		9,542	9,542
CCB Trust Co., Ltd. ("CCB Trust")		7,429	7,429
CCB Life Insurance Co., Ltd. ("CCB Life")		6,962	6,962
CCB Consumer Finance Co., Ltd. ("CCB Consumer Finance")	(ii)	6,000	–
China Construction Bank (Europe) S.A. ("CCB Europe")		4,406	4,406
China Construction Bank (London) Limited ("CCB London")	(iii)	2,861	2,861
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")		2,215	2,215
CCB Pension Management Co., Ltd. ("CCB Pension")		1,610	1,610
Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse")		1,502	1,502
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		1,334	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		976	976
China Construction Bank (Russia) Limited ("CCB Russia")		851	851
Golden Fountain Finance Limited ("Golden Fountain")		676	676
CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management")		130	130
CCB International Group Holdings Limited ("CCBIG")		–	–
Subtotal		109,657	98,657
Less: Allowance for impairment losses		(8,672)	(8,672)
Total		100,985	89,985

(i) In the first half of 2023, CCB added RMB5 billion to the CCB House Rental Fund. As at 30 June 2023, the Bank had invested RMB10 billion in the fund.

(ii) In the first half of 2023, CCB Consumer Finance completed registration and opened its business. As at 30 June 2023, CCB had completed a capital contribution of RMB6 billion.

(iii) The Group steadily pressed ahead with business integration of its London entities.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

22 Long-term equity investments (continued)**(1) Investments in subsidiaries (continued)***(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:*

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Investment	Beijing, the PRC	RMB27,000 million	Company with Limited Liability	Investment	100%	-	100%	Establishment
CCB Wealth Management	Shenzhen, the PRC	RMB15,000 million	Company with Limited Liability	Wealth Management	100%	-	100%	Establishment
CCB Financial Leasing	Beijing, the PRC	RMB11,000 million	Company with Limited Liability	Financial Leasing	100%	-	100%	Establishment
CCB House Rental Fund	Beijing, the PRC	RMB10,000 million	Limited Partnership	Investment	99.99%	0.01%	100%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo, Brazil	R\$4,281 million	Company with Limited Liability	Investment	99.99%	0.01%	100%	Acquisition
CCB Trust	Anhui, the PRC	RMB10,500 million	Company with Limited Liability	Trust Business	67%	-	67%	Acquisition
CCB Life	Shanghai, the PRC	RMB7,120 million	Company Limited by Shares	Insurance	51%	-	51%	Acquisition
CCB Consumer Finance	Beijing, the PRC	RMB7,200 million	Company with Limited Liability	Consumer Finance	83.33%	-	83.33%	Establishment
CCB Europe	Luxembourg	EUR550 million	Company with Limited Liability	Commercial Banking	100%	-	100%	Establishment
CCB London	London, United Kingdom	US\$200 million RMB1,500 million	Company with Limited Liability	Commercial Banking	100%	-	100%	Establishment
CCB Indonesia	Jakarta, Indonesia	IDR3,791,973 million	Company Limited by Shares	Commercial Banking	60%	-	60%	Acquisition
CCB Pension	Beijing, the PRC	RMB2,300 million	Company with Limited Liability	Pension Management	70%	-	70%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB2,000 million	Company with Limited Liability	House Savings	75.10%	-	75.10%	Establishment
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Company with Limited Liability	Commercial Banking	100%	-	100%	Establishment
CCB New Zealand	Auckland, New Zealand	NZD199 million	Company with Limited Liability	Commercial Banking	100%	-	100%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Company with Limited Liability	Commercial Banking	100%	-	100%	Establishment
Golden Fountain	British Virgin Islands	US\$50,000	Company with Limited Liability	Investment	100%	-	100%	Acquisition
CCB Principal Asset management	Beijing, the PRC	RMB200 million	Company with Limited Liability	Fund Management Services	65%	-	65%	Establishment
CCBIG	Hong Kong, the PRC	HK\$1	Company with Limited Liability	Investment	100%	-	100%	Establishment
CCB International (Holdings) Limited ("CCB International")	Hong Kong, the PRC	US\$601 million	Company with Limited Liability	Investment	-	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK\$6,511 million RMB17,600 million	Company Limited by Shares	Commercial Banking	-	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A. ("CCB Brasil")	Sao Paulo, Brazil	R\$2,957 million	Company Limited by Shares	Commercial Banking	-	100%	100%	Acquisition

(c) As at 30 June 2023, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

22 Long-term equity investments (continued)

(2) Interests in associates and joint ventures

(a) *The movements of the Group's interests in associates and joint ventures are as follows:*

	Six months ended 30 June 2023	2022
As at 1 January	22,700	18,875
Increase in capital during the period/year	142	3,420
Decrease in capital during the period/year	(686)	(551)
Share of profits	464	1,194
Cash dividend receivable	(88)	(603)
Accrual of allowances for impairment losses (Note 31)	-	(44)
Effect of exchange difference and others	(36)	409
As at 30 June/31 December	22,496	22,700

(b) *Details of the interests in major associates and joint ventures are as follows:*

Name of company	Principal place of business	Particulars of issued and paid-up capital	Principal activities	% of ownership held	% of voting held	Total assets at period end	Total liabilities at period end	Revenue for the period	Net profit for the period
Guoxin Jianyuan Equity Investment Fund (Chengdu) Partnership (Limited Partnership)	Chengdu, the PRC	RMB12,072 million	Equity investment	50.00%	50.00%	13,594	1	941	894
Jianyuan Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership)	Tianjin, the PRC	RMB3,500 million	Equity investment	48.57%	40.00%	4,196	-	88	88
National Green Development Fund Co., Ltd.	Shanghai, the PRC	RMB20,713 million	Investment	9.04%	9.04%	23,671	156	124	46
Diamond String Limited	Hong Kong, the PRC	HK\$10,000	Property investment	50.00%	50.00%	1,749	1,686	98	10
Guomin Pension&Insurance Co., Ltd	Beijing, the PRC	RMB11,150 million	Insurance	8.97%	8.97%	15,526	4,186	703	192

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

23 Structured entities

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust plans, asset management plans, funds, asset-backed securities and wealth management products held for investment purposes, and non-principal guaranteed wealth management products, trust plans and funds, which are issued or established by the Group for providing wealth management services to customers and earning management fees, commission and custodian fees in return.

As at 30 June 2023 and 31 December 2022, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. Relevant carrying amounts and maximum risk exposures were as follows:

	30 June 2023	31 December 2022
Financial investments		
Financial assets measured at fair value through profit or loss	137,589	130,468
Financial assets measured at amortised cost	13,669	15,425
Financial assets measured at fair value through other comprehensive income	2,558	187
Long-term equity investments	15,097	15,394
Other assets	3,637	3,444
Total	172,550	164,918

For the six months ended 30 June 2023 and 2022, gains and losses from the Group's unconsolidated structured entities were as follows:

	Six months ended 30 June	
	2023	2022
Interest income	482	655
Fee and commission income	6,160	9,252
Net trading gain	666	48
Dividend income	1,341	1,128
Net gain/(loss) arising from investment securities	147	(877)
Share of profits of associates and joint ventures	408	254
Total	9,204	10,460

As at 30 June 2023, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,572,076 million (as at 31 December 2022: RMB2,014,032 million) and the balance of trust plans, funds and asset management plans issued or established by the Group amounted to RMB2,814,058 million (as at 31 December 2022: RMB2,876,694 million). For the six months ended 30 June 2023, average daily balance of purchase and resale agreements with structured entities related to non-principal guaranteed wealth management products issued by the Group was RMB4,205 million. As at 30 June 2023, the balance of these transactions was nil. These transactions had been conducted in accordance with market price or general commercial terms and conditions, and the gains or losses from such transactions had no significant impact on the Group.

(2) Consolidated structured entities

Structured entities included in the Group's scope of consolidation consisted mainly of asset management plans and trust plans partially invested by the Group.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

24 Fixed assets

	Bank premises	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost					
As at 1 January 2023	148,047	53,693	43,231	49,825	294,796
Additions	73	876	2,159	767	3,875
Transfer in	507	2	–	705	1,214
Other movements	143	(2,766)	(76)	(1,158)	(3,857)
As at 30 June 2023	148,770	51,805	45,314	50,139	296,028
Accumulated depreciation					
As at 1 January 2023	(57,412)	(37,014)	(8,759)	(33,327)	(136,512)
Charge for the period	(2,474)	(2,744)	(1,082)	(2,249)	(8,549)
Other movements	8	2,621	96	1,023	3,748
As at 30 June 2023	(59,878)	(37,137)	(9,745)	(34,553)	(141,313)
Allowances for impairment losses (Note 31)					
As at 1 January 2023	(392)	–	(875)	(3)	(1,270)
Charge for the period	–	–	–	–	–
Other movements	(1)	–	(32)	–	(33)
As at 30 June 2023	(393)	–	(907)	(3)	(1,303)
Net carrying value					
As at 1 January 2023	90,243	16,679	33,597	16,495	157,014
As at 30 June 2023	88,499	14,668	34,662	15,583	153,412

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

24 Fixed assets (continued)

	Bank premises	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost					
As at 1 January 2022	146,606	56,232	35,529	47,048	285,415
Additions	327	4,354	8,551	3,489	16,721
Transfer in	1,720	70	–	1,667	3,457
Other movements	(606)	(6,963)	(849)	(2,379)	(10,797)
As at 31 December 2022	148,047	53,693	43,231	49,825	294,796
Accumulated depreciation					
As at 1 January 2022	(52,501)	(37,661)	(7,082)	(30,683)	(127,927)
Charge for the year	(5,036)	(5,906)	(2,144)	(4,563)	(17,649)
Other movements	125	6,553	467	1,919	9,064
As at 31 December 2022	(57,412)	(37,014)	(8,759)	(33,327)	(136,512)
Allowances for impairment losses (Note 31)					
As at 1 January 2022	(390)	–	(397)	(3)	(790)
Charge for the year	(4)	–	(440)	–	(444)
Other movements	2	–	(38)	–	(36)
As at 31 December 2022	(392)	–	(875)	(3)	(1,270)
Net carrying value					
As at 1 January 2022	93,715	18,571	28,050	16,362	156,698
As at 31 December 2022	90,243	16,679	33,597	16,495	157,014

Notes:

- (1) Other movements include disposals, retirements and exchange differences of fixed assets.
- (2) As at 30 June 2023, the ownership documentation for the Group's bank premises with a net carrying value of RMB6,312 million (as at 31 December 2022: RMB6,587 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Construction in progress

	Six months ended 30 June 2023	2022
Cost/Deemed cost		
As at 1 January	9,971	11,628
Additions	787	2,407
Transfer into fixed assets (Note 24)	(1,214)	(3,457)
Other movements	(495)	(607)
As at 30 June/31 December	9,049	9,971
Net carrying value		
As at 1 January	9,971	11,628
As at 30 June/31 December	9,049	9,971

Other movements include exchange differences.

26 Land use rights

	Six months ended 30 June 2023	2022
Cost/Deemed cost		
As at 1 January	22,743	22,692
Additions	25	166
Other movements	(13)	(115)
As at 30 June/31 December	22,755	22,743
Amortisation		
As at 1 January	(9,385)	(8,927)
Charge for the period/year	(259)	(528)
Other movements	31	70
As at 30 June/31 December	(9,613)	(9,385)
Allowances for impairment losses (Note 31)		
As at 1 January	(133)	(135)
Other movements	-	2
As at 30 June/31 December	(133)	(133)
Net carrying value		
As at 1 January	13,225	13,630
As at 30 June/31 December	13,009	13,225

Other movements include exchange differences.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 Intangible assets

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2023	18,899	922	19,821
Additions	719	12	731
Other movements	(10)	24	14
As at 30 June 2023	19,608	958	20,566
Amortisation			
As at 1 January 2023	(12,814)	(502)	(13,316)
Charge for the period	(1,071)	(27)	(1,098)
Other movements	11	(25)	(14)
As at 30 June 2023	(13,874)	(554)	(14,428)
Allowances for impairment losses (Note 31)			
As at 1 January 2023	-	(9)	(9)
Additions	-	-	-
Other movements	-	-	-
As at 30 June 2023	-	(9)	(9)
Net carrying value			
As at 1 January 2023	6,085	411	6,496
As at 30 June 2023	5,734	395	6,129



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 Intangible assets (continued)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2022	16,175	1,033	17,208
Additions	2,829	4	2,833
Other movements	(105)	(115)	(220)
As at 31 December 2022	18,899	922	19,821
Amortisation			
As at 1 January 2022	(10,904)	(437)	(11,341)
Charge for the year	(1,980)	(94)	(2,074)
Other movements	70	29	99
As at 31 December 2022	(12,814)	(502)	(13,316)
Allowances for impairment losses (Note 31)			
As at 1 January 2022	–	(9)	(9)
Additions	–	–	–
Other movements	–	–	–
As at 31 December 2022	–	(9)	(9)
Net carrying value			
As at 1 January 2022	5,271	587	5,858
As at 31 December 2022	6,085	411	6,496

Other movements include exchange differences.

28 Goodwill

- (1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movements of the goodwill are as follows:

	Six months ended 30 June 2023	2022
As at 1 January	2,256	2,141
Effect of exchange difference	119	115
As at 30 June/31 December	2,375	2,256

- (2) **Impairment test for CGU containing goodwill**

The Group calculated the recoverable amounts of CGUs (including goodwill) in accordance with accounting policies. The Group estimated present values of future cash flows of CGUs using expected future cash flow projections based on financial forecasts approved by management. The average growth rates used by the Group were consistent with the forecasts in industry reports, while the discount rates reflected specific risks relating to relevant segments. The Group estimated net amounts of fair value less costs of disposal based on net assets within the CGUs.

As at 30 June 2023, the Group's goodwill impairment provision amounted to RMB416 million (as at 31 December 2022: RMB365 million), mainly due to goodwill impairment of CCB Brasil CGU.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

29 Deferred tax

	30 June 2023	31 December 2022
Deferred tax assets	122,605	113,081
Deferred tax liabilities	(1,470)	(881)
Total	121,135	112,200

(1) Analysed by nature

	30 June 2023		31 December 2022	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	(25,603)	(6,558)	(20,960)	(5,441)
– Allowances for impairment losses	541,269	135,048	488,577	121,917
– Employee benefits	15,196	3,770	20,603	5,111
– Others	(29,815)	(9,655)	(25,920)	(8,506)
Total	501,047	122,605	462,300	113,081
Deferred tax liabilities				
– Fair value adjustments	(4,916)	(1,028)	(2,646)	(475)
– Employee benefits	227	57	–	–
– Others	(2,864)	(499)	(2,468)	(406)
Total	(7,553)	(1,470)	(5,114)	(881)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Employee benefits	Others	Total
	As at 1 January 2023	(5,916)	121,917	5,111	(8,912)
Recognised in profit or loss	(256)	13,131	(1,284)	(1,242)	10,349
Recognised in other comprehensive income	(1,414)	–	–	–	(1,414)
As at 30 June 2023	(7,586)	135,048	3,827	(10,154)	121,135
As at 1 January 2022	(13,303)	107,959	4,538	(8,629)	90,565
Recognised in profit or loss	3,857	13,958	573	(283)	18,105
Recognised in other comprehensive income	3,530	–	–	–	3,530
As at 31 December 2022	(5,916)	121,917	5,111	(8,912)	112,200

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

30 Other assets

	Note	30 June 2023	31 December 2022
Repossessed assets	(1)		
– Buildings		1,207	1,181
– Land use rights		24	24
– Others		271	239
		1,502	1,444
Clearing and settlement accounts		161,425	9,386
Right-of-use assets	(2)	25,707	25,972
Fee and commission receivables		25,318	20,721
Insurance related assets	(3)	12,674	11,578
Leasehold improvements		3,948	3,327
Deferred expenses		2,219	2,161
Others	(4)	223,224	191,918
Gross balance		456,017	266,507
Allowances for impairment losses (Note 31)			
– Repossessed assets		(908)	(891)
– Others		(11,852)	(8,781)
		(12,760)	(9,672)
Net balance		443,257	256,835

- (1) For the six months ended 30 June 2023, the original cost of repossessed assets disposed of by the Group amounted to RMB22 million (for the six months ended 30 June 2022: RMB49 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

30 Other assets (continued)

(2) Right-of-use assets

	Bank premises	Others	Total
Cost			
As at 1 January 2023	47,694	142	47,836
Additions	4,023	82	4,105
Other movements	(2,895)	(26)	(2,921)
As at 30 June 2023	48,822	198	49,020
Accumulated depreciation			
As at 1 January 2023	(21,769)	(95)	(21,864)
Charge for the period	(3,766)	(24)	(3,790)
Other movements	2,339	2	2,341
As at 30 June 2023	(23,196)	(117)	(23,313)
Net carrying value			
As at 1 January 2023	25,925	47	25,972
As at 30 June 2023	25,626	81	25,707
	Bank premises	Others	Total
Cost			
As at 1 January 2022	43,543	98	43,641
Additions	8,651	54	8,705
Other movements	(4,500)	(10)	(4,510)
As at 31 December 2022	47,694	142	47,836
Accumulated depreciation			
As at 1 January 2022	(17,174)	(51)	(17,225)
Charge for the year	(7,707)	(54)	(7,761)
Other movements	3,112	10	3,122
As at 31 December 2022	(21,769)	(95)	(21,864)
Net carrying value			
As at 1 January 2022	26,369	47	26,416
As at 31 December 2022	25,925	47	25,972

Other movements include exchange differences.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

30 Other assets (continued)

(3) Insurance related assets

The total for groups of insurance contracts issued and reinsurance contracts that are assets as follows:

	30 June 2023	31 December 2022
Insurance contracts issued		
– Insurance contracts issued not applying the premium allocation approach	30	30
– Insurance contracts issued applying the premium allocation approach	-	-
Subtotal	30	30
Reinsurance contracts held		
– Reinsurance contracts held not applying the premium allocation approach	11,853	10,731
– Reinsurance contracts held applying the premium allocation approach	791	817
Subtotal	12,644	11,548
Total	12,674	11,578

(4) As at 30 June 2023, the carrying value of the Group's investment properties was RMB10,538 million (as at 31 December 2022: RMB8,659 million).

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

31 Movements of allowances for impairment losses

	Note	Six months ended 30 June 2023				
		As at 1 January	Charge/ (reversal) for the period	Transfer in/(out)	Write-offs and others	As at 30 June
Deposits with banks and non-bank financial institutions	16	338	320	-	-	658
Precious metals		5	(3)	-	-	2
Placements with banks and non-bank financial institutions	17	933	241	7	-	1,181
Financial assets held under resale agreements	19	206	78	-	-	284
Loans and advances to customers measured at amortised cost	20	704,088	92,347	(1,221)	(23,502)	771,712
Financial assets measured at amortised cost	21	34,868	(802)	369	(459)	33,976
Long-term equity investments	22	44	-	-	-	44
Fixed assets	24	1,270	-	33	-	1,303
Land use rights	26	133	-	-	-	133
Intangible assets	27	9	-	-	-	9
Goodwill	28	365	-	51	-	416
Other assets	30	9,672	3,940	84	(936)	12,760
Total		751,931	96,121	(677)	(24,897)	822,478
		2022				
	Note	As at 1 January	Charge/ (reversal) for the year	Transfer in/(out)	Write-offs and others	As at 31 December
Deposits with banks and non-bank financial institutions	16	125	213	-	-	338
Precious metals		13	(8)	-	-	5
Placements with banks and non-bank financial institutions	17	492	422	19	-	933
Financial assets held under resale agreements	19	92	114	-	-	206
Loans and advances to customers measured at amortised cost	20	637,338	137,694	(19,510)	(51,434)	704,088
Financial assets measured at amortised cost	21	34,225	1,869	660	(1,886)	34,868
Long-term equity investments	22	-	44	-	-	44
Fixed assets	24	790	444	38	(2)	1,270
Land use rights	26	135	-	-	(2)	133
Intangible assets	27	9	-	-	-	9
Goodwill	28	321	-	44	-	365
Other assets	30	6,650	5,197	52	(2,227)	9,672
Total		680,190	145,989	(18,697)	(55,551)	751,931

Transfer in/(out) includes exchange differences.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

32 Borrowings from central banks

	30 June 2023	31 December 2022
The Chinese mainland	825,683	732,001
Overseas	54,562	34,882
Accrued interest	11,817	7,896
Total	892,062	774,779

33 Deposits from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2023	31 December 2022
Banks	434,403	243,754
Non-bank financial institutions	2,850,720	2,326,601
Accrued interest	14,816	13,916
Total	3,299,939	2,584,271

(2) Analysed by geographical sectors

	30 June 2023	31 December 2022
The Chinese mainland	3,148,175	2,422,967
Overseas	136,948	147,388
Accrued interest	14,816	13,916
Total	3,299,939	2,584,271

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

34 Placements from banks and non-bank financial institutions**(1) Analysed by type of counterparties**

	30 June 2023	31 December 2022
Banks	403,545	328,899
Non-bank financial institutions	39,966	34,747
Accrued interest	2,779	2,114
Total	446,290	365,760

(2) Analysed by geographical sectors

	30 June 2023	31 December 2022
The Chinese mainland	178,206	157,209
Overseas	265,305	206,437
Accrued interest	2,779	2,114
Total	446,290	365,760

35 Financial liabilities measured at fair value through profit or loss

	30 June 2023	31 December 2022
Financial liabilities related to precious metals	12,464	14,239
Structured financial instruments	208,678	274,861
Total	221,142	289,100

The structured financial instruments included under the Group's financial liabilities measured at fair value through profit or loss are designated as financial liabilities measured at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity was not material. The amounts of changes in the fair value of these financial liabilities that were attributable to changes in credit risk were considered not significant during the period and the year presented and cumulatively as at 30 June 2023 and 31 December 2022.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

36 Financial assets sold under repurchase agreements

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

	30 June 2023	31 December 2022
Debt securities		
– Government bonds	126,197	229,422
– Debt securities issued by policy banks, banks and non-bank financial institutions	12,677	7,480
– Corporate bonds	7,534	5,012
Subtotal	146,408	241,914
Discounted bills	8,674	585
Accrued interest	121	177
Total	155,203	242,676

37 Deposits from customers

	30 June 2023	31 December 2022
Demand deposits		
– Corporate customers	7,055,836	6,726,781
– Personal customers	5,578,171	5,456,284
Subtotal	12,634,007	12,183,065
Time deposits (including call deposits)		
– Corporate customers	5,456,625	4,647,535
– Personal customers	9,142,337	7,790,643
Subtotal	14,598,962	12,438,178
Accrued interest	395,504	399,564
Total	27,628,473	25,020,807

Deposits from customers include:

	30 June 2023	31 December 2022
(1) Pledged deposits		
– Deposits for acceptance	235,820	187,434
– Deposits for guarantee	31,689	35,996
– Deposits for letter of credit	50,226	22,923
– Others	195,505	162,252
Total	513,240	408,605
(2) Outward remittance and remittance payables	15,056	19,576

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

38 Accrued staff costs

		Six months ended 30 June 2023			
	Note	As at 1 January	Increased	Decreased	As at 30 June
Salaries, bonuses, allowances and subsidies		33,632	38,094	(42,135)	29,591
Housing funds		282	3,771	(3,817)	236
Union running costs and employee education costs		8,113	1,145	(890)	8,368
Post-employment benefits	(1)	799	7,848	(8,131)	516
Early retirement benefits		858	6	(28)	836
Compensation to employees for termination of employment relationship		-	3	(3)	-
Others	(2)	5,671	5,882	(6,252)	5,301
Total		49,355	56,749	(61,256)	44,848

		2022			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		27,716	84,349	(78,433)	33,632
Housing funds		308	7,567	(7,593)	282
Union running costs and employee education costs		6,907	3,302	(2,096)	8,113
Post-employment benefits	(1)	637	15,861	(15,699)	799
Early retirement benefits		918	12	(72)	858
Compensation to employees for termination of employment relationship		-	7	(7)	-
Others	(2)	4,512	15,815	(14,656)	5,671
Total		40,998	126,913	(118,556)	49,355

The Group had no overdue balance of accrued staff costs as at the end of the reporting period.

(1) Post-employment benefits

(a) Defined contribution plans

		Six months ended 30 June 2023			
	Note	As at 1 January	Increased	Decreased	As at 30 June
Basic pension insurance		485	4,784	(4,793)	476
Unemployment insurance		51	165	(162)	54
Annuity contribution		872	2,899	(2,994)	777
Total		1,408	7,848	(7,949)	1,307

		2022			
	Note	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance		732	9,460	(9,707)	485
Unemployment insurance		45	313	(307)	51
Annuity contribution		721	5,776	(5,625)	872
Total		1,498	15,549	(15,639)	1,408

There were no contributions into the Group's basic retirement insurance and annuity scheme that had been forfeited and that could be used to deduct contributions payable by the Group according to the above plans.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

38 Accrued staff costs (continued)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting periods were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (ShenZhen) Co., Ltd.

	Present value of defined benefit plan obligations		Fair value of plan assets		Net assets of defined benefit plans	
	Six months ended 30 June 2023	2022	Six months ended 30 June 2023	2022	Six months ended 30 June 2023	2022
As at 1 January	4,685	5,083	5,294	5,944	(609)	(861)
Cost of the net defined benefit liability in profit or loss						
– Interest costs	61	134	70	157	(9)	(23)
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial gains	(115)	(37)	–	–	(115)	(37)
– Returns on plan assets	–	–	58	(312)	(58)	312
Other changes						
– Benefits paid	(234)	(495)	(234)	(495)	–	–
As at 30 June/31 December	4,397	4,685	5,188	5,294	(791)	(609)

Interest cost was recognised in operating expenses.

(i) Principal actuarial assumptions of the Group as at the end of the reporting period were as follows:

	30 June 2023	31 December 2022
Discount rate	2.75%	2.75%
Health care cost increase rate	7.00%	7.00%
Average expected future lifetime of eligible employees	10.6 years	10.2 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

38 Accrued staff costs (continued)

(1) Post-employment benefits (continued)

 (b) *Defined benefit plans – Supplementary retirement benefits* (continued)

 (ii) *The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:*

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	(84)	87
Health care cost increase rate	35	(34)

(iii) *As at 30 June 2023, the weighted average duration of supplementary retirement benefit obligations of the Group was 7.8 years (as at 31 December 2022: 7.8 years).*

(iv) *Plan assets of the Group are as follows:*

	30 June 2023	31 December 2022
Cash and cash equivalents	740	621
Equity instruments	673	474
Debt instruments and others	3,775	4,199
Total	5,188	5,294

 (2) *Accrued staff costs – others mainly include employee welfare, medical insurance, maternity insurance and employment injury insurance.*
39 Taxes payable

	30 June 2023	31 December 2022
Income tax	38,511	71,077
Value added tax	12,019	10,591
Others	1,837	2,501
Total	52,367	84,169



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

40 Provisions

	Note	30 June 2023	31 December 2022
Expected credit losses on the off-balance sheet credit business	(1)	40,227	40,742
Expected losses from other businesses	(2)	9,954	9,984
Total		50,181	50,726

(1) Movements of the provisions – expected credit losses on the off -balance sheet credit business:

	Note	Six months ended 30 June 2023			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023		33,557	5,587	1,598	40,742
Transfers:					
Transfers in/(out) to Stage 1		339	(338)	(1)	-
Transfers in/(out) to Stage 2		(187)	187	-	-
Transfers in/(out) to Stage 3		(1)	(23)	24	-
Newly originated		14,909	-	-	14,909
Decreased		(12,579)	(2,705)	(353)	(15,637)
Remeasurements	(a)	(2,794)	2,991	16	213
As at 30 June 2023		33,244	5,699	1,284	40,227
		2022			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022		28,193	5,620	702	34,515
Transfers:					
Transfers in/(out) to Stage 1		473	(471)	(2)	-
Transfers in/(out) to Stage 2		(85)	131	(46)	-
Transfers in/(out) to Stage 3		(2)	(402)	404	-
Newly originated		23,964	-	-	23,964
Decreased		(15,279)	(4,248)	(306)	(19,833)
Remeasurements	(a)	(3,707)	4,957	846	2,096
As at 31 December 2022		33,557	5,587	1,598	40,742

(a) Remeasurements comprise the impact of changes in PD, LGD and EAD; changes in model assumptions and methodologies; changes in allowance for impairment losses due to stage-transfer; and the impact of exchange rate changes.

(2) Other businesses include off-balance sheet businesses other than the off-balance sheet credit business, outstanding litigations and the precious metal leasing business.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

41 Debt securities issued

	Note	30 June 2023	31 December 2022
Certificates of deposit issued	(1)	1,144,006	1,023,084
Bonds issued	(2)	157,158	154,396
Subordinated bonds issued	(3)	7,999	7,999
Eligible Tier 2 capital bonds issued	(4)	475,361	453,197
Accrued interest		14,375	8,194
Total		1,798,899	1,646,870

(1) Certificates of deposit issued were mainly issued by the head office, overseas branches, CCB Europe and CCB New Zealand.

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	30 June 2023	31 December 2022
18/11/2014	18/11/2024	4.08%	Taiwan	RMB	600	600
08/06/2018	08/06/2023	3M LIBOR +0.83%	Hong Kong	USD	-	4,140
19/06/2018	19/06/2023	4.01%	Auckland	NZD	-	439
12/07/2018	12/07/2023	3M LIBOR +1.25%	Hong Kong	USD	2,907	2,760
21/08/2018	19/06/2023	4.005%	Auckland	NZD	-	154
16/05/2019	16/05/2024	3.50%	Hong Kong	USD	3,125	2,962
16/05/2019	16/05/2029	3.88%	Hong Kong	USD	1,453	1,380
26/08/2019	26/08/2024	3.40%	The Chinese mainland	RMB	3,000	3,000
11/09/2019	16/05/2024	3.50%	Hong Kong	USD	1,966	1,937
24/10/2019	24/10/2024	3M LIBOR +0.77%	Hong Kong	USD	4,866	4,616
22/11/2019	22/11/2024	2.393%	Auckland	NZD	375	373
16/03/2020	15/03/2023	2.68%	The Chinese mainland	RMB	-	7,000
16/03/2020	15/03/2025	2.75%	The Chinese mainland	RMB	5,000	5,000
21/07/2020	21/07/2025	1.99%	Hong Kong	USD	3,310	3,073
25/09/2020	25/09/2023	0.954%	Auckland	NZD	663	658
28/09/2020	28/09/2025	1.78%	Hong Kong	USD	1,453	1,380
28/09/2020	28/09/2030	2.55%	Hong Kong	USD	727	690
27/10/2020	29/10/2023	3.50%	The Chinese mainland	RMB	20,000	20,000
03/11/2020	05/11/2023	3.70%	The Chinese mainland	RMB	2,600	2,600
26/01/2021	26/01/2024	3.30%	The Chinese mainland	RMB	20,000	20,000
02/02/2021	04/02/2024	3.65%	The Chinese mainland	RMB	2,240	2,240
07/04/2021	12/04/2024	3.55%	The Chinese mainland	RMB	2,200	2,200
22/04/2021	22/04/2023	2.85%	Singapore	RMB	-	1,997
22/04/2021	22/04/2024	0.043%	Luxembourg	EUR	6,300	5,909
22/04/2021	22/04/2024	0.86%	Hong Kong	USD	4,359	4,140
22/04/2021	22/04/2026	1.46%	Hong Kong	USD	3,996	3,795
27/05/2021	01/06/2024	3.33%	The Chinese mainland	RMB	1,950	1,950
28/06/2021	28/06/2024	0.06%	Luxembourg	EUR	6,300	5,909
22/07/2021	22/07/2026	1.80%	Hong Kong	USD	3,456	3,276
15/09/2021	15/09/2026	1.60%	Hong Kong	USD	2,587	2,446
29/09/2021	29/09/2026	1.50%	Hong Kong	USD	5,086	4,825
21/12/2021	21/12/2024	SOFR +0.50%	Hong Kong	USD	3,622	3,443
17/05/2022	17/05/2025	3.125%	Hong Kong	USD	7,266	6,900
17/05/2022	17/05/2024	3.40%	United Kingdom	RMB	1,000	1,000



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

41 Debt securities issued (continued)

(2) Bonds issued (continued)

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	30 June 2023	31 December 2022
23/05/2022	25/05/2025	2.60%	The Chinese mainland	RMB	10,000	10,000
13/06/2022	13/06/2024	2.85%	Singapore	SGD	1,874	1,795
12/12/2022	14/12/2025	2.92%	The Chinese mainland	RMB	10,000	10,000
09/02/2023	09/02/2026	3M New Zealand benchmark interest rate +1.10%	Auckland	NZD	994	–
22/03/2023	24/03/2026	2.80%	The Chinese mainland	RMB	10,000	–
31/05/2023	31/05/2025	2.80%	United Kingdom	RMB	1,998	–
Total nominal value					157,273	154,587
Less: unamortised issuance costs					(115)	(191)
Carrying value as at period/year end					157,158	154,396

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBC and the NAFR is as follows:

Issue date	Maturity date	Interest rate per annum	Currency	Note	30 June 2023	31 December 2022
28/01/2021	01/02/2031	4.30%	RMB	(a)	6,000	6,000
18/03/2022	22/03/2032	3.70%	RMB	(b)	2,000	2,000
Total nominal value					8,000	8,000
Less: unamortised issuance cost					(1)	(1)
Carrying value as at period/year end					7,999	7,999

(a) The Group has an option to redeem part or all of the bonds on 1 February 2026, subject to registration from the PBC and the NAFR.

(b) The Group has an option to redeem part or all of the bonds on 22 March 2027, subject to registration from the PBC and the NAFR.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

41 Debt securities issued (continued)

(4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	30 June 2023	31 December 2022
18/08/2014	18/08/2029	5.98%	RMB	(a)	20,000	20,000
25/09/2018	25/09/2028	4.86%	RMB	(b)	43,000	43,000
29/10/2018	29/10/2028	4.70%	RMB	(c)	40,000	40,000
27/02/2019	27/02/2029	4.25%	USD	(d)	13,443	12,765
24/06/2020	24/06/2030	2.45%	USD	(e)	14,533	13,800
10/09/2020	14/09/2030	4.20%	RMB	(f)	65,000	65,000
06/08/2021	10/08/2031	3.45%	RMB	(g)	65,000	65,000
06/08/2021	10/08/2036	3.80%	RMB	(h)	15,000	15,000
05/11/2021	09/11/2031	3.60%	RMB	(i)	35,000	35,000
05/11/2021	09/11/2036	3.80%	RMB	(j)	10,000	10,000
10/12/2021	14/12/2031	3.48%	RMB	(k)	12,000	12,000
10/12/2021	14/12/2036	3.74%	RMB	(l)	8,000	8,000
13/01/2022	21/01/2032	2.85%	USD	(m)	14,533	13,800
15/06/2022	17/06/2032	3.45%	RMB	(n)	45,000	45,000
15/06/2022	17/06/2037	3.65%	RMB	(o)	15,000	15,000
03/11/2022	07/11/2032	3.00%	RMB	(p)	25,000	25,000
03/11/2022	07/11/2037	3.34%	RMB	(q)	15,000	15,000
24/03/2023	28/03/2033	3.49%	RMB	(r)	5,000	-
24/03/2023	28/03/2038	3.61%	RMB	(s)	15,000	-
Total nominal value					475,509	453,365
Less: unamortised issuance cost					(148)	(168)
Carrying value as at period/year end					475,361	453,197

- (a) The Group has an option to redeem the bonds on 18 August 2024, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (b) The Group has an option to redeem the bonds on 25 September 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (c) The Group has an option to redeem the bonds on 29 October 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (d) The Group has an option to redeem the bonds on 27 February 2024, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 27 February 2024 and increase by 1.88% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (e) The Group has an option to redeem the bonds on 24 June 2025, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 24 June 2025 and increase by 2.15% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (f) The Group has an option to redeem the bonds on 14 September 2025, subject to an approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (g) The Group has an option to redeem the bonds on 10 August 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (h) The Group has an option to redeem the bonds on 10 August 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

41 Debt securities issued (continued)

(4) Eligible Tier 2 capital bonds issued (continued)

- (i) The Group has an option to redeem the bonds on 9 November 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (j) The Group has an option to redeem the bonds on 9 November 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (k) The Group has an option to redeem the bonds on 14 December 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (l) The Group has an option to redeem the bonds on 14 December 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (m) The Group has an option to redeem the bonds on 21 January 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (n) The Group has an option to redeem the bonds on 17 June 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (o) The Group has an option to redeem the bonds on 17 June 2032, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (p) The Group has an option to redeem the bonds on 7 November 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (q) The Group has an option to redeem the bonds on 7 November 2032, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (r) The Group has an option to redeem the bonds on 28 March 2028, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.
- (s) The Group has an option to redeem the bonds on 28 March 2033 subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

42 Other liabilities

	Note	30 June 2023	31 December 2022
Insurance related liabilities	(1)	243,227	232,874
Dividend Payable		97,335	-
Lease liabilities	(2)	23,850	23,733
Clearing and settlement accounts		20,041	33,458
Payment and collection clearance accounts		19,426	33,086
Deferred income		17,140	17,128
Accrued expenses advance		8,795	8,431
Dormant accounts		8,567	8,922
Cash pledged and rental prepayments		5,187	4,830
Capital expenditure payable		4,826	5,920
Others		194,920	199,944
Total		643,314	568,326

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 Other liabilities (continued)
(1) Insurance related liabilities

The total for groups of insurance contracts issued and reinsurance contracts that are liabilities as follows:

	30 June 2023	31 December 2022
Insurance contracts issued		
– Insurance contracts issued not applying the premium allocation approach	240,978	231,088
– Insurance contracts issued applying the premium allocation approach	2,242	1,782
Subtotal	243,220	232,870
Reinsurance contracts held		
– Reinsurance contracts held not applying the premium allocation approach	–	–
– Reinsurance contracts held applying the premium allocation approach	7	4
Subtotal	7	4
Total	243,227	232,874

(2) Lease liabilities
Maturity analysis – undiscounted analysis

	30 June 2023	31 December 2022
Within one year	6,664	6,837
Between one year and five years	14,355	14,554
More than five years	6,058	6,647
Total undiscounted lease liabilities	27,077	28,038
Lease liabilities	23,850	23,733

43 Share capital

	30 June 2023	31 December 2022
Listed in Hong Kong (H shares)	240,417	240,417
Listed in the Chinese mainland (A shares)	9,594	9,594
Total	250,011	250,011

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

44 Other equity instruments
(1) Preference shares
(a) Preference shares outstanding as at the end of the reporting period

Financial instrument outstanding	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million shares)	Currency	Total amount	Maturity date	Redemption/conversion
2017 Domestic Preference Shares	21 December 2017	Equity instruments	3.57%	RMB100 per share	600	RMB	60,000	No maturity date	None
Less: Issuance fee							(23)		
Carrying amount							59,977		



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

44 Other equity instruments (continued)

(1) Preference shares (continued)

(b) The key terms

Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

Redemption

The Bank may, subject to the NAFR's approval and compliance with the redemption preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the domestic preference shares and as agreed, convert all or part of the domestic preference shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the domestic preference shares shall be subject to the same proportion and conditions of conversion. Once domestic preference shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (i) the NAFR having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the NAFR for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and China Securities Regulatory Commission ("CSRC").

The Bank classified preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

(c) Changes in preference shares outstanding

Financial instrument outstanding	1 January 2023		Increase/(Decrease)		30 June 2023	
	Quantity (million shares)	Carrying value	Quantity (million shares)	Carrying value	Quantity (million shares)	Carrying value
2017 Domestic Preference Shares	600	59,977	-	-	600	59,977
Total	600	59,977	-	-	600	59,977

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

44 Other equity instruments (continued)
(2) Perpetual bonds
(a) Perpetual bonds outstanding at the end of the reporting period

Financial instrument outstanding	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million pieces)	Currency	Total amount	Maturity date	Redemption/write-down conditions
2019 Undated Additional Tier 1 Capital Bonds	13 November 2019	Equity instruments	4.22%	100 per unit	400	RMB	40,000	No maturity date	None
2022 Undated Additional Tier 1 Capital Bonds	29 August 2022	Equity instruments	3.20%	100 per unit	400	RMB	40,000	No maturity date	None
Less: Issuance fee							(9)		
Carrying amount							79,991		

(b) The key terms
Distribution rate and distribution payment

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or “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 is determined by a benchmark rate plus a fixed interest spread.

The Bank 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 Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

Conditional redemption rights of the Bank

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds 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 Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank’s redemption right shall be subject to the consent of the NAFR and the satisfaction of the following preconditions: (i) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the NAFR.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

44 Other equity instruments (continued)

(2) Perpetual bonds (continued)

(b) The key terms (continued)

Write-down/write-off clauses

For 2019 Undated Additional Tier 1 Capital Bonds, upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the NAFR but without the need for the consent of the holders of the Bonds, to write down whole or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding amount, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank. Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write off in whole, without the need for the consent of the holders of the Bonds, the aggregate amount of the Bonds then issued and outstanding. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (i) the NAFR having decided that the Bank would become non-viable without a write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.

For 2022 Undated Additional Tier 1 Capital Bonds, upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down/write off in whole or in part, without the need for consent of the holders of the Bonds, the principal amount of the Bonds. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Undated Additional Tier 1 Capital Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the NAFR having decided that the Bank would become non-viable without a write-down/write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. The write-down/write-off will not be restored.

Subordination

The claims in respect of the Bonds will be subordinated to the 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 Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bank classified the Bonds issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Bonds, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(c) Changes in perpetual bonds outstanding

Financial instrument outstanding	1 January 2023		Increase/(Decrease)		30 June 2023	
	Quantity (million pieces)	Carrying value	Quantity (million pieces)	Carrying value	Quantity (million pieces)	Carrying value
2019 Undated Additional Tier 1 Capital Bonds	400	39,991	-	-	400	39,991
2022 Undated Additional Tier 1 Capital Bonds	400	40,000	-	-	400	40,000
Total	800	79,991	-	-	800	79,991

(3) Interests attributable to the holders of equity instruments

Items	30 June 2023	31 December 2022
1. Total equity attributable to equity holders of the Bank	2,935,258	2,855,450
(1) Equity attributable to ordinary equity holders of the Bank	2,795,290	2,715,482
(2) Equity attributable to other equity holders of the Bank	139,968	139,968
Of which: net profit	-	4,538
dividends received	-	4,538
2. Total equity attributable to non-controlling interests	20,970	20,794
(1) Equity attributable to non-controlling interests of ordinary shares	20,970	20,794
(2) Equity attributable to non-controlling interests of other equity instruments	-	-

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 Capital reserve

	30 June 2023	31 December 2022
Share premium	135,653	135,653

46 Other comprehensive income

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
	1 January 2023	Net-of-tax amount attributable to equity shareholders of the Bank	30 June 2023	Six months ended 30 June 2023				
				The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	(28)	173	145	173	-	-	173	-
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	90	70	160	94	-	(24)	70	-
Others	752	24	776	24	-	-	24	-
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	16,809	5,169	21,978	8,257	(511)	(2,262)	5,169	315
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	6,851	86	6,937	114	-	(28)	86	-
Net gain on cash flow hedges	505	(334)	171	(334)	-	-	(334)	-
Exchange difference on translating foreign operations	(3,505)	5,907	2,402	5,927	-	-	5,907	20
Others	(4,071)	(1,377)	(5,448)	(3,600)	-	900	(1,377)	(1,323)
Total	17,403	9,718	27,121	10,655	(511)	(1,414)	9,718	(988)
	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
				2022				
	1 January 2022	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2022	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	247	(275)	(28)	(275)	-	-	(275)	-
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	301	(211)	90	(282)	-	71	(211)	-
Others	719	33	752	33	-	-	33	-
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	29,150	(12,341)	16,809	(15,569)	15	3,469	(12,341)	256
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,700	3,151	6,851	4,205	-	(1,048)	3,151	6
Net gain on cash flow hedges	20	485	505	485	-	-	485	-
Exchange difference on translating foreign operations	(12,249)	8,744	(3,505)	8,712	-	-	8,744	(32)
Others	(2,482)	(1,589)	(4,071)	(4,152)	-	1,038	(1,589)	(1,525)
Total	19,406	(2,003)	17,403	(6,843)	15	3,530	(2,003)	(1,295)



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

47 Surplus reserve

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in Annual General Meetings.

48 General reserve

The general reserves of the Group are set up based upon the requirements of:

	Note	30 June 2023	31 December 2022
MOF	(1)	431,095	431,095
Hong Kong Banking Ordinance	(2)	2,124	2,124
Other regulatory bodies in the Chinese mainland	(3)	11,178	10,867
Other overseas regulatory bodies		708	700
Total		445,105	444,786

- (1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserves to cover potential losses against its assets. In accordance with the "Regulation on Management of Financial Institutions for Reserves" (Cai Jin [2012] No. 20) issued by the MOF on 30 March 2012, the general reserves balance for financial institutions should not be lower than 1.5% of the ending balance of risk assets.
- (2) Pursuant to the requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.
- (3) Pursuant to the relevant regulatory requirements in the Chinese mainland, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserves.

49 Profit distribution

In the Annual General Meeting held on 29 June 2023, the shareholders approved the profit distribution for the year ended 31 December 2022. The Bank appropriated cash dividend for the year ended 31 December 2022 in an aggregate amount of RMB97,254 million.

50 Notes to the statement of cash flows

Cash and cash equivalents

	30 June 2023	31 December 2022	30 June 2022
Cash	43,200	47,534	50,201
Surplus deposit reserves with central banks	902,350	771,473	470,718
Demand deposits with banks and non-bank financial institutions	69,419	62,506	60,738
Time deposits with banks and non-bank financial institutions with original maturity with or within three months	180,043	79,111	264,046
Placements with banks and non-bank financial institutions with original maturity with or within three months	217,456	183,028	191,775
Total	1,412,468	1,143,652	1,037,478

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

51 Transferred financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Securities lending transactions

Counterparties are allowed to sell or repledge securities lent under securities lending agreements in the absence of any default by the Group, but at the same time, they have an obligation to return such securities upon the maturity of the securities lending agreements. 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 2023, the carrying value of debt securities lent to counterparties was RMB16,751 million (as at 31 December 2022: RMB10,240 million).

Credit asset securitisation transactions

The Group enters into securitisation transactions in its normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of holding subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement, otherwise the financial assets are derecognised.

As at 30 June 2023, loans with an original carrying amount of RMB853,066 million (as at 31 December 2022: RMB880,045 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 30 June 2023, the carrying amount of assets that the Group continued to recognise was RMB91,966 million (as at 31 December 2022: RMB93,548 million). As at 30 June 2023, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB91,966 million (as at 31 December 2022: RMB93,548 million).

With respect to credit asset securitizations that did not qualify for derecognition as a whole, the Group continued to recognise credit assets that had been transferred, and recorded the consideration received as a financial liability. As at 30 June 2023, the carrying amount of transferred credit assets that the Group had continued to recognise was RMB3,066 million (as at 31 December 2022: RMB15,006 million) and the carrying amount of their associated financial liabilities was RMB2,262 million (as at 31 December 2022: RMB13,507 million).

As at 30 June 2023, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB2,564 million (as at 31 December 2022: RMB2,743 million), and its maximum loss exposure approximates to the carrying amount.

52 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expense". Interest income and expense earned from third parties are referred to as "External net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

52 Operating segments (continued)

(1) Geographical segments

The Group operates principally in the Chinese mainland with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in the Chinese mainland. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, for management reporting purposes, are defined as follows:

- “Yangtze River Delta” refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- “Pearl River Delta” refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- “Bohai Rim” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the “Central” region refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanxi Province, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the “Western” region refers to the following areas where the tier-1 branches of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region, Guangxi Autonomous Region and Xinjiang Autonomous Region; and
- the “Northeastern” region refers to the following areas where the tier-1 branches of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

Specifically, from 2022 financial statements onwards, the Group reclassified the geographical segment of Guangxi Autonomous Region, where the Bank’s tier-1 branch locates, from Central China to Western China, and adjust comparative figures accordingly.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

52 Operating segments (continued)(1) **Geographical segments** (continued)

	Six months ended 30 June 2023								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income/(expense)	30,801	26,356	15,891	32,748	37,191	(82)	157,747	11,533	312,185
Internal net interest income/(expense)	26,086	23,862	32,007	24,613	21,901	14,074	(138,453)	(4,090)	-
Net interest income	56,887	50,218	47,898	57,361	59,092	13,992	19,294	7,443	312,185
Net fee and commission income	13,683	13,844	12,075	10,060	8,392	2,250	9,219	1,078	70,601
Net trading gain/(loss)	1,027	61	10	199	118	(1)	1,795	557	3,766
Dividend income	92	-	2,738	300	8	-	112	318	3,568
Net (loss)/gain arising from investment securities	(43)	(1,433)	(1,094)	277	(1,427)	49	4,463	(250)	542
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(48)	(48)	(7)	1	(20)	(15)	92	1	(44)
Other operating (expense)/income, net	(4,216)	200	728	75	750	67	(964)	897	(2,463)
Operating income	67,382	62,842	62,348	68,273	66,913	16,342	34,011	10,044	388,155
Operating expenses	(16,348)	(12,079)	(16,037)	(15,681)	(15,816)	(5,566)	(10,873)	(3,587)	(95,987)
Credit impairment losses	(14,038)	(17,361)	(12,400)	(14,201)	(17,922)	(2,753)	(15,436)	(1,303)	(95,414)
Other impairment losses	-	1	58	-	-	(1)	-	(12)	46
Share of profits/(losses) of associates and joint ventures	20	(23)	523	(81)	-	-	4	21	464
Profit before tax	37,016	33,380	34,492	38,310	33,175	8,022	7,706	5,163	197,264
Capital expenditure	717	367	2,886	418	565	165	191	89	5,398
Depreciation and amortisation	1,764	1,569	2,188	1,910	1,935	749	1,702	463	12,280
	30 June 2023								
Segment assets	6,514,166	5,470,309	8,192,546	5,342,556	5,575,996	1,836,815	13,780,845	1,701,014	48,414,247
Long-term equity investments	1,956	1,292	9,412	5,175	-	-	1,827	2,834	22,496
	6,516,122	5,471,601	8,201,958	5,347,731	5,575,996	1,836,815	13,782,672	1,703,848	48,436,743
Deferred tax assets									122,605
Elimination									(10,304,642)
Total assets									38,254,706
Segment liabilities	6,472,142	5,412,959	7,977,535	5,284,108	5,541,825	1,828,807	11,505,536	1,578,738	45,601,650
Deferred tax liabilities									1,470
Elimination									(10,304,642)
Total liabilities									35,298,478
Off-balance sheet credit commitments	741,288	699,263	700,814	697,674	561,048	182,701	-	311,624	3,894,412



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

52 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2022								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	38,301	34,888	20,426	36,491	40,133	1,859	138,655	6,916	317,669
Internal net interest income/(expense)	16,556	14,338	25,433	17,998	16,250	11,650	(101,311)	(914)	-
Net interest income	54,857	49,226	45,859	54,489	56,383	13,509	37,344	6,002	317,669
Net fee and commission income	13,275	15,839	11,840	10,323	8,288	2,249	7,556	877	70,247
Net trading gain/(loss)	352	70	69	(53)	(37)	14	1,905	(46)	2,274
Dividend income	85	-	3,129	166	10	-	2	117	3,509
Net (loss)/gain arising from investment securities	(1,735)	(938)	(955)	(557)	(1,427)	(174)	2,897	(1,157)	(4,046)
Net gain on derecognition of financial assets measured at amortised cost	-	-	-	-	-	-	31	3	34
Other operating (expense)/income, net	(2,562)	178	1,046	59	757	13	(658)	1,357	190
Operating income	64,272	64,375	60,988	64,427	63,974	15,611	49,077	7,153	389,877
Operating expenses	(16,350)	(11,588)	(16,319)	(15,788)	(15,728)	(5,517)	(9,411)	(3,335)	(94,036)
Credit impairment losses	(14,431)	(12,630)	(19,295)	(13,281)	(17,564)	(7,211)	(15,867)	(3,015)	(103,294)
Other impairment losses	-	2	6	-	-	(18)	2	(73)	(81)
Share of profits/(losses) of associates and joint ventures	86	(23)	325	(23)	-	-	6	47	418
Profit before tax	33,577	40,136	25,705	35,335	30,682	2,865	23,807	777	192,884
Capital expenditure	565	308	2,198	523	587	148	243	3,264	7,836
Depreciation and amortisation	1,807	1,513	2,770	2,060	2,037	832	1,731	424	13,174
	31 December 2022								
Segment assets	5,919,562	4,770,973	7,683,499	4,878,872	5,174,224	1,716,962	12,411,472	1,547,412	44,102,976
Long-term equity investments	1,928	1,315	9,129	5,898	-	-	1,823	2,607	22,700
	5,921,490	4,772,288	7,692,628	4,884,770	5,174,224	1,716,962	12,413,295	1,550,019	44,125,676
Deferred tax assets									113,081
Elimination									(9,638,046)
Total assets									34,600,711
Segment liabilities	5,840,421	4,689,052	7,458,057	4,785,307	5,105,106	1,703,970	10,351,896	1,427,823	41,361,632
Deferred tax liabilities									881
Elimination									(9,638,046)
Total liabilities									31,724,467
Off-balance sheet credit commitments	692,583	647,907	661,165	664,967	533,895	165,129	-	320,881	3,686,527

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

52 Operating segments (continued)**(2) Business segments**

Business segments, as defined for management reporting purposes, are as follows:

Corporate finance business

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

Personal finance business

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury and asset management business

This segment covers the Group's treasury operations. The treasury and asset management segment enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury and asset management segment carries out customer-driven derivatives, foreign currency, precious metal trading and custody services. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

This segment covers equity investments and the revenues, results, assets and liabilities of overseas commercial banks.

Specifically, from 2022 financial statements onwards, the Group reclassified activities of the Asset Custody Department from Corporate Finance business segment to Treasury and Asset Management business segment, activities of the Investment Banking Department from Treasury and Asset Management business segment to Corporate Finance business segment, and reclassified business segments of activities of subsidiaries, and adjust comparative figures accordingly.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

52 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2023				
	Corporate finance business	Personal finance business	Treasury and asset management business	Others	Total
External net interest income	116,961	71,779	115,382	8,063	312,185
Internal net interest income/(expense)	15,827	99,376	(115,806)	603	-
Net interest income/(expense)	132,788	171,155	(424)	8,666	312,185
Net fee and commission income/(expense)	26,783	32,704	11,561	(447)	70,601
Net trading (loss)/gain	(132)	809	2,405	684	3,766
Dividend income	2,837	90	304	337	3,568
Net (loss)/gain arising from investment securities	(4,042)	788	4,322	(526)	542
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(147)	-	102	1	(44)
Other operating income/(expense), net	375	(2,910)	394	(322)	(2,463)
Operating income	158,462	202,636	18,664	8,393	388,155
Operating expenses	(37,749)	(49,872)	(5,060)	(3,306)	(95,987)
Credit impairment losses	(67,886)	(22,581)	(466)	(4,481)	(95,414)
Other impairment losses	56	-	2	(12)	46
Share of profits/(losses) of associates and joint ventures	866	32	(431)	(3)	464
Profit before tax	53,749	130,215	12,709	591	197,264
Capital expenditure	3,455	1,612	254	77	5,398
Depreciation and amortisation	4,706	6,522	565	487	12,280
			30 June 2023		
Segment assets	15,030,960	8,589,666	13,767,435	1,022,512	38,410,573
Long-term equity investments	13,012	1,745	7,214	525	22,496
	15,043,972	8,591,411	13,774,649	1,023,037	38,433,069
Deferred tax assets					122,605
Elimination					(300,968)
Total assets					38,254,706
Segment liabilities	14,228,553	15,583,552	3,931,046	1,854,825	35,597,976
Deferred tax liabilities					1,470
Elimination					(300,968)
Total liabilities					35,298,478
Off-balance sheet credit commitments	2,455,607	1,127,181	-	311,624	3,894,412

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

52 Operating segments (continued)

(2) **Business segments** (continued)

	Six months ended 30 June 2022				
	Corporate finance business	Personal finance business	Treasury and asset management business	Others	Total
External net interest income	115,241	90,374	105,911	6,143	317,669
Internal net interest income/(expense)	30,095	67,515	(98,268)	658	-
Net interest income	145,336	157,889	7,643	6,801	317,669
Net fee and commission income/(expense)	24,086	30,204	16,849	(892)	70,247
Net trading (loss)/gain	(951)	308	2,598	319	2,274
Dividend income	3,167	81	212	49	3,509
Net (loss)/gain arising from investment securities	(4,897)	(1,035)	2,205	(319)	(4,046)
Net gain on derecognition of financial assets measured at amortised cost	-	-	31	3	34
Other operating (expense)/income, net	(1)	(1,104)	640	655	190
Operating income	166,740	186,343	30,178	6,616	389,877
Operating expenses	(37,711)	(48,004)	(5,756)	(2,565)	(94,036)
Credit impairment losses	(75,214)	(17,129)	(6,933)	(4,018)	(103,294)
Other impairment losses	(12)	-	2	(71)	(81)
Share of profits/(losses) of associates and joint ventures	346	95	(45)	22	418
Profit before tax	54,149	121,305	17,446	(16)	192,884
Capital expenditure	2,713	1,684	163	3,276	7,836
Depreciation and amortisation	4,745	7,365	665	399	13,174
	31 December 2022				
Segment assets	13,064,106	8,528,278	12,436,193	710,498	34,739,075
Long-term equity investments	12,433	1,713	8,286	268	22,700
	13,076,539	8,529,991	12,444,479	710,766	34,761,775
Deferred tax assets					113,081
Elimination					(274,145)
Total assets					34,600,711
Segment liabilities	12,772,244	14,082,474	3,532,342	1,610,671	31,997,731
Deferred tax liabilities					881
Elimination					(274,145)
Total liabilities					31,724,467
Off-balance sheet credit commitments	2,251,667	1,113,979	-	320,881	3,686,527



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

53 Entrusted lending business

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	30 June 2023	31 December 2022
Entrusted loans	4,326,270	4,215,594
Entrusted funds	4,326,270	4,215,594

54 Pledged assets

(1) Assets pledged as securities

The Group's collateral for liabilities or contingent liabilities include financial assets such as securities and bills, which mainly serve as collateral for repurchase agreements, derivative contracts and local statutory requirements. As at 30 June 2023, the carrying values of the Group's financial assets pledged as collateral amounted to approximately RMB1,576,008 million (31 December 2022: RMB1,474,570 million).

(2) Collateral accepted as securities for assets

As part of the resale agreements, the Group has received securities that were allowed to sold or repledged in the absence of default by their owners. As at 30 June 2023 and 31 December 2022, the Group did not hold any collateral for resale agreements which was permitted to be sold or repledged in the absence of default for the transactions.

55 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes provisions for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft 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 failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

	30 June 2023	31 December 2022
Loan commitments		
– with an original maturity within one year	52,242	69,885
– with an original maturity of one year or over	419,899	432,096
Credit card commitments	1,165,135	1,150,461
	1,637,276	1,652,442
Bank acceptances	565,503	481,269
Financing guarantees	53,370	48,030
Non-financing guarantees	1,337,372	1,286,206
Sight letters of credit	48,794	44,863
Usance letters of credit	246,169	169,155
Others	5,928	4,562
Total	3,894,412	3,686,527

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

55 Commitments and contingent liabilities (continued)**(2) Credit risk-weighted amount**

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the NAFR and depends on the status of the counterparty and the maturity characteristics.

	30 June 2023	31 December 2022
Credit risk-weighted amount of contingent liabilities and commitments	1,202,853	1,186,298

(3) Capital commitments

As at 30 June 2023, the Group's contracted for but not disbursed capital commitments amounted to RMB1,560 million (as at 31 December 2022: RMB1,628 million).

(4) Underwriting obligations

As at 30 June 2023, there was no unexpired underwriting commitment of the Group (as at 31 December 2022: Nil).

(5) Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. 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. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 30 June 2023, were RMB50,588 million (as at 31 December 2022: RMB50,120 million).

(6) Outstanding litigations and disputes

As at 30 June 2023, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB9,156 million (as at 31 December 2022: RMB8,606 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 40). The Group considers that the provisions made are reasonable and adequate.

(7) Contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

(8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

In accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* jointly issued by the PBC and three other ministries as well as the PBC's relevant announcement, other than assets for which the Group had applied to regulators for disposal on a case-by-case basis, the Group has completed the rectification of legacy wealth management business and recognised its impact in 2023 interim financial statements in terms of provisions and credit impairment losses. The Group will duly implement relevant policies and regulatory requirements, continue to assess and disclose relevant impact, and strive to complete the rectification as soon as possible.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 Related party relationships and transactions

(1) Transactions with parent companies and their affiliates

The immediate and ultimate parents of the Group are Huijin and CIC, respectively.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million. As a wholly-owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government in accordance with laws.

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 30 June 2023, Huijin directly held 57.11% of shares of the Bank.

Affiliates of parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB8,000 million (as at 31 December 2022: RMB8,000 million). These are bearer bonds and tradable in the secondary market. The Group had no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

Amounts

	Six months ended 30 June			
	2023		2022	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	681	0.11%	614	0.11%
Interest expense	40	0.01%	369	0.15%
Net trading gain	2	0.05%	1	0.04%

Balances outstanding as at the end of the reporting period

	30 June 2023		31 December 2022	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Loans and advances to customers	19,300	0.09%	14,000	0.07%
Financial investments				
Financial assets measured at fair value through profit or loss	104	0.02%	-	-
Financial assets measured at amortised cost	19,691	0.31%	22,912	0.38%
Financial assets measured at fair value through other comprehensive income	7,980	0.35%	7,155	0.36%
Deposits from customers	3,529	0.01%	8,544	0.03%
Credit commitments	288	0.01%	288	0.01%

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 Related party relationships and transactions (continued)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

	Note	Six months ended 30 June			
		2023		2022	
		Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income		8,473	1.37%	7,889	1.40%
Interest expense		9,095	2.99%	2,197	0.89%
Fee and commission income		449	0.58%	139	0.18%
Fee and commission expense		10	0.15%	11	0.13%
Net trading gain		359	9.53%	222	9.20%
Net gain arising from investment securities		2,151	N/A	1,942	N/A
Other operating income		607	6.04%	–	–
Operating expenses	(i)	418	0.44%	472	0.50%

Balances outstanding as at the end of the reporting period

	Note	30 June 2023		31 December 2022	
		Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
		Deposits with banks and non-bank financial institutions		66,792	22.96%
Placements with banks and non-bank financial institutions		100,578	16.72%	112,858	26.27%
Positive fair value of derivatives		6,909	10.82%	5,114	10.37%
Financial assets held under resale agreements		85,167	6.03%	87,101	8.37%
Loans and advances to customers		95,928	0.43%	101,987	0.50%
Financial investments					
Financial assets measured at fair value through profit or loss		136,778	24.11%	116,614	20.54%
Financial assets measured at amortised cost		173,634	2.72%	172,851	2.88%
Financial assets measured at fair value through other comprehensive income		238,888	10.42%	230,727	11.65%
Deposits from banks and non-bank financial institutions	(ii)	288,154	8.73%	146,421	5.67%
Placements from banks and non-bank financial institutions		181,094	40.58%	119,797	34.06%
Financial liabilities measured at fair value through profit or loss		3	0.00%	3	0.00%
Negative fair value of derivatives		9,708	15.10%	6,328	13.54%
Financial assets sold under repurchase agreements		15,088	9.72%	5,896	2.43%
Deposits from customers		199,749	0.72%	147,347	0.59%
Other liabilities		8,587	1.33%	10,229	1.80%
Credit commitments		10,065	0.26%	9,055	0.25%

(i) Operating expenses mainly represent fees for related services provided by the affiliates of parent companies.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 Related party relationships and transactions (continued)

(2) Transactions between the Group and its associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Group and non-related companies outside the Group.

In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	Six months ended 30 June	
	2023	2022
Interest income	18	221
Interest expense	34	48
Fee and commission income	75	36
Operating expenses	44	44

Balances outstanding as at the end of the reporting period

	30 June 2023	31 December 2022
Loans and advances to customers	1,547	1,814
Other assets	451	484
Financial liabilities measured at fair value through profit or loss	–	9
Deposits from customers	7,610	5,689
Other liabilities	489	735
Credit commitments	604	449

In addition, transactions between the Group and its associates and joint ventures measured at fair value consisted of loans and advances to customers, deposits from customers, and credit commitments. As at 30 June 2023, the balances of the above transactions were RMB38,024 million, RMB12,817million, and RMB53,854 million, respectively. For the six months ended 30 June 2023, interest income, interest expenses, and fee and commission income generated from these transactions were RMB556 million, RMB89 million, and RMB172 million, respectively.

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Bank and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 2(3).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	Six months ended 30 June	
	2023	2022
Interest income	959	947
Interest expense	680	327
Fee and commission income	1,994	2,478
Fee and commission expense	256	304
Dividend income	222	360
Operating expenses	3,485	4,575
Other operating expense, net	44	120

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 Related party relationships and transactions (continued)
(3) Transactions between the Bank and its subsidiaries (continued)
Balances outstanding as at the end of the reporting period

	30 June 2023	31 December 2022
Deposits with banks and non-bank financial institutions	5,025	4,652
Placements with banks and non-bank financial institutions	116,388	114,033
Positive fair value of derivatives	1,119	966
Financial assets held under resale agreements	700	–
Loans and advances to customers	10,420	12,625
Financial investments		
Financial assets measured at fair value through profit or loss	1,445	1,366
Financial assets measured at amortised cost	1,084	1,122
Financial assets measured at fair value through other comprehensive income	14,361	13,822
Other assets	41,513	38,957
	30 June 2023	31 December 2022
Deposits from banks and non-bank financial institutions	27,257	22,975
Placements from banks and non-bank financial institutions	42,348	26,032
Financial liabilities measured at fair value through profit or loss	–	80
Negative fair value of derivatives	404	473
Deposits from customers	13,341	11,432
Other liabilities	6,559	6,211

As at 30 June 2023, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB2,860 million (as at 31 December 2022: RMB5,167 million).

As at 30 June 2023, the transactions between subsidiaries of the Group were mainly placements with banks and non-bank financial institutions and placements from banks and non-bank financial institutions, and the balances of the above transactions were RMB6,510 million and RMB6,357 million respectively (as at 31 December 2022, the transactions between subsidiaries of the Group were mainly deposits with banks and non-bank financial institutions and deposits from customers, and the balances of the above transactions were RMB1,558 million and RMB1,517 million respectively).

(4) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the six months ended 30 June 2023 and for the year ended 31 December 2022.

As at 30 June 2023, the fair value of the Group's supplementary retirement benefit plan assets managed by CCB Principal Asset Management and CCB Pension was RMB3,352 million (as at 31 December 2022: RMB3,421 million), management fees payable to CCB Principal Asset Management and CCB Pension were RMB5.07 million (as at 31 December 2022: RMB2.88 million).

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2023 and for the year ended 31 December 2022, there were no material transactions and balances with key management personnel.

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of the reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management

The Group has exposure to the following risks:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board performs risk management responsibilities pursuant to the Bank's Articles of Association and regulatory requirements. The Risk Management Committee under the Board is responsible for developing risk management strategies, supervising the implementation, and assessing the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and transmits risk appetite through policies. The Board of Supervisors supervises the construction of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering comprehensive risk management responsibilities. Senior management is responsible for implementing risk strategies developed by the Board and organising the comprehensive risk management work across the Group.

Chief Risk Officer of the Bank assists heads of each sector with the corresponding risk management work within designated responsibilities. Risk Management Department is the leading management department responsible for the Group's comprehensive risk management and takes the lead in market risk management. Credit Management Department is the leading management department responsible for the overall credit risk management and country risk management. Asset & Liability Management Department is the leading management department responsible for the management of liquidity risk and interest rate risk of banking book. The Internal Control and Compliance Department is the leading department for operational risks management and shares responsibilities of the second-line defence against IT risks with the FinTech Department. Public Relations & Corporate Culture Department is in charge of reputational risk management. Strategy and Policy Coordination Department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank attached great importance to risk management of subsidiaries. It strengthened the Group's integrated risk management, enhanced joint risk prevention and control between the parent and subsidiaries, and improved the efficiency of risk early warning and decision-making at the parent and subsidiaries. For subsidiaries, it scientifically set quantitative indicators of risk appetite, clarified various risk management objectives, improved subsidiary-specific risk control mechanism and the "three lines of defence" mechanism for risk management, strengthened process management, and guided subsidiaries to actively manage risks to ensure high-quality development. It also improved risk reporting mechanism and reporting lines of subsidiaries, drew risk portraits of subsidiaries, continued to implement unified credit approval management, optimised the consolidated credit management mechanism, carried out risk diagnosis for key subsidiaries, and urged subsidiaries to improve risk management systems and mechanisms, to consolidate the bottom line of risk compliance of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(1) Credit risk

Credit risk management

Credit risk represents the risk of financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit risk management comprehensively covers the entire processes of credit, investment, and trading businesses, including key procedures such as, credit risk appetite, credit management, post investment and credit management, credit risk reporting, and expected credit loss approach implementation.

The Credit Management Department is the leading department responsible for overall management of the Group's credit risk. The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Special Assets Resolution Department is responsible for the special assets resolutions. The Credit Approval Department is responsible for specific credit management work such as comprehensive credit limits and credit approval of various credit businesses for the Group's customers. With the Credit Management Department taking the lead, the Credit Approval Department and the Risk Management Department participate in, share the workload and coordinate with other departments such as the Corporate Banking Department, the Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Centre, and the Legal Affairs Department to implement credit risk management policies and procedures.

With respect to credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its businesses structure, enhanced post-lending(investment) monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned eligibility and exit policies, and optimised economic capital management and industry risk limit management. All these policies have been implemented to maintain the stability of asset quality. The Group's credit risk management covers processes such as pre-lending (investment) due diligence, credit (investment) inspection, and post-lending (investment) monitoring for credit granting business. The Group performs pre-lending (investment) investigations by assessing the borrower's credit ratings based on internal rating criteria and completing the borrower's assessment report and by performing a comprehensive evaluation of the risks and rewards of the project and completing an evaluation report. Approvals must be authorized by approvers with the appropriate authorization. The Group conducts continuous post-lending (investment) monitoring activities, particularly focusing on those related to key industries, geographical segments, products and clients. Any events and emergencies that may impact on the security of a borrower's credit assets or that may result in significant credit risk are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group pays great attention to post-lending monitoring of personal loans, focuses on borrowers' repayment ability, the status of collateral and pledges and any changes to the value of collateral and pledges. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and pledges or guarantees where appropriate. A refined management system and operating procedure for collateral and pledges have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral and pledges. The values, structures and legal covenants of collateral and pledges are monitored continuously to ensure that they still serve their intended purposes and conform to market practices.

For risk management purposes, the Group conducts independent management over credit risk arising from derivatives exposures, with information disclosed in Notes (1)(j). The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of expected credit losses (ECL)

The Group continues to improve its unified expected credit loss approach implementation system which has covered all credit risk exposures on and off-balance sheet, and clarified the division of responsibilities between the Board of Directors and its specialized committees, the Board of Supervisors, senior management, the leading department of the Head Office and other relevant departments. The Group has set up a comprehensive implementation management system, strengthened control over the entire implementation process, consolidated the foundation, and adhered to the high-quality implementation of the expected credit loss approach. In the implementation process of the expected credit loss approach, the Group has fully considered uncertainties facing credit risk management. Based on the results of expected credit loss assessment, the Group recognises allowances for impairment losses timely and adequately to ensure that that the accrued allowances for impairment losses have effectively covered expected credit losses.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) (continued)

(A) *Segmentation of financial instruments*

The Group adopts a “three-stage” model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses.

The key definition of the three stages are summarised below:

- Stage 1: For financial instruments with no significant increase in credit risk after initial recognition, expected credit losses in the next 12 months are recognised.
- Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime expected credit losses are recognised.
- Stage 3: For financial instruments with objective evidence of impairment on the balance sheet date, lifetime expected credit losses are recognised.

(B) *Significant increase in credit risk (“SICR”)*

The Group assesses at least quarterly whether the credit risk of a financial instrument has increased significantly since initial recognition. In accordance with the principle of substantive risk judgment, the Group compares the risk of default of financial instruments as at the balance sheet date with that as at the date of initial recognition for an individual financial instrument or a group of financial instruments with common credit risk characteristics to determine whether the credit risk has increased significantly since initial recognition. The Group sufficiently considers all reasonable and supportable information when making related assessments, including but not limited to: internal credit rating of the borrower; information such as business risk classification, overdue status, and contract terms; information on changes in the credit strategy or credit risk management methods towards the borrower; information such as the borrower’s credit information, external ratings, changes in debt and equity prices, credit default swap prices, credit spreads, and public opinion; business and financial information of the borrower, its shareholders, and affiliated enterprises; and the macro economy, industry development, technological innovation, climate change, natural disasters, socio-economic and financial policies, government support or relief measures that may have a potential impact on the borrower’s repayment capacity.

The Group has set qualitative and quantitative criteria for assessing whether the credit risk of financial instruments has increased significantly since initial recognition. For example, the credit risk of loans whose internal credit ratings have fallen to level 15 and below, is regarded as having increased significantly.

Usually, if a financial instrument has been overdue for more than 30 days, then this indicates that the credit risk of this financial instrument has increased significantly.

(C) *Definition of defaulted and credit-impaired assets*

The Group considers a financial instrument as having defaulted when it is credit-impaired. Generally, financial instrument overdue for more than 90 days on contractual payment terms shall be considered as having credit-impaired.

The following factors can be referred to when determining whether credit impairment has occurred:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract term, such as a default or delinquency in interest or principal payments;
- Concessions that would not otherwise be granted to the borrower, in light of economic or contractual considerations related to the borrower’s financial difficulties;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties of the issuer or borrower;
- A financial asset purchased or originated by a large discount which reflects the fact of credit-impairment having occurred; and
- Other objective evidence indicating there is a credit impairment of the financial asset.

The Group’s definition of default has been consistently applied to the estimates of PD, LGD and EAD during the ECL measurement.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)**(1) Credit risk (continued)*****Measurement of expected credit losses (ECL) (continued)******(D) Explanation of parameters, assumptions and estimation techniques***

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the optimistic, baseline and pessimistic scenarios, defined as follows:

PD refers to the likelihood of a borrower defaulting on its financial obligation in the future, after consideration of forward-looking information. Please refer to earlier disclosure in this note for the definition of default.

LGD refers to the Group's expected loss amount resulting from default as a proportion of total exposure, after consideration of forward-looking information.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL measurement is the effective interest rate.

During the reporting period, based on changes in macroeconomic environment, the Group has updated forward-looking information used in the measurement of expected credit losses. Please refer to further disclosure in this note for forward-looking information which is incorporated in the measurement of expected credit losses.

The assumptions underlying the ECL measurement, such as the PDs for different maturities are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques and such assumptions made during the reporting period.

(E) Forward-looking information incorporated in the ECL

The Group has performed historical data analysis and identified the macroeconomic variables affecting expected credit losses, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB, sales price indices of second-hand residential buildings in 70 large and medium-sized cities, national real estate climate index, and so on.

The forecast GDP value for baseline scenario was set as the average value of forecasts released by authoritative international and domestic institutions, and the forecast 2023 GDP growth value under the baseline scenario was set at 5.40%. Forecast 2023 GDP growth value under the optimistic and pessimistic scenarios had been determined by moving up and down, by a certain degree, from the baseline scenario forecast. For other macroeconomic variables, the Group involved internal experts and used methods such as transmission models, economic principles, and expert judgment to calculate the predicted value of each variable under each scenario.

The Group constructs empirical models to derive the relationship between historical macroeconomic variables and PD and LGD, and calculates the PD and LGD values for a given future horizon using the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings for optimistic, baseline and pessimistic scenarios. As at 30 June 2023 and 31 December 2022, the optimistic, baseline and pessimistic scenarios were of comparable weightings.

(F) Risk grouping

For the purpose of ECL measurement, the Group has divided businesses with common credit risk characteristics into separate groups. When grouping corporate business, the Group considered credit risk characteristics such as client type and the industry in which the client operates. When grouping personal business, the Group considered credit risk characteristics such as internal risk pool and product type. The Group obtained sufficient information to ensure risk grouping is statistically reliable.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collaterals and pledges held or other credit enhancements. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

	30 June 2023	31 December 2022
Deposits with central banks	3,388,582	3,111,762
Deposits with banks and non-bank financial institutions	290,923	185,423
Placements with banks and non-bank financial institutions	601,718	509,786
Positive fair value of derivatives	63,847	49,308
Financial assets held under resale agreements	1,411,258	1,040,847
Loans and advances to customers	22,360,543	20,493,042
Financial investments		
Financial assets measured at fair value through profit or loss	345,603	340,032
Financial assets measured at amortised cost	6,395,058	5,958,397
Financial assets measured at fair value through other comprehensive income	2,283,667	2,008,371
Other financial assets	405,230	220,827
Total	37,546,429	33,917,795
Off-balance sheet credit commitments	3,894,412	3,686,527
Maximum credit risk exposure	41,440,841	37,604,322

(b) Loans and advances to customers analysed by credit quality

Within overdue but not credit-impaired loans and advances and credit-impaired loans and advances, the portions covered and not covered by collateral held are as follows:

	30 June 2023		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	5,574	31,067	95,711
Portion not covered	13,351	16,867	169,215
Total	18,925	47,934	264,926
	31 December 2022		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	4,960	28,500	84,808
Portion not covered	3,733	14,313	162,138
Total	8,693	42,813	246,946

The above collateral and pledges includes land use rights, buildings and equipment. The fair value of collateral and pledges was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(1) **Credit risk** (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations*

	30 June 2023			31 December 2022		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Leasing and commercial services	2,465,454	10.66%	653,279	2,072,166	9.77%	596,082
– Manufacturing	2,263,577	9.79%	495,401	1,786,424	8.43%	434,243
– Transportation, storage and postal services	2,226,708	9.63%	609,128	2,059,331	9.71%	595,509
– Wholesale and retail trade	1,376,873	5.95%	686,426	1,132,600	5.34%	606,268
– Production and supply of electric power, heat, gas and water	1,298,055	5.61%	212,746	1,139,258	5.37%	211,377
– Real estate	958,567	4.14%	495,369	888,367	4.19%	453,605
– Water, environment and public utility management	743,595	3.21%	275,039	678,710	3.20%	272,666
– Construction	651,627	2.82%	161,803	532,122	2.51%	147,081
– Mining	352,077	1.52%	19,080	276,178	1.30%	16,629
– Agriculture, forestry, farming, fishing	131,899	0.57%	27,733	111,880	0.53%	24,708
– Education	104,771	0.45%	21,091	91,819	0.43%	19,190
– Public management, social securities and social organisation	62,142	0.27%	590	58,774	0.28%	486
– Others	1,141,682	4.95%	308,186	944,543	4.48%	280,998
Total corporate loans and advances	13,777,027	59.57%	3,965,871	11,772,172	55.54%	3,658,842
Personal loans and advances	8,525,074	36.85%	6,842,766	8,327,312	39.28%	6,851,810
Discounted bills	776,016	3.35%	–	1,048,651	4.95%	–
Accrued interest	54,138	0.23%	–	48,995	0.23%	–
Total loans and advances to customers	23,132,255	100.00%	10,808,637	21,197,130	100.00%	10,510,652



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

The table below lists economic sector accounting for 10% or above of the Group's total balance of loans and advances to customers as at 30 June 2023, details of credit impaired (stage 3) loans, allowances for impairment losses, charges, and amounts write-offs:

	30 June 2023				Six months ended 30 June 2023	
	Stage 3 Gross loans	Allowances for impairment losses			charge for the period	Write-offs during the period
		Stage 1	Stage 2	Stage 3		
Leasing and commercial services	46,429	47,463	39,497	29,869	12,528	1,552

As at 31 December 2022, no economic sector accounted for 10% or above of the Group's total balance of loans and advances to customers.

(d) Loans and advances to customers analysed by geographical sector concentrations

	30 June 2023			31 December 2022		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	4,530,303	19.59%	2,363,419	4,059,468	19.15%	2,251,545
Western	4,268,015	18.45%	2,119,078	3,925,921	18.52%	2,074,752
Bohai Rim	3,911,692	16.91%	1,580,258	3,578,965	16.88%	1,548,690
Pearl River Delta	3,886,441	16.80%	2,261,475	3,534,462	16.68%	2,171,934
Central	3,817,791	16.51%	1,940,846	3,502,347	16.52%	1,909,478
Head office	967,188	4.18%	–	942,131	4.45%	–
Northeastern	949,054	4.10%	377,786	898,474	4.24%	380,965
Overseas	747,633	3.23%	165,775	706,367	3.33%	173,288
Accrued interest	54,138	0.23%	–	48,995	0.23%	–
Gross loans and advances to customers	23,132,255	100.00%	10,808,637	21,197,130	100.00%	10,510,652

Details of Stage 3 loans and allowances for impairment losses in respect of geographical sectors as at the end of the reporting period are as follows:

	30 June 2023			
	Stage 3 Gross loan balance	Allowances for impairment losses		
		Stage 1	Stage 2	Stage 3
Pearl River Delta	67,408	(61,429)	(27,860)	(41,570)
Central	60,456	(64,113)	(35,006)	(34,369)
Western	47,963	(69,668)	(51,366)	(27,129)
Bohai Rim	43,717	(58,943)	(34,288)	(27,693)
Yangtze River Delta	38,419	(85,121)	(27,209)	(22,281)
Northeastern	29,958	(14,242)	(13,798)	(18,987)
Head office	15,722	(23,083)	(6,417)	(14,311)
Overseas	12,993	(2,128)	(1,729)	(8,972)
Total	316,636	(378,727)	(197,673)	(195,312)

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(1) Credit risk (continued)

 (d) *Loans and advances to customers analysed by geographical sector concentrations* (continued)

Details of Stage 3 loans and allowances for impairment losses in respect of geographical sectors as at the end of the reporting period are as follows: (continued)

	31 December 2022			
	Stage 3 Gross loans balance	Allowances for impairment losses		
		Stage 1	Stage 2	Stage 3
Pearl River Delta	64,260	(54,965)	(23,396)	(39,332)
Central	57,581	(57,291)	(31,696)	(37,683)
Western	41,120	(65,155)	(43,326)	(25,144)
Bohai Rim	40,967	(53,623)	(31,244)	(25,944)
Yangtze River Delta	37,465	(72,993)	(26,587)	(22,257)
Northeastern	26,620	(13,127)	(13,554)	(18,183)
Head office	13,541	(20,237)	(4,590)	(12,122)
Overseas	11,271	(2,166)	(1,748)	(7,725)
Total	292,825	(339,557)	(176,141)	(188,390)

The definitions of geographical segments are set out in Note 52(1). The above allowances for impairment losses do not include allowances for loans and advances measured at fair value through other comprehensive income.

 (e) *Loans and advances to customers analysed by type of collateral*

	30 June 2023	31 December 2022
Unsecured loans	9,289,723	8,053,048
Guaranteed loans	2,979,757	2,584,435
Loans secured by property and other immovable assets	9,139,793	8,972,422
Other pledged loans	1,668,844	1,538,230
Accrued interest	54,138	48,995
Gross loans and advances to customers	23,132,255	21,197,130

 (f) *Restructured loans and advances to customers*

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. The proportion of the Group's restructured loans and advances to customers was not significant as at 30 June 2023 and 31 December 2022.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(1) Credit risk (continued)

(g) Credit exposure

Loans and advances to customers

	30 June 2023			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	22,005,813	178,890	–	22,184,703
Medium risk	–	576,778	–	576,778
High risk	–	–	316,636	316,636
Gross loans and advances	22,005,813	755,668	316,636	23,078,117
Allowances for impairment losses on loans and advances measured at amortised cost	(378,727)	(197,673)	(195,312)	(771,712)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(1,755)	(653)	–	(2,408)
	31 December 2022			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	20,164,721	158,557	–	20,323,278
Medium risk	–	532,032	–	532,032
High risk	–	–	292,825	292,825
Gross loans and advances	20,164,721	690,589	292,825	21,148,135
Allowances for impairment losses on loans and advances measured at amortised cost	(339,557)	(176,141)	(188,390)	(704,088)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(2,610)	(553)	–	(3,163)

The Group classifies credit risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

Off-balance sheet credit commitments

As at 30 June 2023 and 31 December 2022, the Group's credit risk exposure for off-balance sheet credit commitments were primarily designated as Stage 1, with the credit risk grading of "Low Risk".

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Financial investments

	30 June 2023			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Low risk	8,564,411	465	–	8,564,876
Medium risk	20,357	869	–	21,226
High risk	–	–	18,963	18,963
Total carrying amount excluding accrued interest	8,584,768	1,334	18,963	8,605,065
Allowance for impairment losses on financial assets measured at amortised cost	(17,158)	(159)	(16,659)	(33,976)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(6,365)	–	(476)	(6,841)
	31 December 2022			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	7,860,432	–	–	7,860,432
Medium risk	15,855	1,740	–	17,595
High risk	–	–	19,943	19,943
Total carrying amount excluding accrued interest	7,876,287	1,740	19,943	7,897,970
Allowance for impairment losses on financial assets measured at amortised cost	(17,768)	(199)	(16,901)	(34,868)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(5,558)	(42)	(372)	(5,972)

The Group classifies financial investment risk characteristics based on asset eligibility and internal rating changes. “Low risk” means that the issuer’s initial internal rating is above the entry level, and there are no reasons to suspect that the financial investment is expected to default; “Medium risk” means that although the issuer’s internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to default; “High risk” means that there are obvious problems which may cause a default, or the financial investment indeed is defaulted.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Amounts due from banks and non-bank financial institutions

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	30 June 2023			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	2,300,649	-	-	2,300,649
Medium risk	-	-	-	-
High risk	-	-	-	-
Total carrying amount excluding accrued interest	2,300,649	-	-	2,300,649
Allowance for impairment losses	(2,123)	-	-	(2,123)
	31 December 2022			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	1,733,286	-	-	1,733,286
Medium risk	-	-	-	-
High risk	-	-	-	-
Total carrying amount excluding accrued interest	1,733,286	-	-	1,733,286
Allowance for impairment losses	(1,477)	-	-	(1,477)

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset eligibility and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, and there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to default; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to default; "High risk" means that there are obvious problems which may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)
(1) Credit risk (continued)
(h) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

	30 June 2023	31 December 2022
Credit impaired	-	-
Allowances for impairment losses	-	-
Subtotal	-	-
Neither overdue nor impaired		
– grades A to AAA	1,637,658	1,237,539
– grades B to BBB	584	1,208
– unrated	662,407	494,539
Accrued interest	5,373	4,247
Total	2,306,022	1,737,533
Allowances for impairment losses	(2,123)	(1,477)
Subtotal	2,303,899	1,736,056
Total	2,303,899	1,736,056

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

(i) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	30 June 2023					Total
	Unrated	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions	837	-	-	-	157	994
– Enterprises	13,567	305	1,685	-	3,070	18,627
Total	14,404	305	1,685	-	3,227	19,621
Allowances for impairment losses						(16,659)
Subtotal						2,962
Neither overdue nor impaired						
– Government	2,648,257	4,173,095	8,891	260,177	21,789	7,112,209
– Central banks	10,725	7,756	8,631	18,605	633	46,350
– Policy banks	764,840	6,301	-	68,101	-	839,242
– Banks and non-bank financial institutions	166,489	381,044	8,973	71,810	12,262	640,578
– Enterprises	60,840	301,195	5,515	27,616	5,138	400,304
Total	3,651,151	4,869,391	32,010	446,309	39,822	9,038,683
Allowances for impairment losses						(17,317)
Subtotal						9,021,366
Total						9,024,328



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating (continued)

	31 December 2022					Total
	Unrated	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions	878	–	–	–	149	1,027
– Enterprises	14,628	–	2,004	–	3,096	19,728
Total	15,506	–	2,004	–	3,245	20,755
Allowances for impairment losses						(16,901)
Subtotal						3,854
Neither overdue nor impaired						
– Government	2,441,013	3,787,653	9,417	278,210	19,102	6,535,395
– Central banks	11,208	2,300	32,049	747	1,134	47,438
– Policy banks	769,318	6,178	1,585	43,655	–	820,736
– Banks and non-bank financial institutions	143,175	277,305	11,184	54,983	12,293	498,940
– Enterprises	64,996	307,042	7,598	34,692	4,076	418,404
Total	3,429,710	4,380,478	61,833	412,287	36,605	8,320,913
Allowances for impairment losses						(17,967)
Subtotal						8,302,946
Total						8,306,800

(j) Credit risk arising from the Group's derivative exposures

The Group's derivatives transactions entered into with customers have been hedged against transactions entered into with banks and non-bank financial institutions. The credit risk the Group exposed to is related to customers, banks and non-bank financial institutions. The Group manages credit risk through regular monitoring.

(k) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(l) Sensitivity analysis

Models and parameters such as forward-looking empirical models, forecast values of macroeconomic variables and stage designation results would have an impact on ECL.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)
(1) Credit risk (continued)
(I) Sensitivity analysis (continued)
(i) Sensitivity analysis of segmentation

A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2, and the loss allowance for those financial assets shall be measured at an amount equal to the lifetime expected credit losses. The following tables present the impact of ECL from the second year to the end of the lifetime for financial assets in Stage 2.

	30 June 2023		
	Allowances for 12-month ECL of all performing financial assets	Impact over lifetime	Current allowances for impairment losses
Performing loans	528,135	48,265	576,400
Performing financial investments	23,673	9	23,682

	31 December 2022		
	Allowances for 12-month ECL of all performing financial assets	Impact over lifetime	Current allowances for impairment losses
Performing loans	478,219	37,479	515,698
Performing financial investments	23,548	19	23,567

The above allowances for impairment losses of financial assets did not contain the impairment loss allowances for loans and advances measured at fair value through other comprehensive income.

(ii) Sensitivity analysis of macroeconomic variables

The Group has carried out sensitivity analysis of GDP forecast. As at 30 June 2023, when 2023 GDP growth rate in the baseline scenario increased or decreased by 10%, the change in allowances for impairment losses of financial assets did not exceed 5% (As at 31 December 2022: did not exceed 5%).

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manage the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from the mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc., to monitor the interest rate risk periodically.

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(2) Market risk (continued)

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective periods is as follows:

	Note	Six months ended 30 June 2023			
		As at 30 June	Average	Maximum	Minimum
VaR of trading portfolio		239	208	246	176
Of which:					
– Interest rate risk		54	49	68	29
– Foreign exchange risk	(i)	236	196	244	154
– Commodity risk		1	2	59	–
	Note	Six months ended 30 June 2022			
		As at 30 June	Average	Maximum	Minimum
VaR of trading portfolio		135	137	181	100
Of which:					
– Interest rate risk		27	27	38	23
– Foreign exchange risk	(i)	128	134	171	103
– Commodity risk		10	4	24	–

(i) The VaR in relation to bullion is included in the foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss for a specific holding period and at a given confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(2) Market risk (continued)

(a) VaR analysis (continued)

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group by RMB79,130 million (as at 31 December 2022: RMB62,482 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB71,000 million (as at 31 December 2022: RMB81,120 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate risk

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk (continued)

The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

	Note	30 June 2023					Total
		Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	
Assets							
Cash and deposits with central banks		81,360	3,350,078	344	-	-	3,431,782
Deposits and placements with banks and non-bank financial institutions		-	625,078	260,758	6,805	-	892,641
Financial assets held under resale agreements		-	1,411,258	-	-	-	1,411,258
Loans and advances to customers	(i)	42,156	6,242,220	15,160,646	665,206	250,315	22,360,543
Investments	(ii)	256,879	694,962	665,953	2,878,959	4,781,271	9,278,024
Others		880,458	-	-	-	-	880,458
Total assets		1,260,853	12,323,596	16,087,701	3,550,970	5,031,586	38,254,706
Liabilities							
Borrowings from central banks		-	217,793	674,269	-	-	892,062
Deposits and placements from banks and non-bank financial institutions		-	3,061,052	389,333	290,488	5,356	3,746,229
Financial liabilities measured at fair value through profit or loss		12,649	148,539	59,954	-	-	221,142
Financial assets sold under repurchase agreements		-	144,144	10,176	883	-	155,203
Deposits from customers		93,497	16,301,502	4,755,132	6,473,500	4,842	27,628,473
Debt securities issued		-	480,698	841,102	396,951	80,148	1,798,899
Others		856,470	-	-	-	-	856,470
Total liabilities		962,616	20,353,728	6,729,966	7,161,822	90,346	35,298,478
Asset-liability gap		298,237	(8,030,132)	9,357,735	(3,610,852)	4,941,240	2,956,228

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)
(2) Market risk (continued)
(c) Interest rate risk (continued)

	Note	31 December 2022					Total
		Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	
Assets							
Cash and deposits with central banks		85,215	3,070,046	4,035	-	-	3,159,296
Deposits and placements with banks and non-bank financial institutions		-	497,896	195,195	2,118	-	695,209
Financial assets held under resale agreements		-	1,038,374	2,473	-	-	1,040,847
Loans and advances to customers	(i)	30,928	9,330,925	10,240,174	612,919	278,096	20,493,042
Investments	(ii)	267,392	305,013	858,608	2,715,526	4,418,473	8,565,012
Others		647,305	-	-	-	-	647,305
Total assets		1,030,840	14,242,254	11,300,485	3,330,563	4,696,569	34,600,711
Liabilities							
Borrowings from central banks		-	195,960	578,080	739	-	774,779
Deposits and placements from banks and non-bank financial institutions		-	2,621,111	277,122	46,157	5,641	2,950,031
Financial liabilities measured at fair value through profit or loss		14,587	210,140	64,373	-	-	289,100
Financial assets sold under repurchase agreements		-	236,278	5,460	938	-	242,676
Deposits from customers		81,070	15,456,039	4,158,108	5,320,964	4,626	25,020,807
Debt securities issued		-	418,383	721,843	441,604	65,040	1,646,870
Others		800,204	-	-	-	-	800,204
Total liabilities		895,861	19,137,911	5,804,986	5,810,402	75,307	31,724,467
Asset-liability gap		134,979	(4,895,657)	5,495,499	(2,479,839)	4,621,262	2,876,244

(i) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB59,597 million as at 30 June 2023 (as at 31 December 2022: RMB59,288 million).

(ii) Investments include financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the Group is not material.

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

	Note	30 June 2023			Total
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	
Assets					
Cash and deposits with central banks		3,209,050	144,117	78,615	3,431,782
Deposits and placements with banks and non-bank financial institutions		619,616	238,331	34,694	892,641
Financial assets held under resale agreements		1,406,728	–	4,530	1,411,258
Loans and advances to customers		21,441,497	512,361	406,685	22,360,543
Investments	(i)	8,907,176	229,547	141,301	9,278,024
Others		789,522	61,641	29,295	880,458
Total assets		36,373,589	1,185,997	695,120	38,254,706
Liabilities					
Borrowings from central banks		836,956	21,550	33,556	892,062
Deposits and placements from banks and non-bank financial institutions		3,323,885	298,255	124,089	3,746,229
Financial liabilities measured at fair value through profit or loss		220,059	618	465	221,142
Financial assets sold under repurchase agreements		127,375	14,681	13,147	155,203
Deposits from customers		26,710,638	613,765	304,070	27,628,473
Debt securities issued		1,513,499	196,053	89,347	1,798,899
Others		805,954	13,670	36,846	856,470
Total liabilities		33,538,366	1,158,592	601,520	35,298,478
Long position		2,835,223	27,405	93,600	2,956,228
Net notional amount of derivatives		(10,119)	6,800	12,949	9,630
Credit commitments		3,384,550	333,403	176,459	3,894,412

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

	Note	31 December 2022			Total
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	
Assets					
Cash and deposits with central banks		2,950,769	140,554	67,973	3,159,296
Deposits and placements with banks and non-bank financial institutions		458,566	210,325	26,318	695,209
Financial assets held under resale agreements		1,032,998	4,142	3,707	1,040,847
Loans and advances to customers		19,677,466	449,561	366,015	20,493,042
Investments	(i)	8,260,557	182,763	121,692	8,565,012
Others		543,718	67,351	36,236	647,305
Total assets		32,924,074	1,054,696	621,941	34,600,711
Liabilities					
Borrowings from central banks		739,697	15,605	19,477	774,779
Deposits and placements from banks and non-bank financial institutions		2,603,922	240,358	105,751	2,950,031
Financial liabilities measured at fair value through profit or loss		288,173	779	148	289,100
Financial assets sold under repurchase agreements		224,306	9,561	8,809	242,676
Deposits from customers		24,191,115	557,359	272,333	25,020,807
Debt securities issued		1,410,432	172,777	63,661	1,646,870
Others		742,455	31,151	26,598	800,204
Total liabilities		30,200,100	1,027,590	496,777	31,724,467
Long position					
		2,723,974	27,106	125,164	2,876,244
Net notional amount of derivatives		79,464	(3,525)	(73,124)	2,815
Credit commitments		3,173,066	333,509	179,952	3,686,527

(i) Please refer to Note 57(2)(c)(ii) for the scope of investments.

(3) Liquidity risk

The Board assumes the ultimate responsibility for liquidity risk management and reviews and approves liquidity risk strategy and risk appetite. The senior management carries out liquidity risk strategy set by the Board and organises the implementation of liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. The ALM leads the Bank's daily liquidity risk management and forms an implementation system together with business management departments and branches to perform various duties in liquidity risk management. The subsidiaries assume primary responsibility for their own liquidity risk management.

The Group adheres to a liquidity management strategy featuring prudence, decentralisation, coordination and diversification. Management's objective for liquidity risk management is to establish and improve a liquidity management system that can fully identify, accurately measure, continuously monitor, and effectively control liquidity risk, effectively balance the return on funds and security of funds, and safeguard the steady operation across the Bank. In light of regulatory requirements, external macro environment, and the Bank's business development, the Head Office formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out daily liquidity management, periodically conducts stress testing at the group level, and reviews and assesses contingency plans.

The Group conducts quarterly liquidity risk stress testing in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It has improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The key factors and events set by the stress testing as having an impact on liquidity risk include significant decline in the ability to liquidate current assets, significant loss of wholesale and retail deposits, reduction of the availability of wholesale and retail financing, reduction of financing duration and increase in financing cost, significant adverse changes in market liquidity conditions, and sudden suspension of the Bank's payment and settlement system. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period.

	30 June 2023							Total
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	
Assets								
Cash and deposits with central banks	2,485,080	945,550	-	1,152	-	-	-	3,431,782
Deposits and placements with banks and non-bank financial institutions	-	69,810	304,206	250,610	260,668	7,347	-	892,641
Financial assets held under resale agreements	-	-	1,404,844	6,414	-	-	-	1,411,258
Loans and advances to customers	135,513	940,202	647,121	1,164,962	5,204,604	6,162,773	8,105,368	22,360,543
Investments								
- Financial assets measured at fair value through profit or loss	210,718	12,905	17,907	19,330	40,803	59,213	206,385	567,261
- Financial assets measured at amortised cost	-	-	70,678	121,827	343,812	1,825,244	4,033,497	6,395,058
- Financial assets measured at fair value through other comprehensive income	9,700	-	149,246	290,127	282,330	1,015,531	546,275	2,293,209
- Long-term equity investments	22,496	-	-	-	-	-	-	22,496
Others	337,097	309,994	19,169	41,592	48,920	19,951	103,735	880,458
Total assets	3,200,604	2,278,461	2,613,171	1,896,014	6,181,137	9,090,059	12,995,260	38,254,706
Liabilities								
Borrowings from central banks	-	-	33,030	184,763	674,269	-	-	892,062
Deposits and placements from banks and non-bank financial institutions	-	2,383,534	327,123	336,475	390,905	298,337	9,855	3,746,229
Financial liabilities measured at fair value through profit or loss	-	12,649	55,909	92,630	59,954	-	-	221,142
Financial assets sold under repurchase agreements	-	-	135,133	9,011	10,176	883	-	155,203
Deposits from customers	-	12,719,911	2,046,306	1,623,511	4,754,805	6,476,420	7,520	27,628,473
Debt securities issued	-	-	198,841	265,272	844,194	410,444	80,148	1,798,899
Others	58,174	254,286	47,225	33,538	101,395	97,787	264,065	856,470
Total liabilities	58,174	15,370,380	2,843,567	2,545,200	6,835,698	7,283,871	361,588	35,298,478
Net gaps	3,142,430	(13,091,919)	(230,396)	(649,186)	(654,561)	1,806,188	12,633,672	2,956,228
Notional amount of derivatives								
- Interest rate contracts	-	-	85,901	183,138	444,508	208,542	16,803	938,892
- Exchange rate contracts	-	-	850,247	728,135	1,230,196	114,287	1,472	2,924,337
- Other contracts	-	-	56,654	45,757	115,845	2,328	-	220,584
Total	-	-	992,802	957,030	1,790,549	325,157	18,275	4,083,813

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)
(3) Liquidity risk (continued)
(a) Maturity analysis (continued)

	31 December 2022							Total
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	
Assets								
Cash and deposits with central banks	2,339,027	814,971	-	1,263	4,035	-	-	3,159,296
Deposits and placements with banks and non-bank financial institutions	-	61,534	319,636	116,490	195,291	2,258	-	695,209
Financial assets held under resale agreements	-	-	1,038,251	123	2,473	-	-	1,040,847
Loans and advances to customers	122,358	1,026,785	527,378	1,095,765	4,400,733	5,123,034	8,196,989	20,493,042
Investments								
- Financial assets measured at fair value through profit or loss	219,546	14,293	6,337	26,208	68,030	50,997	182,686	568,097
- Financial assets measured at amortised cost	-	-	17,368	88,273	453,285	1,722,594	3,676,877	5,958,397
- Financial assets measured at fair value through other comprehensive income	7,447	-	46,627	90,396	341,719	966,652	562,977	2,015,818
- Long-term equity investments	22,700	-	-	-	-	-	-	22,700
Others	332,142	108,103	14,545	38,921	30,572	19,617	103,405	647,305
Total assets	3,043,220	2,025,686	1,970,142	1,457,439	5,496,138	7,885,152	12,722,934	34,600,711
Liabilities								
Borrowings from central banks	-	-	124,173	71,787	578,080	739	-	774,779
Deposits and placements from banks and non-bank financial institutions	-	2,177,349	239,421	195,608	278,549	50,637	8,467	2,950,031
Financial liabilities measured at fair value through profit or loss	-	14,587	126,318	83,822	64,373	-	-	289,100
Financial assets sold under repurchase agreements	-	-	232,007	4,271	5,460	938	-	242,676
Deposits from customers	-	12,403,432	1,780,198	1,302,104	4,092,710	5,434,784	7,579	25,020,807
Debt securities issued	-	-	123,391	273,087	728,747	456,605	65,040	1,646,870
Others	89,105	173,608	54,746	42,203	89,634	123,415	227,493	800,204
Total liabilities	89,105	14,768,976	2,680,254	1,972,882	5,837,553	6,067,118	308,579	31,724,467
Net gaps	2,954,115	(12,743,290)	(710,112)	(515,443)	(341,415)	1,818,034	12,414,355	2,876,244
Notional amount of derivatives								
- Interest rate contracts	-	-	155,091	124,077	198,561	163,940	12,890	654,559
- Exchange rate contracts	-	-	576,792	778,075	1,237,276	92,329	1,049	2,685,521
- Other contracts	-	-	46,992	37,044	41,136	2,469	-	127,641
Total	-	-	778,875	939,196	1,476,973	258,738	13,939	3,467,721



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	30 June 2023							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	892,062	902,672	-	33,644	186,117	682,911	-	-
Deposits and placements from banks and non-bank financial institutions	3,746,229	3,781,649	2,383,534	327,460	338,377	398,748	322,378	11,152
Financial liabilities measured at fair value through profit or loss	221,142	221,142	12,649	55,909	92,630	59,954	-	-
Financial assets sold under repurchase agreements	155,203	155,518	-	135,173	9,068	10,381	896	-
Deposits from customers	27,628,473	28,526,691	12,720,859	2,070,336	1,677,103	4,999,862	7,050,605	7,926
Debt securities issued	1,798,899	1,884,270	-	198,903	267,551	865,826	458,913	93,077
Other non-derivative financial liabilities	510,031	677,102	86,224	24,258	11,239	49,511	89,435	416,435
Total	34,952,039	36,149,044	15,203,266	2,845,683	2,582,085	7,067,193	7,922,227	528,590
Off-balance sheet loan commitments and credit card commitments (Note)		1,637,276	1,178,063	15,074	19,764	75,137	149,000	200,238
Guarantees, acceptances and other credit commitments (Note)		2,257,136	741	321,399	338,150	855,086	681,085	60,675
	31 December 2022							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	774,779	786,545	-	124,967	72,188	588,651	739	-
Deposits and placements from banks and non-bank financial institutions	2,950,031	2,962,042	2,177,349	239,709	196,748	283,581	55,211	9,444
Financial liabilities measured at fair value through profit or loss	289,100	289,100	14,587	126,318	83,822	64,373	-	-
Financial assets sold under repurchase agreements	242,676	242,952	-	232,080	4,302	5,557	1,013	-
Deposits from customers	25,020,807	25,833,757	12,413,718	1,784,687	1,338,178	4,316,430	5,971,862	8,882
Debt securities issued	1,646,870	1,750,474	-	125,796	280,227	760,201	508,294	75,956
Other non-derivative financial liabilities	532,017	663,359	96,870	40,221	20,818	46,500	117,562	341,388
Total	31,456,280	32,528,229	14,702,524	2,673,778	1,996,283	6,065,293	6,654,681	435,670
Off-balance sheet loan commitments and credit card commitments (Note)		1,652,442	1,158,864	6,765	16,050	121,786	165,119	183,858
Guarantees, acceptances and other credit commitments (Note)		2,034,085	496	281,882	253,671	915,139	534,171	48,726

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(4) Operational risk

Operational risk is the risk of losses resulting from inadequate or flawed internal processes, people and systems, or from external events.

In the first half of 2023, the Group actively benchmarked against Basel III implementation requirements, deepened operational risk management, improved business continuity management system, and strengthened employee behaviour management to ensure sustained and sound business operations.

The Group strengthened regulatory compliance, optimised loss data management mechanisms for operational risk, improved operational risk management system, and steadily promoted the implementation of Basel III Standardised Measurement Approach for operational risk. The Group revised business continuity management system and improved its top-level design for business continuity management in accordance with bankwide strategic development requirements; organised a new round of business impact analysis and released enterprise-level business and system recovery strategies which were conducive to improving the refined management of business continuity; created and optimised employee behaviour models and explored the use of intelligent technologies to improve model coverage and accuracy. The Group also improved the list of abnormal behaviours for inspections and encouraged responsible entities across all levels to perform their duties effectively.

(5) Fair value of financial instruments

(a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the six months ended 30 June 2023, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2022.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	30 June 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	63,838	9	63,847
Loans and advances to customers				
– Loans and advances to customers measured at fair value through other comprehensive income	–	776,016	–	776,016
Financial assets measured at fair value through profit or loss				
<i>Financial assets held for trading purposes</i>				
– Debt securities	3,772	120,253	–	124,025
– Equity instruments and funds	293	1,201	–	1,494
<i>Other financial assets measured at fair value through profit or loss</i>				
– Credit investments	–	37,749	24,366	62,115
– Debt securities	44	157,966	1,453	159,463
– Funds and others	19,308	67,510	133,346	220,164
Financial assets measured at fair value through other comprehensive income				
– Debt securities	273,096	2,010,571	–	2,283,667
– Equity instruments designated as at fair value through other comprehensive income	2,109	–	7,433	9,542
Total	298,622	3,235,104	166,607	3,700,333
Liabilities				
Financial liabilities measured at fair value through profit or loss	–	220,957	185	221,142
Negative fair value of derivatives	–	64,281	9	64,290
Total	–	285,238	194	285,432

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)
(5) Fair value of financial instruments (continued)
(c) Financial instruments measured at fair value (continued)
(i) Fair value hierarchy (continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	49,297	11	49,308
Loans and advances to customers				
– Loans and advances to customers measured at fair value through other comprehensive income	–	1,048,651	–	1,048,651
Financial assets measured at fair value through profit or loss				
<i>Financial assets held for trading purposes</i>				
– Debt securities	4,589	136,100	–	140,689
– Equity instruments and funds	281	726	–	1,007
<i>Other financial assets measured at fair value through profit or loss</i>				
– Credit investments	–	32,457	26,339	58,796
– Debt securities	220	137,513	2,814	140,547
– Funds and others	20,878	69,440	136,740	227,058
Financial assets measured at fair value through other comprehensive income				
– Debt securities	198,706	1,809,665	–	2,008,371
– Equity instruments designated as measured at fair value through other comprehensive income	1,936	–	5,511	7,447
Total	226,610	3,283,849	171,415	3,681,874
Liabilities				
Financial liabilities measured at fair value through profit or loss	–	288,752	348	289,100
Negative fair value of derivatives	–	46,736	11	46,747
Total	–	335,488	359	335,847



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

A majority of the financial assets classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as measured at fair value through profit or loss classified as level 2 are the funds raised from structured deposits, the fair value of which are determined based on the income approach. The majority of derivatives are classified as level 2 and valued using the income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial assets classified as level 3 are primarily the unlisted equity investments measured at fair value through profit or loss. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate and P/B ratio.

The Group upgraded certain financial instruments from Level 3 to Level 1 of the fair value hierarchy due to the fact that the valuation technique had changed or that certain previously unobservable significant inputs used in fair value measurements had now become observable.

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	Six months ended 30 June 2023									
	Positive fair value of derivatives	Other financial assets measured at fair value through profit or loss			Equity instruments designated as measured at fair value through other comprehensive income	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities	
		Credit investments	Debt securities	Funds and others						
As at 1 January 2023	11	26,339	2,814	136,740	5,511	171,415	(348)	(11)	(359)	
Total gains or losses:										
In profit or loss	(2)	(17)	(305)	222	-	(102)	(279)	2	(277)	
In other comprehensive income	-	-	-	-	(12)	(12)	-	-	-	
Purchases	-	164	47	9,706	1,938	11,855	(7)	-	(7)	
Sales, settlements and transfers out	-	(2,120)	(1,103)	(13,322)	(4)	(16,549)	449	-	449	
As at 30 June 2023	9	24,366	1,453	133,346	7,433	166,607	(185)	(9)	(194)	
	2022									
	Positive fair value of derivatives	Other financial assets measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income		Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
		Credit investments	Debt securities	Funds and others	Debt securities	Equity instruments				
As at 1 January 2022	18	15,925	1,421	149,905	264	5,259	172,792	(676)	(18)	(694)
Total gains or losses:										
In profit or loss	(5)	2,023	352	(3,986)	-	-	(1,616)	(238)	5	(233)
In other comprehensive income	-	-	-	-	12	34	46	-	-	-
Purchases	-	17,939	1,159	21,755	-	218	41,071	(13)	-	(13)
Sales, settlements and transfers out	(2)	(9,548)	(118)	(30,934)	(276)	-	(40,878)	579	2	581
As at 31 December 2022	11	26,339	2,814	136,740	-	5,511	171,415	(348)	(11)	(359)

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period in the above table are presented in net trading gain and net gain arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net gains/(losses)	394	(773)	(379)	346	(1,874)	(1,528)

(d) Financial instruments not measured at fair value
(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 30 June 2023 and 31 December 2022 which are not presented in the statement of financial position at their fair values.

	30 June 2023					31 December 2022				
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	6,395,058	6,623,939	16,519	6,433,989	173,431	5,958,397	6,120,446	21,657	5,929,361	169,428
Total	6,395,058	6,623,939	16,519	6,433,989	173,431	5,958,397	6,120,446	21,657	5,929,361	169,428

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. As at 30 June 2023, the fair value of subordinated bonds and the eligible Tier 2 capital bonds was RMB500,530 million (As at 31 December 2022: RMB465,537 million) and the corresponding carrying value was RMB495,162 million (As at 31 December 2022: RMB466,828 million), and the carrying values of other financial liabilities approximated to their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified them as the level 2 of fair value hierarchy.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRSs.

As at 30 June 2023, the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. By the very nature of an insurance contract, the risk is random and therefore unpredictable. The principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify underwriting risks, as well as adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for insurance risks and recognises insurance contract liabilities. For long-term life insurance contracts and short-term life insurance contracts, the insurance risk may be aggravated by the difference between insurance risk assumptions and actual insurance risks, including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often subject to factors such as natural disasters, catastrophes, and terrorist attacks.

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation on the management of the ordinary course of the business. General principles of capital management of the Bank is to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the *CBRC's Capital Rules for Commercial Banks (Provisional)* and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements and additional buffer requirements of Global and Domestic Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

Based on the approval for the Group to implement the advanced capital management method in 2014, the NAFR approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Risk management (continued)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the CBRC as at the end of the reporting period are as follows:

	Note	30 June 2023	31 December 2022
Common Equity Tier 1 ratio	(a)(b)(c)	12.75%	13.69%
Tier 1 ratio	(a)(b)(c)	13.39%	14.40%
Total capital ratio	(a)(b)(c)	17.40%	18.42%
Common Equity Tier 1 capital			
– Qualifying common share capital		250,011	250,011
– Capital reserve		134,965	134,965
– Surplus reserve		337,527	337,527
– General reserve		444,734	444,428
– Retained earnings		1,598,667	1,528,356
– Non-controlling interest recognised in Common Equity Tier 1 capital		3,519	3,867
– Others	(d)	32,911	21,745
Deductions for Common Equity Tier 1 capital			
– Goodwill	(e)	2,180	2,062
– Other intangible assets (excluding land use rights)	(e)	5,229	5,578
– Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet		(104)	(170)
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		6,970	6,970
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related premium		139,968	139,968
– Non-controlling interest recognised in Additional Tier 1 capital		113	106
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		475,361	453,197
– Provisions in Tier 2	(f)	401,628	340,537
– Non-controlling interest recognised in Tier 2 capital		182	171
Common Equity Tier 1 capital after regulatory adjustments			
	(g)	2,788,059	2,706,459
Tier 1 capital after regulatory adjustments			
	(g)	2,928,140	2,846,533
Total capital after regulatory adjustments			
	(g)	3,805,311	3,640,438
Risk-weighted assets			
	(h)	21,874,906	19,767,834

Notes:

- (a) From the first half year of 2014, the Group has adopted the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.
- (b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total capital ratio is calculated by dividing the total capital after deduction by risk-weighted assets.
- (c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (insurance companies excluded).
- (d) Others include other comprehensive income (including foreign exchange reserve).
- (e) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
- (f) From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.
- (g) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.
- (h) According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

58 Statement of financial position and statement of changes in equity of the Bank

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Assets:		
Cash and deposits with central banks	3,421,464	3,149,130
Deposits with banks and non-bank financial institutions	248,996	153,122
Precious metals	66,775	39,119
Placements with banks and non-bank financial institutions	697,584	589,107
Positive fair value of derivatives	61,560	47,756
Financial assets held under resale agreements	1,396,181	1,015,534
Loans and advances to customers	21,924,222	20,071,834
Financial investments		
Financial assets measured at fair value through profit or loss	253,152	259,329
Financial assets measured at amortised cost	6,326,345	5,894,415
Financial assets measured at fair value through other comprehensive income	2,114,212	1,863,301
Long-term equity investments	102,812	91,808
Investments in consolidated structured entities	15,186	15,186
Fixed assets	112,085	116,815
Construction in progress	8,628	9,768
Land use rights	12,125	12,355
Intangible assets	4,829	5,140
Deferred tax assets	118,726	109,773
Other assets	418,461	246,226
Total assets	37,303,343	33,689,718
Liabilities:		
Borrowings from central banks	892,062	774,779
Deposits from banks and non-bank financial institutions	3,283,734	2,567,292
Placements from banks and non-bank financial institutions	342,172	272,599
Financial liabilities measured at fair value through profit or loss	220,398	288,701
Negative fair value of derivatives	62,498	45,328
Financial assets sold under repurchase agreements	115,300	215,180
Deposits from customers	27,302,219	24,710,345
Accrued staff costs	40,063	43,410
Taxes payable	51,120	82,951
Provisions	47,432	48,189
Debt securities issued	1,729,563	1,572,812
Deferred tax liabilities	14	53
Other liabilities	347,999	271,645
Total liabilities	34,434,574	30,893,284



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

58 Statement of financial position and statement of changes in equity of the Bank (continued)

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Equity:		
Share capital	250,011	250,011
Other equity instruments		
Preference Shares	59,977	59,977
Perpetual Bonds	79,991	79,991
Capital reserve	134,826	134,826
Other comprehensive income	32,639	25,948
Surplus reserve	337,527	337,527
General reserve	431,969	431,967
Retained earnings	1,541,829	1,476,187
Total equity	2,868,769	2,796,434
Total liabilities and equity	37,303,343	33,689,718

Approved and authorised for issue by the Board of Directors on 23 August 2023.

Zhang Jinliang

Vice Chairman, executive director and president

Kenneth Patrick Chung

Independent non-executive director

Graeme Wheeler

Independent non-executive director



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

58 Statement of financial position and statement of changes in equity of the Bank (continued)

	(Unaudited)								
	Share capital	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
		Preference shares	Perpetual bonds						
As at 1 January 2023	250,011	59,977	79,991	134,826	25,948	337,527	431,967	1,476,187	2,796,434
Movements during the period	-	-	-	-	6,691	-	2	65,642	72,335
(1) Total comprehensive income for the period	-	-	-	-	6,691	-	-	162,898	169,589
(2) Profit distribution	-	-	-	-	-	-	2	(2)	-
i Appropriation to general reserve									
ii Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	(97,254)	(97,254)
As at 30 June 2023	250,011	59,977	79,991	134,826	32,639	337,527	431,969	1,541,829	2,868,769
	(Unaudited)								
	Share capital	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
		Preference shares	Perpetual bonds						
As at 1 January 2022	250,011	59,977	39,991	134,835	30,901	305,571	373,381	1,342,712	2,537,379
Movements during the period	-	-	-	-	(1,689)	-	-	67,439	65,750
(1) Total comprehensive income for the period	-	-	-	-	(1,689)	-	-	158,443	156,754
(2) Profit distribution									
i Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	(91,004)	(91,004)
As at 30 June 2022	250,011	59,977	39,991	134,835	29,212	305,571	373,381	1,410,151	2,603,129

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

58 Statement of financial position and statement of changes in equity of the Bank (continued)

	(Audited)								
	Share capital	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
		Preference shares	Perpetual bonds						
As at 1 January 2022	250,011	59,977	39,991	134,835	30,901	305,571	373,381	1,342,712	2,537,379
Movements during the year	-	-	40,000	(9)	(4,953)	31,956	58,586	133,475	259,055
(1) Total comprehensive income for the year	-	-	-	-	(4,953)	-	-	319,559	314,606
(2) Changes in share capital									
i Capital injection/(deduction) by other equity instruments holder	-	-	40,000	(9)	-	-	-	-	39,991
(3) Profit distribution									
i Appropriation to surplus reserve	-	-	-	-	-	31,956	-	(31,956)	-
ii Appropriation to general reserve	-	-	-	-	-	-	58,586	(58,586)	-
iii Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	(91,004)	(91,004)
iv Dividends to other equity instrument holders	-	-	-	-	-	-	-	(4,538)	(4,538)
As at 31 December 2022	250,011	59,977	79,991	134,826	25,948	337,527	431,967	1,476,187	2,796,434

59 Events after the reporting period

On 18 July 2023, the Group completed the issuance of RMB30 billion undated additional tier 1 capital bonds. The coupon rate is 3.29% for the first 5 years and will be reset every 5 years. From the fifth year onwards, the issuer shall have a conditional redemption right on every interest payment date.

60 Comparative figures

Except for the retroactive adjustment made in accordance with IFRS 17, in order to comply with the presentation of this financial statement, the Group has adjusted the presentation of comparative figures related to interbank gold leasing business.

61 Ultimate parent

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.



NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the period ended 30 June 2023 and have not been adopted in the financial statements.

Standards	Effective for annual periods beginning on or after
(1) Amendments to IFRS 16 <i>Lease Liability Measurement in a Sale and Leaseback Transaction</i>	1 January 2024
(2) Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
(3) Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

The Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(1) Amendments to IFRS 16 *Lease Liability Measurement in a Sale and Leaseback Transaction*

The IASB has amended IFRS 16 to specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use retained. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

(2) Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

(3) Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "Business Combinations").

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investments in the associate or joint venture. The amendments apply prospectively.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

The following information of the Group does not form part of the reviewed financial statements, and is included herein for information purposes only.

1 Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards and its interpretations ("IFRS") promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed on the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the six months ended 30 June 2023 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the six months ended 30 June 2023 or total equity as at 30 June 2023 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations.

2 Liquidity coverage ratio and net stable funding ratio

The liquidity coverage ratio equals to the qualified and high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the second quarter of 2023 was 146.96% and the net stable funding ratio was 129.52% as at the end of June 2023.

The following tables set the Group's liquidity coverage ratio for the second quarter of 2023.

S/N	(In millions of RMB, except percentages)	Total Unweighted Value	Total Weighted Value
High-Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)		5,563,997
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	13,411,245	1,197,906
3	Stable deposits	2,863,124	143,094
4	Less stable deposits	10,548,121	1,054,812
5	Unsecured wholesale funding, of which:	12,722,495	4,371,536
6	Operational deposits (excluding those generated from correspondent banking activities)	7,772,416	1,930,370
7	Non-operational deposits (all counterparties)	4,876,086	2,367,173
8	Unsecured debt	73,993	73,993
9	Secured funding		3,566
10	Additional requirements, of which:	2,023,056	244,062
11	Outflows related to derivative exposures and other collateral requirements	40,596	40,596
12	Outflows related to loss of funding on secured debt products	13,758	13,758
13	Credit and liquidity facilities	1,968,702	189,708
14	Other contractual funding obligations	374	-
15	Other contingent funding obligations	4,806,585	611,585
16	Total Cash Outflows		6,428,655
Cash Inflows			
17	Secured lending (including reverse repos and securities borrowing)	1,250,329	1,248,519
18	Inflow from fully performing exposures	2,169,699	1,349,345
19	Other cash inflows	46,115	40,288
20	Total Cash Inflows	3,466,143	2,638,152
			Total Adjusted Value
21	Total HQLA		5,563,997
22	Total Net Cash Outflows		3,790,503
23	Liquidity Coverage Ratio (%)¹		146.96

1. The above quarterly daily means represent simple arithmetic means of the values for 91 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

2 Liquidity coverage ratio and net stable funding ratio (continued)

The following tables set the quantitative information on the net stable funding ratio at the end of the last two quarters.

No.	(In RMB millions, except percentages)	The Second Quarter of 2023					The First Quarter of 2023				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1yr	≥1yr		No maturity	<6 months	6 months to <1yr	≥1yr	
ASF Item											
1	Capital:	-	-	-	3,416,804	3,416,804	-	-	-	3,420,138	3,420,138
2	Regulatory capital	-	-	-	3,416,804	3,416,804	-	-	-	3,420,138	3,420,138
3	Other capital instruments	-	-	-	-	-	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	6,702,472	7,444,285	487,232	1,301,533	14,624,082	6,764,368	7,242,626	487,841	1,280,147	14,480,433
5	Stable deposits	3,015,247	14,217	9,703	7,722	2,894,931	3,075,354	14,509	8,847	8,231	2,952,006
6	Less stable deposits	3,687,225	7,430,068	477,529	1,293,811	11,729,151	3,689,014	7,228,117	478,994	1,271,916	11,528,427
7	Wholesale funding:	8,292,373	7,126,412	1,422,179	1,028,177	8,377,045	7,821,650	6,756,202	1,383,677	892,838	7,871,458
8	Operational deposits	8,120,532	156,942	120,197	930	4,199,765	7,655,846	100,901	116,606	270	3,936,947
9	Other wholesale funding	171,841	6,969,470	1,301,982	1,027,247	4,177,280	165,804	6,655,301	1,267,071	892,568	3,934,511
10	Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
11	Other liabilities:	-	493,988	110,727	487,148	469,916	-	434,433	103,188	354,840	366,451
12	NSFR derivative liabilities	-	-	-	72,596	-	-	-	-	-	39,983
13	All other liabilities and equity not included in the above categories	-	493,988	110,727	414,552	469,916	-	434,433	103,188	314,857	366,451
14	Total ASF					26,887,847					26,138,480
RSF Item											
15	Total NSFR high-quality liquid assets (HQLA)					2,257,733					2,126,019
16	Deposits held at other financial institutions for operational purposes	29,013	48,426	5,160	12,391	53,954	45,255	44,445	14,517	4,780	57,152
17	Performing loans and securities:	944,477	6,127,689	3,341,212	15,447,510	17,454,913	925,973	5,904,151	3,163,344	15,125,217	17,078,414
18	Performing loans to financial institutions secured by Level 1 HQLA	-	1,294,738	6,300	-	197,361	-	1,165,825	-	-	174,874
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	1,339,030	169,053	149,313	452,659	-	1,153,102	224,587	139,746	446,007
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	922,387	3,110,125	2,926,719	8,909,163	11,050,930	903,318	3,152,336	2,717,633	8,554,240	10,651,883
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	45,434	19,233	33,285	57,013	-	52,213	15,798	30,977	54,141
22	Performing residential mortgages, of which:	-	183,395	187,735	6,072,360	5,347,071	-	182,219	185,710	6,150,741	5,412,094
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	22,090	200,401	51,405	316,674	406,892	22,655	250,669	35,414	280,490	393,556
25	Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets:	44,228	386,331	142,304	286,111	815,478	32,857	340,323	156,181	176,424	691,291
27	Physical traded commodities, including gold	44,228				37,594	32,857				27,928
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				763	648				669	568
29	NSFR derivative assets				74,629	2,033				36,850	-
30	NSFR derivative liabilities before deduction of variation margin posted ¹				14,585	14,585				8,051	8,051
31	All other assets not included in the above categories	-	386,331	142,304	210,719	738,528	-	340,323	156,181	138,905	632,089
32	Off-balance sheet items				6,183,359	177,792				6,028,486	175,791
33	Total RSF					20,759,870					20,128,667
34	Net Stable Funding Ratio (%)					129.52					129.86

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in "26 Other Assets".

According to the regulatory requirements, definitions and accounting standards applicable in the current period, as at 30 June 2023, the Group's net stable funding ratio was 129.52%, from which the available stable funding was RMB26,887,847 million against the required stable funding of RMB20,759,870 million.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

3 Leverage ratio

From the first quarter of 2015, the Group measures the leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on-balance sheet and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As of 30 June 2023, the Group's leverage ratio was 7.30%, meeting the regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 30 June 2023	As at 31 March 2023	As at 31 December 2022	As at 30 September 2022
Leverage ratio	7.30%	7.57%	7.85%	7.76%
Tier 1 capital after regulatory adjustments	2,928,140	2,932,410	2,846,533	2,781,776
On and off-balance sheet assets after adjustments	40,114,735	38,738,624	36,270,300	35,864,326

- The leverage ratios have been calculated in accordance with relevant regulatory requirements. The balance of Tier 1 capital after regulatory adjustments has been calculated with the same data used by the Group to calculate total capital ratio.
- On and off-balance sheet assets after adjustments = On-balance sheet assets after adjustments + Off-balance sheet assets after adjustments – Regulatory adjustments to Tier 1 capital.

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

(In millions of RMB)	As at 30 June 2023	As at 31 December 2022
Total on-balance sheet assets ¹	38,254,706	34,600,711
Consolidated adjustment ²	(287,843)	(276,175)
Derivatives adjustment	73,459	66,329
Securities financing transactions adjustment	2,085	1,490
Off-balance sheet items adjustment ³	2,086,603	1,892,384
Other adjustments ⁴	(14,275)	(14,439)
On and off-balance sheet assets after adjustments	40,114,735	36,270,300

- Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
- Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.
- Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.
- Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

3 Leverage ratio (continued)

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

(In millions of RMB, except percentages)	As at 30 June 2023	As at 31 December 2022
On-balance sheet assets (excluding derivatives and securities financing transactions) ¹	36,494,757	33,252,767
Less: Regulatory adjustments to Tier 1 capital	(14,275)	(14,439)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	36,480,482	33,238,328
Replacement costs of various derivatives (excluding eligible margin)	79,383	65,007
Potential risk exposures of various derivatives	57,923	50,379
Nominal principals arising from sales of credit derivatives	-	250
Derivative assets	137,306	115,636
Accounting assets arising from securities financing transactions	1,408,259	1,022,462
Counterparty credit risk exposure arising from securities financing transactions	2,085	1,490
Securities financing transactions assets	1,410,344	1,023,952
Off-balance sheet assets	5,947,163	5,574,037
Less: Decrease in off-balance sheet assets due to credit conversion	(3,860,560)	(3,681,653)
Off-balance sheet assets after adjustments	2,086,603	1,892,384
Tier 1 capital after regulatory adjustments	2,928,140	2,846,533
On and off-balance sheet assets after adjustments	40,114,735	36,270,300
Leverage Ratio²	7.30%	7.85%

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.

2. Leverage ratio is calculated through dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments.

4 Currency concentrations

	30 June 2023			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,166,605	350,651	430,249	1,947,505
Spot liabilities	(1,152,475)	(418,851)	(270,721)	(1,842,047)
Forward purchases	1,470,506	217,209	35,624	1,723,339
Forward sales	(1,504,526)	(99,542)	(169,545)	(1,773,613)
Net option position	5,574	162	131	5,867
Net (short)/long position	(14,316)	49,629	25,738	61,051
Net structural position	35,530	3,343	(191)	38,682

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

4 Currency concentrations (continued)

	31 December 2022			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,030,665	332,430	374,317	1,737,412
Spot liabilities	(1,000,925)	(349,177)	(227,026)	(1,577,128)
Forward purchases	1,225,402	98,771	143,842	1,468,015
Forward sales	(1,267,774)	(46,432)	(269,320)	(1,583,526)
Net option position	536	(144)	486	878
Net (short)/long position	(12,096)	35,448	22,299	45,651
Net structural position	33,559	3,511	(530)	36,540

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in the foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

5 International claims

The Group is principally engaged in business operations within the Chinese mainland. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

	30 June 2023				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	365,737	110,976	669,463	61,706	1,207,882
– of which attributed to Hong Kong	6,520	29,272	299,207	49,725	384,724
Europe	44,346	50,978	81,890	5,544	182,758
North and South America	32,623	194,396	67,760	50,750	345,529
Total	442,706	356,350	819,113	118,000	1,736,169

	31 December 2022				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	269,333	105,694	668,001	17,963	1,060,991
– of which attributed to Hong Kong	10,476	33,646	318,225	6,347	368,694
Europe	34,527	49,295	61,175	–	144,997
North and South America	33,788	172,470	80,763	–	287,021
Total	337,648	327,459	809,939	17,963	1,493,009



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

6 Overdue loans and advances to customers by geographical sector

	30 June 2023	31 December 2022
Pearl River Delta	42,632	29,281
Central	25,301	24,301
Bohai Rim	22,189	17,605
Western	21,003	18,718
Yangtze River Delta	17,807	15,604
North eastern	13,031	10,360
Head office	10,754	8,766
Overseas	7,266	6,180
Total	159,983	130,815

According to regulation requirements, the above analysis represents the gross amount of loans and advances to customers overdue for more than three months.

Loans and advances to customers with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances to customers repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances to customers repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

7 Exposures to non-banks in the Chinese mainland

The Bank is a commercial bank incorporated in the Chinese mainland with its banking business primarily conducted in the Chinese mainland. As at 30 June 2023, substantial amounts of the Bank's exposures arose from businesses with the Chinese mainland entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

The following information is disclosed in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the former CBRC.

Credit Risk Exposures

The following table shows the information related to the credit exposures of the Group in accordance with the *Capital Rules for Commercial Banks (Provisional)* as at the dates indicated.

(In millions of RMB)	As at 30 June 2023		As at 31 December 2022	
	Covered by internal ratings-based approach	Uncovered by internal ratings-based approach ¹	Covered by internal ratings-based approach	Uncovered by internal ratings-based approach ¹
On and off-balance sheet credit exposures	23,435,323	17,729,185	21,626,107	15,727,202
Corporate exposures	12,358,883	1,896,979	10,759,719	1,695,903
Sovereign exposures	–	7,611,616	–	7,021,162
Financial institution exposures	3,381,344	1,571,261	3,118,181	1,190,313
Retail exposures	7,695,096	2,375,435	7,748,207	1,988,650
Equity exposures	–	161,648	–	167,399
Securitisation exposures	–	99,475	–	101,201
Other exposures	–	4,012,771	–	3,562,574
Counterparty credit risk exposures	–	189,113	–	152,253
Total	23,435,323	17,918,298	21,626,107	15,879,455

1. Due to categorisation under the internal ratings-based approach, the credit risk exposures uncovered by the internal ratings-based approach are exposures before impairments.

Market Risk Capital Requirements

The Group's market risk capital requirements are calculated with the internal models approach. Requirements uncovered by the internal models approach are calculated with the standardised approach.

The following table shows the information related to various market risk capital requirements as at 30 June 2023.

(In millions of RMB)	As at 30 June 2023 Capital requirement	As at 31 December 2022 Capital requirement
Covered by internal models approach	6,193	5,786
Uncovered by the internal models approach	3,641	3,479
Interest rate risk	570	799
Equity position risk	925	863
Foreign exchange risk	1,845	1,622
Commodity risk	298	185
Option risk	3	10
Total	9,834	9,265



APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

The Group measured market risk with value-at-risk (VaR) model. The VaR model is an approach to estimate potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices within a specific timeframe and a fixed confidence level. The Group calculated VaR and stressed VaR and conducted back-testing in compliance with the regulatory requirements. As of the reporting period, the number of back-testing breakthroughs fell within the green zone according to the requirements of the former CBIRC, and no model anomalies have been identified.

The following table shows the VaR (at a confidence level of 99% and with a holding period of ten trading days) and stressed VaR of the Group covered by the internal models approach for the six months ended 30 June 2023.

(In millions of RMB)	Six months ended 30 June 2023			
	Average	Maximum	Minimum	Period End
VaR	549	701	416	598
Stressed VaR	1,272	1,507	1,111	1,305

Equity Exposures in the Banking Book

The following table shows the information related to the equity exposures in the banking book and the unrealised potential risk gains or losses of the Group as at the dates indicated.

(In millions of RMB)	As at 30 June 2023			As at 31 December 2022		
	Publicly traded equity exposure ¹	Non-Publicly traded equity exposure ¹	Unrealised potential risk gains or losses ²	Publicly traded equity exposure ¹	Non-Publicly traded equity exposure ¹	Unrealised potential risk gains or losses ²
Invested institution categories						
Financial institutions	2,664	6,191	769	2,436	6,456	726
Non-financial institutions	12,316	140,456	(158)	16,887	141,598	(234)
Total	14,980	146,647	611	19,323	148,054	492

- Publicly traded equity exposure is the equity exposure where the invested institutions are listed companies. Non-publicly traded equity exposure is the equity exposure where the invested institutions are unlisted companies.
- Unrealised potential risk gains or losses are the portion of gains or losses that have been recognised in the balance sheet but not in the income statement.

APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

The following information is disclosed in accordance with *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks* issued by the former CBRC.

Composition of Capital

In accordance with the *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks* issued by the former CBRC, the following table shows the Group's composition of capital, minimum regulatory capital requirements, as well as their connections with the balance sheets under the scope of regulatory consolidation.

(In millions of RMB, except percentages)	Code	As at 30 June 2023	As at 31 December 2022
Common Equity Tier 1 capital:			
1 Qualifying common share capital	o	250,011	250,011
2 Retained earnings		2,380,928	2,310,311
2a Surplus reserve	t	337,527	337,527
2b General reserve	u	444,734	444,428
2c Undistributed profits	v	1,598,667	1,528,356
3 Accumulated other comprehensive income and disclosed reserves		167,876	156,710
3a Capital reserve	q	134,965	134,965
3b Others	r	32,911	21,745
4 Amount recognised in Common Equity Tier 1 capital during transitional period (Only applicable to unlisted companies, while banks of joint-stock companies to be completed with "0")		-	-
5 Non-controlling interest given recognition in Common Equity Tier 1 capital	w	3,519	3,867
6 Common Equity Tier 1 capital before regulatory adjustments		2,802,334	2,720,899
Common Equity Tier 1 capital: Regulatory adjustments			
7 Prudent valuation adjustment		-	-
8 Goodwill (excluding deferred tax liabilities)	l	2,180	2,062
9 Other intangible assets (excluding land use rights) (excluding deferred tax liabilities)	k	5,229	5,578
10 Net deferred tax assets relying on future profits and arising from operating losses		-	-
11 Cash-flow hedge reserves	s	(104)	(170)
12 Gaps of loan loss provisions		-	-
13 Gains from sales of asset securitisation		-	-
14 Unrealised profit/loss arising from the changes in own credit risk on fair values of liability		-	-
15 Net defined-benefit pension assets (excluding deferred tax liabilities)		-	-
16 Directly or indirectly investments in own shares		-	-
17 Reciprocal cross-holdings in common equity		-	-
18 Non-significant investments in the capitals of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		-	-
19 Significant investments in the capitals of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		-	-
20 Mortgage-servicing rights		N/A	N/A
21 Other deferred tax assets relying on the Bank's future profitability (amount above 10% threshold)		-	-
22 Significant investments in the capitals of financial institutions outside the regulatory scope of consolidation and other deferred tax assets that rely on the Bank's future profitability after all regulatory adjustments (amount exceeding the 15% threshold)		-	-
23 of which: Significant investments in the capitals of financial institutions		-	-
24 of which: Mortgage-servicing rights		N/A	N/A
25 of which: Other deferred tax assets that rely on the Bank's future profitability		-	-
26a Investments in Common Equity Tier 1 of financial institutions being controlled but outside the regulatory scope of consolidation	h	6,970	6,970
26b Gaps of Common Equity Tier 1 of financial institutions being controlled but outside the regulatory scope of consolidation		-	-
26c Other deductions from Common Equity Tier 1 capital		-	-
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		-	-
28 Total regulatory adjustments to Common Equity Tier 1 capital		14,275	14,440
29 Common Equity Tier 1 capital after regulatory adjustments		2,788,059	2,706,459



APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

(In millions of RMB, except percentages)		Code	As at 30 June 2023	As at 31 December 2022
Additional Tier 1 capital:				
30	Directly issued qualifying Additional Tier 1 instruments including related premium	p+z	139,968	139,968
31	of which: Classified as equity	p+z	139,968	139,968
32	of which: Classified as liabilities		-	-
33	of which: Instruments not recognised in Additional Tier 1 capital after the transition period		-	-
34	Non-controlling interest given recognition in Additional Tier 1 capital	x	113	106
35	of which: Portions not recognised in Additional Tier 1 capital after the transition period		-	-
36	Additional Tier 1 capital before regulatory adjustments		140,081	140,074
Additional Tier 1 capital: Regulatory adjustments				
37	Direct or indirect investments in own Additional Tier 1 instruments		-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments		-	-
39	Non-significant investments in the capitals of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		-	-
40	Significant investments in the Additional Tier 1 capital of financial institutions outside the regulatory scope of consolidation		-	-
41a	Investments in Additional Tier 1 capital of financial institutions being controlled but outside the regulatory scope of consolidation		-	-
41b	Gaps of Additional Tier 1 capital of financial institutions being controlled but outside the regulatory scope of consolidation		-	-
41c	Other deductions from Additional Tier 1 capital		-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-	-
43	Total regulatory adjustments to Additional Tier 1 capital		-	-
44	Additional Tier 1 capital after regulatory adjustments		140,081	140,074
45	Tier 1 capital after regulatory adjustments (Common Equity Tier 1 capital after regulatory adjustments + Additional Tier 1 capital after regulatory adjustments)		2,928,140	2,846,533
Tier 2 capital:				
46	Directly issued qualifying Tier 2 instruments including related premium	n	475,361	453,197
47	of which: Portions not recognised in Tier 2 capital after the transition period		-	-
48	Non-controlling interest given recognition in Tier 2 capital	y	182	171
49	of which: Portions not recognised after the transition period		-	-
50	Provisions in Tier 2	-(b+d)	401,628	340,537
51	Tier 2 capital before regulatory adjustments		877,171	793,905
Tier 2 capital: Regulatory adjustments				
52	Direct or indirect investments in the Bank's Tier 2 instruments		-	-
53	Reciprocal cross-holdings in Tier 2 instruments		-	-
54	Non-significant investments in capital of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		-	-
55	Significant investments in the Tier 2 capital of financial institutions outside the regulatory scope of consolidation		-	-
56a	Investments in Tier 2 capital of financial institutions being controlled but outside the regulatory scope of consolidation		-	-
56b	Gaps of Tier 2 capital of financial institutions being controlled but outside the regulatory scope of consolidation		-	-
56c	Other deductions from Tier 2 capital		-	-
57	Total regulatory adjustments in Tier 2 capital		-	-
58	Tier 2 capital after regulatory adjustments		877,171	793,905
59	Total capital after regulatory adjustments (Tier 1 capital after regulatory adjustments + Tier 2 capital after regulatory adjustments)		3,805,311	3,640,438
60	Total risk-weighted assets		21,874,906	19,767,834
Capital adequacy ratio and reserve capital requirements				
61	Common Equity Tier 1 ratio		12.75%	13.69%
62	Tier 1 ratio		13.39%	14.40%
63	Total capital ratio		17.40%	18.42%
64	Specific buffer requirements of regulators		3.50%	3.50%
65	of which: Capital conservation buffer requirements		2.50%	2.50%
66	of which: Countercyclical buffer requirements		0.00%	0.00%
67	of which: Additional buffer requirements of Global Systemically Important Banks		1.00%	1.00%
68	Common Equity Tier 1 capital available to meet buffers as a percentage of risk-weighted assets		7.75%	8.69%

APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

(In millions of RMB, except percentages)		Code	As at 30 June 2023	As at 31 December 2022
Domestic minimum regulatory capital requirements				
69	Common Equity Tier 1 ratio		5.00%	5.00%
70	Tier 1 ratio		6.00%	6.00%
71	Total capital ratio		8.00%	8.00%
Amounts below the threshold deductions				
72	Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	e+f+g+i	165,808	142,336
73	Significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	j	275	311
74	Mortgage-servicing rights (net of deferred tax liabilities)		N/A	N/A
75	Other deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	m	122,129	112,716
Caps on the inclusion of provisions in Tier 2 capital				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to regulatory weighting approach (prior to the application of cap)	-a	86,264	94,823
77	Provisions eligible for inclusion in Tier 2 capital under regulatory weighting approach	-b	78,798	71,351
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of cap)	-c	389,764	341,982
79	Provisions eligible for inclusion in Tier 2 capital under internal ratings-based approach	-d	322,830	269,186
Capital instruments subject to phase-out arrangements				
80	Amount recognised in current-period Common Equity Tier 1 capital due to transitional arrangements		-	-
81	Amount not recognised in current-period Common Equity Tier 1 capital due to transitional arrangements		-	-
82	Amount recognised in current-period Additional Tier 1 capital due to transitional arrangements		-	-
83	Amount not recognised in current-period Additional Tier 1 capital due to transitional arrangements		-	-
84	Amount recognised in current-period Tier 2 capital due to transitional arrangements		-	-
85	Amount not recognised in current-period Tier 2 capital due to transitional arrangements		-	-



APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

The following table shows the balance sheet within the scope of accounting and regulatory consolidation.

(In millions of RMB)	As at 30 June 2023	
	Balance sheet of the accounting scope of consolidation	Balance sheet of the regulatory scope of consolidation
Assets		
Cash and deposits with central banks	3,431,782	3,431,633
Deposits with banks and non-bank financial institutions	290,923	277,764
Precious metals	66,775	66,775
Placements with banks and non-bank financial institutions	601,718	602,792
Positive fair value of derivatives	63,847	63,847
Financial assets held under resale agreements	1,411,258	1,408,259
Loans and advances to customers	22,360,543	22,357,894
Financial assets at fair value through profit or loss	567,261	420,425
Financial assets measured at amortised cost	6,395,058	6,343,204
Financial assets at fair value through other comprehensive income	2,293,209	2,225,214
Long-term equity investments	22,496	27,311
Fixed assets	153,412	150,912
Construction in progress	9,049	8,775
Land use rights	13,009	12,196
Intangible assets	6,129	5,229
Goodwill	2,375	2,180
Deferred tax assets	122,605	122,129
Other assets	443,257	440,324
Total assets	38,254,706	37,966,863
Liabilities		
Borrowings from central banks	892,062	892,062
Deposits from banks and non-bank financial institutions	3,299,939	3,303,530
Placements from banks and non-bank financial institutions	446,290	444,202
Financial liabilities at fair value through profit or loss	221,142	221,035
Negative fair value of derivatives	64,290	64,283
Financial assets sold under repurchase agreements	155,203	137,782
Deposits from customers	27,628,473	27,630,493
Accrued staff costs	44,848	43,007
Taxes payable	52,367	52,149
Provisions	50,181	50,181
Debt securities issued	1,798,899	1,790,752
Deferred tax liabilities	1,470	418
Other liabilities	643,314	381,711
Total liabilities	35,298,478	35,011,605
Equity		
Share capital	250,011	250,011
Other equity instruments – preference shares	59,977	59,977
Other equity instruments – perpetual bonds	79,991	79,991
Capital reserve	135,653	134,965
Other comprehensive income	27,121	32,911
Surplus reserve	337,527	337,527
General reserve	445,105	444,734
Undistributed profits	1,599,873	1,598,667
Total equity attributable to equity shareholders of the Bank	2,935,258	2,938,783
Non-controlling interests	20,970	16,475
Total equity	2,956,228	2,955,258

APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

The following table shows the information related to the expanded balance sheet within the regulatory scope of consolidation, as well as its connections with the composition of capital.

(In millions of RMB)	As at 30 June 2023	
	Balance sheet of the regulatory scope of consolidation	Code
Assets		
Cash and deposits with central banks	3,431,633	
Deposits with banks and non-bank financial institutions	277,764	
Precious metals	66,775	
Placements with banks and non-bank financial institutions	602,792	
Positive fair value of derivatives	63,847	
Financial assets held under resale agreements	1,408,259	
Loans and advances to customers	22,357,894	
of which: Provisions eligible actually accrued under regulatory weighting approach	(86,264)	a
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures under regulatory weighting approach	(78,798)	b
of which: Provisions eligible actually accrued under internal ratings-based approach	(389,764)	c
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures under internal ratings-based approach	(322,830)	d
Financial assets at fair value through profit or loss	420,425	
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	158,090	e
Financial assets measured at amortised cost	6,343,204	
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	-	f
Financial assets at fair value through other comprehensive income	2,225,214	
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	6,701	g
Long-term equity investments	27,311	
of which: Investments in Common Equity Tier 1 of controlled financial institutions outside of the regulatory scope of consolidation	6,970	h
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	1,017	i
of which: Significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	275	j
Fixed assets	150,912	
Construction in progress	8,775	
Land use rights	12,196	
Intangible assets	5,229	k
Goodwill	2,180	l
Deferred tax assets	122,129	m
Other assets	440,324	
Total assets	37,966,863	
Liabilities		
Borrowings from central banks	892,062	
Deposits from banks and non-bank financial institutions	3,303,530	
Placements from banks and non-bank financial institutions	444,202	
Financial liabilities at fair value through profit or loss	221,035	
Negative fair value of derivatives	64,283	
Financial assets sold under repurchase agreements	137,782	
Deposits from customers	27,630,493	
Accrued staff costs	43,007	
Taxes payable	52,149	
Provisions	50,181	
Debt securities issued	1,790,752	
of which: Tier 2 capital instruments and related premium ¹	475,361	n
Deferred tax liabilities	418	
Other liabilities	381,711	
Total liabilities	35,011,605	



APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

(In millions of RMB)	As at 30 June 2023	
	Balance sheet of the regulatory scope of consolidation	Code
Equity		
Share capital	250,011	o
Other equity instruments – preference shares	59,977	p
Other equity instruments – perpetual bonds	79,991	z
Capital reserve	134,965	q
Other comprehensive income	32,911	r
of which: Cash-flow hedge reserves	(104)	s
Surplus reserve	337,527	t
General reserve	444,734	u
Undistributed profits	1,598,667	v
Total equity attributable to equity shareholders of the Bank	2,938,783	
Non-controlling interests	16,475	
Of which: Non-controlling interests recognised in Common Equity Tier 1 capital	3,519	w
Of which: Non-controlling interests recognised in Additional Tier 1 capital	113	x
Of which: Non-controlling interests recognised in Tier 2 capital	182	y
Total equity	2,955,258	

- Pursuant to regulatory requirements, Tier 2 capital instruments issued by the Group's wholly-owned subsidiaries that don't comply with the regulations in China are not recognised in the Group's Tier 2 capital instruments and premium, which is different from the accounting treatment of such instruments.

APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

MAIN FEATURES OF ELIGIBLE REGULATORY CAPITAL INSTRUMENTS

The following table shows the information related to main features of various kinds of eligible regulatory capital instruments issued by the Group.

Main features of eligible regulatory capital instruments		H Share	A Share	Rights issue	Tier 2 capital instrument	Preference shares	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	CCB	CCB	CCB	CCB	CCB	CCB	CCB	CCB
2	Identification code	0939.HK	601939.SH	0939.HK, 601939.SH	ISIN:CND100007Z10	360030.SH	ISIN:CND10001PYK4	ISIN:CND10001QQJ0	ISIN:XS1936784161
3	Governing law(s)	Hong Kong SAR law	the PRC law	the PRC/Hong Kong SAR law	the PRC law	the PRC law	the PRC law	the PRC law	the UK law (Subordinated tranches subject to the PRC laws and regulations)
Regulatory treatment									
4	of which: Applicable to transitional period rules under the <i>Capital Rules for Commercial Banks (Provisional)</i>	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	of which: Applicable to post-transitional period rules under the <i>Capital Rules for Commercial Banks (Provisional)</i>	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	of which: Applicable to the Bank/Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level
7	Instrument type	Equity instrument	Equity instrument	Equity instrument	Tier 2 capital instrument	Additional Tier 1 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
8	Amount recognised in regulatory capital (in millions of RMB, as at the latest reporting date)	72,550	57,119	61,159	19,997	59,977	43,000	40,000	13,432
9	Par value of instrument	RMB30,459 million	RMB9,000 million	RMB16,322 million	RMB20,000 million	RMB60,000 million	RMB43,000 million	RMB40,000 million	US\$1,850 million
10	Accounting classification	Share capital and capital reserve	Share capital and capital reserve	Share capital and capital reserve	Debt securities issued	Other equity instruments	Debt securities issued	Debt securities issued	Debt securities issued
11	Original date of issuance	27 October 2005	25 September 2007	19 November 2010, 16 December 2010	15 August 2014	21 December 2017	20 September 2018	25 October 2018	20 February 2019
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Perpetual	Dated	Dated	Dated
13	of which: Original maturity date	No maturity	No maturity	No maturity	18 August 2029	No maturity	25 September 2028	29 October 2028	27 February 2029
14	Issuer call subject to regulatory approval	No	No	No	Yes	Yes	Yes	Yes	Yes
15	of which: Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	18 August 2024, redemption in full	At least five years from the date of issuance of preference shares (27 December 2017), redemption in full or in part.	25 September 2023, redemption in full or in part	29 October 2023, redemption in full or in part	27 February 2024, redemption in full or in part
16	of which: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	The redemption term of the preference shares starts from the beginning of such term to the date when all the preference shares have been wholly redeemed or converted.	N/A	N/A	N/A



APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

Main features of eligible regulatory capital instruments	H Share	A Share	Rights issue	Tier 2 capital instrument	Preference shares	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
17 Coupons/dividends of which: Fixed or floating dividend/ coupon	Floating	Floating	Floating	Fixed	Adjustable dividend rate (benchmark rate plus the fixed initial interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the dividend rate during each adjusting period remains unchanged.	Fixed	Fixed	The interest rate is fixed for the first five years, and is based on the interest rate at the coupon rate reset date (i.e., the five-year US government bond benchmark rate plus the initial fixed interest spread at the coupon reset date of the fifth year) for five consecutive years.
18 of which: Coupon rate and any related index	N/A	N/A	N/A	5.98%	The dividend yield for the first five years is 4.75% and is reset based on the five-year Chinese government bond rate plus the fixed initial interest spread (0.89%) at the dividend reset date for the consecutive five years. The dividend rate during each reset period remains unchanged. It has been reset to 3.57% since 21 December 2022.	4.86%	4.70%	The interest rate fixed at 4.25% for the first five years, is reset based on the five-year US government bond rate plus the fixed initial interest spread (1.88%) at the reset date for five consecutive years.
19 of which: Existence of dividend brake mechanism	N/A	N/A	N/A	No	Yes	No	No	No
20 of which: Fully discretionary, partially discretionary or non-discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Non-discretionary	Fully discretionary	Non-discretionary	Non-discretionary	Non-discretionary
21 of which: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No
22 of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23 Convertible or non-convertible	N/A	N/A	N/A	No	Yes	No	No	No
24 of which: If convertible, specify the trigger condition for conversion	N/A	N/A	N/A	N/A	Occurrence of Additional Tier 1 capital instruments trigger event or Tier 2 capital instruments trigger event.	N/A	N/A	N/A
25 of which: If convertible, specify if it is fully or partially	N/A	N/A	N/A	N/A	Fully or partially convertible upon the occurrence of Additional Tier 1 capital instruments triggers, and fully convertible upon the occurrence of Tier 2 capital instruments triggers	N/A	N/A	N/A

APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issue	Tier 2 capital instrument	Preference shares	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
26	of which: If convertible, specify conversion rate	N/A	N/A	N/A	N/A	The initial conversion price is the average trading price of A shares of the Bank in the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance of the preference shares (namely RMB5.20 per share). Since the date when the Board of Directors passed the resolution to issue the preference shares, in the event of any distribution of bonus shares or stock dividends for ordinary A-share holders, recapitalisation, issuance of new shares at a price lower than the market price (excluding the shares converted from financing instruments that are issued by the Bank and subject to the clauses of conversion into ordinary shares) and making rights issue, the Bank will accumulatively adjust the conversion price in the order of occurrence of the events, excluding the situation where the bank declares cash dividend for ordinary shares. In case of cancellation of repurchased shares, merger, split-up or other circumstances that may lead to changes in the Bank's share class, number and/or shareholders' equity and thereby affect the rights and interests of the preference shareholders, the Bank shall have the right to adjust the compulsory conversion price in a fair and impartial manner, so as to fully protect and balance the rights and interests of the preference shareholders and the ordinary shareholders.	N/A	N/A	N/A
27	of which: If convertible, specify if it is non-discretionary or optional conversion	N/A	N/A	N/A	N/A	Yes	N/A	N/A	N/A
28	of which: If convertible, specify instrument type after conversion	N/A	N/A	N/A	N/A	Common Equity Tier 1 capital	N/A	N/A	N/A
29	of which: If convertible, specify issuer of instrument after conversion	N/A	N/A	N/A	N/A	CCB	N/A	N/A	N/A
30	Write-down feature	N/A	N/A	N/A	Yes	No	Yes	Yes	Yes

APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

Main features of eligible regulatory capital No. instruments	Undated capital bonds	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
31 of which: If write-down, specify the trigger point of write-down	1. Triggering event of Additional Tier 1 capital instruments is where the Common Equity Tier 1 capital adequacy ratio drops to 5.125% (or below). 2. Triggering event of Tier 2 capital instrument refers to the earlier of following situations: (1) the regulatory authority determines an issuer cannot survive if no write-down is conducted; (2) related authorities confirm that an issuer cannot survive if public capital injection or equivalent support will not be available. When the principal of the bond is partially or fully written down, the bond will be written off perpetually and never recovers again.	Write-down is triggered at the earlier of following situations: (1) the regulatory authority determines an issuer cannot survive if no write-down is conducted; (2) related authorities confirm that an issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of following situations: (1) the regulatory authority determines an issuer cannot survive if no write-down is conducted; (2) related authorities confirm that an issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of following situations: (1) the regulatory authority determines an issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that an issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of following situations: (1) the regulatory authority determines an issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that an issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of following situations: (1) the regulatory authority determines an issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that an issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of following situations: (1) the regulatory authority determines an issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that an issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of following situations: (1) the regulator determines an issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that an issuer cannot survive if public capital injection or equivalent support will not be offered.
32 of which: If write-down, specify if it is full or partial	1. Partial/full when Additional Tier 1 capital instruments trigger events occur. 2. Full when Tier 2 capital instruments triggering events occur.	Partial/Full	Partial/Full	Partial/Full	Partial/Full	Partial/Full	Partial/Full	Partial/Full
33 of which: If write-down, specify if it is permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34 of which: If temporary write-down, specify the description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A



APPENDIX II: SUPPLEMENTARY INFORMATION TO CAPITAL ADEQUACY RATIOS

Main features of eligible regulatory No. capital instruments	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Undated capital bonds	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
1 Issuer	CCB	CCB	CCB	CCB	CCB	CCB	CCB	CCB	CCB
2 Identification code	ISIN: CND100040QD03	ISIN: XS2431453336	ISIN: CND100058P53	ISIN: CND100058P61	ISIN: CND10005MPCB	ISIN: CND10005V0T6	ISIN: CND10005V0S8	ISIN: CND100069210	ISIN: CND100069202
3 Governing law(s)	the PRC law	the UK law (Subordinated tranches subject to the PRC laws and regulations)	the PRC law	the PRC law	the PRC law	the PRC law	the PRC law	the PRC law	the PRC law
4 Regulatory treatment of which: Applicable to transitional period rules under the Capital Rules for Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5 of which: Applicable to post-transitional period rules under the Capital Rules for Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6 of which: Applicable to the Bank/Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level
7 Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Additional Tier 1 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
8 Amount recognised in regulatory capital (in millions of RMB, as at the latest reporting date)	7,998	14,487	44,990	14,997	40,000	24,995	14,997	4,999	14,997
9 Par value of instrument	RMB8 billion	US\$2 billion	RMB45 billion	RMB15 billion	RMB40 billion	RMB25 billion	RMB15 billion	RMB5 billion	RMB15 billion
10 Accounting classification	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued	Other equity instruments	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
11 Original date of issuance	10 December 2021	13 January 2022	15 June 2022	15 June 2022	29 August 2022	3 November 2022	3 November 2022	24 March 2023	24 March 2023
12 Perpetual or dated	Dated	Dated	Dated	Dated	Perpetual	Dated	Dated	Dated	Dated
13 of which: Original maturity date	14 December 2036	21 January 2032	17 June 2032	17 June 2037	No maturity	7 November 2032	7 November 2037	28 March 2033	28 March 2038
14 Issuer call subject to regulatory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15 of which: Optional call date, contingent call dates and redemption amount	14 December 2031, redemption in full or in part	21 January 2027, redemption in full or in part	17 June 2027, redemption in full or in part	17 June 2032, redemption in full or in part	The first call date is 31 August 2027, redemption in full or in part	7 November 2027, redemption in full or in part	7 November 2032, redemption in full or in part	28 March 2028, redemption in full or in part	28 March 2033, redemption in full or in part
16 of which: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	Every 31 August after the first call date	N/A	N/A	N/A	N/A





中国建设银行
China Construction Bank

Registered address and postcode
No. 25, Financial Street, Xicheng District,
Beijing 100033

www.ccb.cn
www.ccb.com



The half-year report is printed on recyclable paper

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

Stock Code :
939 (Ordinary H-Share)
601939 (Ordinary A-Share) 360030 (Domestic Preference Share)

